| RESEARCH ARTICLE

Leadership Style, Compensation and Competence Influence on Employee Performance through Job Satisfaction

Nur Ida Iriani[1], Suyitno[2] ✉ Totok Sasongko[3], Muhamad Rifai[4], Poppy Indrihastuti[5] and Dyah Agustin Widhi Yanti[6]

[1345]*Associate Professor, Management Department, Tribhuwana Tungga Dewi University of Malang*
[2]*Associate Professor, Science Education Department, Balitar Islamic University of Blitar*
[6]*Associate Professor, Management Department, Hangtuah University of Surabaya*
Corresponding Author: Suyitno, **E-mail**: drsuyitno03@gmail.com

| ABSTRACT

Many factors can increase employee job satisfaction, such as leadership style, compensation, and competence, and this certainly has an impact on improving employee performance. The purpose of this study was to determine the effect of leadership style, compensation and competence on employee performance through job satisfaction. This research was explanatory research using quantitative methods. The population was 32 employees; the sampling technique used total sampling. The analysis used in this study is path analysis using the Smart PLS program. The results of the path analysis show that leadership style and compensation have a direct effect on employee performance, while the competency variable does not directly affect employee performance. Intervening job satisfaction, while compensation and competence have no effect on the intervening variable of job satisfaction. Indirect test results also show that leadership style, compensation and competence have no effect on employee performance through job satisfaction. Thus, Micro, Small, and Medium Enterprises (MSMEs), in running their business, need to pay attention to things that can improve employee work performance, such as leadership style, compensation provided, and competencies possessed by employees so that they can achieve maximum business goals.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are the most important pillars of the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the contribution of SMEs to GDP is 61.07% or IDR 8,573.89 trillion. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce and can collect up to 60.4% of the total investment. The number of MSMEs in Indonesia has so far reached 64.2 million (2021 Cooperative Data). BPS data for 2020, the number of MSMEs in East Java was recorded at 9,782,262 business actors from various sectors. Of this number, the largest number of MSME players came from Jember, as many as 647,416, and the least was in Mojokerto City, as many as 18,995. Meanwhile, Batu City itself had 44,963 MSMEs in 2020 (East Java Diskopukm, 2020). The high number of MSMEs in Indonesia is also inseparable from the challenges that exist, both in terms of funding/investment; the resources that are owned include Human Resources (HR) as the MSMEs drive (RI Coordinating Ministry for Economic Affairs, 2021).

Talking HR certainly cannot be separated from employees. Employees who work in an organization are required to have skilled and reliable abilities (Afif et al., 2020). For this reason, planned and sustainable HR development is an absolute necessity for organizations in facing the demands of the times, which have an impact on the ability to process resources owned by the

organization/company where they work in achieving the company's vision and mission.(Fiansi Syarifudin, 2019). HR quality development is expected to improve employee performance in the organization/company (Wijaya, 2018). Studies conducted by Khairizah et al. (2015); Setiawan & Mujiati (2016); Firsties (2017); Razali (2018), and Haeranah (2018) show that leadership style influences employee performance.

Employee performance is the result of work performed by an employee, which is used as a reference or basis for evaluating employees in an organization or agency (Nurhasanah, 2021). Employee performance plays an important role for an organization/company because by creating good employee performance, it can achieve the performance of every organizational function, which can have an impact on achieving the performance of the organization itself. (Firmansyah & Sriathi, 2016). The size of employee performance indicators is based on effectiveness, efficiency, quality, timeliness, productivity and safety (Andy, 2016). The main factors in the formation of employee performance, as disclosed by Armstrong and Baron, cited by Bunawan & Turangan (2021), consist of 5 important factors, namely personal/individual (personal), leadership (leadership), team (team), system (system), and contextual/situational.

Individual factors include employee competency skills, motivation, and commitment (Setiawan & Mujiati, 2016). Competence is a reflection of a person's skills and knowledge; in other words, competence can also be said to be a basic characteristic of a person that enables superior performance in a particular job, role or situation. Competence includes doing something, not just passive knowledge. For example, an employee may be smart but unable to apply his intelligence in the workplace effectively, and then the employee's intelligence will be useless (Anggraeni, 2019). Employees who have competence in their expertise will be able to complete the work carried out in a professional manner so that employees will be satisfied with the results of the work they have completed. The level of employee satisfaction in completing the assigned tasks is an incentive for employees to complete their work effectively and efficiently, so this can create good work performance within the organization/company (Firsties, 2017).

In addition to individual (personal) employee factors, leadership factors can also affect employee performance (Bunawan & Turangan, 2021). Leaders in organizations/companies usually apply certain leadership styles to influence employee performance (Khairizah et al., 2015). The leadership style applied by the superiors of an organization or company will generate feedback to the subordinates themselves/employees, namely the achievement of employee satisfaction which can lead to high work motivation so as to achieve high performance as well (Kurniawan, 2018).

System factors can also affect employee performance. System factors related to work systems, various existing regulations, fulfillment of employee rights such as salary, compensation benefits, and others (Setiawan & Mujiati, 2016). The provision of proper compensation can not only affect the material conditions of employees but can also reassure employees, namely their satisfaction with the fulfillment of their rights. Employees who are rewarded for work performance in the form of compensation will work more diligently in the hope of achieving maximum results in order to receive compensation (Bunawan & Turangan, 2021).

2. Literature Review
2.1 Leadership Style
The important value of leadership in the organization plays a very important role in organizational management. Leadership is needed by humans because of certain limitations in humans. From this arises the need to lead and be led. Leadership is a process of one's activities to move others by leading, guiding, and influencing others to do something in order to achieve the expected results (Budiyanto et al., 2020). The broad definition of leadership includes the process of influencing in determining organizational goals, motivating the behavior of followers to achieve goals, and influencing to improve the group and its culture. In addition, it also influences the interpretation of the events of its followers, organizing and activities to achieve goals, maintaining cooperative relationships and working groups, obtaining support and cooperation from people outside the group or organization (Badu & Djafri, 2017). Leadership style is an important factor for companies because, in reality, leaders can influence morale, quality of work life, and especially the level of achievement of an organization (Budiyanto et al., 2020.). According to Rivai (in Badu & Djafri, 2017), namely: Decision making, Leader Behavior, and Dimensions.

2.2 Compensation
Compensation is all forms of payment or gifts given to employees and arising from their work (Dessler in Wirawan and Ni Kadek Suryani. 2017). Compensation is the financial remuneration provided by the organization to its employees as a reward for their work. Employees who have dedicated themselves to work in the organization receive remuneration in the form of compensation provided financially and non-financially (Bunawan & Turangan, 2021). According to Hasibuan (in Badu & Djafri, 2017)Broadly speaking, dividing compensation into three types, namely: Direct Compensation Rewards or rewards called salaries or wages, which are paid regularly based on a fixed period of time; Indirect Compensation Provision of a share of profits or benefits to workers outside of a fixed salary or wages, can be in the form of money or goods; Incentives Rewards or rewards given to motivate workers so that their work productivity is high, are not fixed or intermittent in nature.

2.3 Competence

Competence is defined as a behavioral dimension of expertise or superiority of a leader or staff who has good skills, knowledge and behavior (Heroes of Harahap-2011). Competence is a fundamental characteristic possessed by someone who has a direct effect on or can predict excellent performance (Sedarmayanti in Setiawan & Mujiati, 2016). In other words, competence is what outstanding performers do more often, in more situations, with better results than what policy raters do. From some of the definitions above, it can be concluded that competence is basic expertise and skills as well as the experience of a person, staff or leader who can influence them in carrying out work or other tasks effectively and efficiently or in accordance with predetermined company standards.
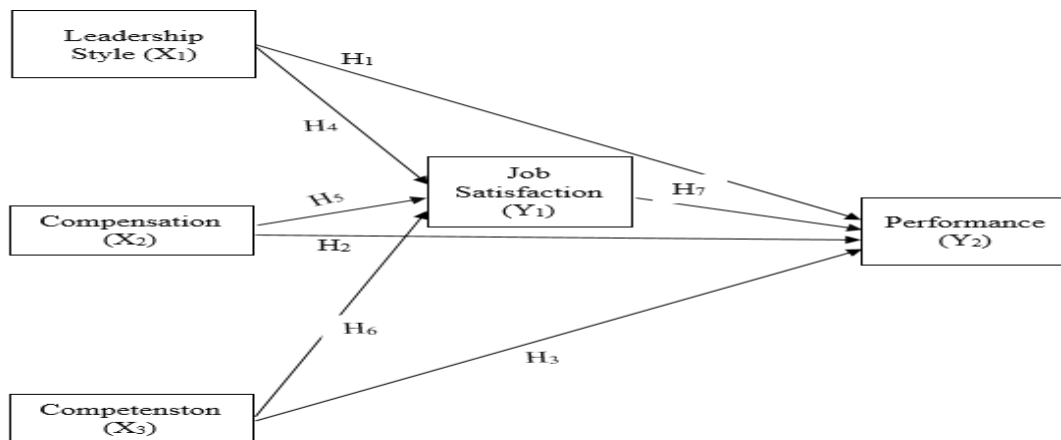
2.4 Employee performance

Performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him (Novia Ruth Sialen et al., 2021). Performance is the output produced by the functions or indicators of a job or a profession within a certain time (Sunarta, 2019). Employee performance is the result of employee work seen in the aspects of quality, quantity, working time, and cooperation to achieve the goals set by the organization (Suyitno, 2018). Performance is often defined only in terms of achieving measurable goals. But performance is a matter of not only what people achieve but how they achieve it. Thus, performance will be connected with achievement, implementation, and carrying it out. An outcome of performance may also relate to appropriate behavior, such behavior, especially in discretion, and the effective use of the requisite knowledge, skills, and competencies (Widjaja, 2021). Mangkunegaran (in Novia Ruth Sialen et al.-2021), the main factors that affect performance are ability factors (ability) and motivation factors (motivation).

2.5 Job satisfaction

According to Sunarta (2019), Job satisfaction is the way individuals feel about their work resulting from the individual's attitude towards the various aspects contained in the job. A similar understanding was also expressed by Wiliandari (2019); namely, job satisfaction is the positive or negative degree of one's feelings about various aspects of work tasks, the workplace and relationships with fellow workers. Meanwhile, according to Hasibuan (in Pitasari & Perdhana (2018), job satisfaction is a pleasant emotional attitude and love of his job. This attitude is reflected in work morale, discipline, and work performance. Meanwhile, another opinion about job satisfaction was put forward by Martoyo (in Wiliandari, 2019), namely: job satisfaction is an emotional state of employees where there is or is not a meeting point between the value of employee remuneration from the company/organization with the level of remuneration value that is desired by the employee concerned. Human needs are very diverse, both types and levels; even humans have needs that tend to be unlimited. That is, needs always increase from time to time, and humans always try their best to satisfy these needs. Human needs are defined as everything that one wants to have, achieve and enjoy. For this reason, humans are encouraged to carry out activities called work. Although not all activities are said to be work.

Picture 1. Research Concept Framework

Research Hypothesis
H1: It is suspected that there is an influence of leadership style on employee performance
H2: It is suspected that there is an effect of compensation on employee performance
H3: It is suspected that there is an effect of competency on employee performance
H4: It is suspected that there is an influence of leadership style on employee job satisfaction.
H5: It is suspected that there is an effect of compensation on employee job satisfaction
H6: It is suspected that there is an influence of competence on employee job satisfaction
H7: It is suspected that there is an effect of job satisfaction on employee performance

H8: It is suspected that there is an influence of leadership style, compensation and competence on employee performance through job satisfaction

3. Methodology

This study also tested theories by measuring research variables with numbers and analyzing data using statistical procedures (Presillia Glasow in Suyitno, 2022). Quantitative research is a process of finding knowledge that uses data in the form of numbers as a means of analyzing information regarding the objectives under study (Chin, 1998). The location of this research is in the Ceramics Center of Dadaprejo Village, Batu City. The population in this study were all employees who worked at the Dadaprejo Village Ceramic Center, Batu City, totalling 32 people who were all taken as respondents in the study. The variables in this study are leadership style, compensation, competence, job satisfaction and performance.

Table 1. Research variable

Variable	Variable Definition	Indicator
Leadership Style (X1)	Leadership style is a set of characteristics used by leaders to influence subordinates so that organizational goals are achieved, or it can also be said that leadership style is a pattern of behavior and strategies that are preferred and often applied by a leader (Rivai, 2013).	Leadership style indicators: Decision Making and Leader Behavior Dimensions
Compensation (X2)	Compensation is all forms of payment or gifts given to employees and arises from their work (Dessler, 2007)	Compensation indicators include: Salary, Bonuses and Allowances
Competency (X3)	Competence is a fundamental characteristic possessed by someone who has a direct effect on or can predict excellent performance (Sedarmayanti, 2007).	Competency indicators include: innate talent, high work motivation, attitude, knowledge possessed, skills, and Environment
Job satisfaction (Y1)	Job satisfaction is the way individuals feel about their work resulting from the individual's attitude towards the various aspects contained in the job (Priansah, 2011).	Measurement of job satisfaction using job Descriptive Index(JDI), that is the indicator includes: Payments, such as salaries and wages, the Work itself, Job Promotions, Supervision of Colleagues
Employee performance (Y2)	Employee performance is the result of employee work seen in the aspects of quality, quantity, working time, and cooperation to achieve the goals set by the organization	Work performance indicators: Quality, Quantity, Working time, and Cooperation

Source: Secondary Data, 2022 (processed)

Data collection methods used in this study were interviews, observation, documentation, and questionnaires. The measurement scale used is a Likert scale with five alternative answers. Validity and reliability tests are used to ensure that research instruments are in accordance with research needs. The minimum requirement to be considered a valid instrument item is a valid index value is the validity index value ≥0.3 (Piotr Tarka in Suyitno, 2022). Therefore, all statements that have a correlation level below 0.3 must be corrected because they are considered invalid. The reliability test is the same as consistency or constancy. A research instrument is said to be reliable if the research instrument has consistent results in measuring what is to be measured. The analysis used in this study is path analysis using the Smart-PLS program. This hypothesis was tested at the 0.05 significance level (95% confidence level). To find out the decision making of hypothesis testing is done by comparing the significance and alpha levels (0.05).

4. Results and Discussion

This research was conducted at the Dadaprejo Village Ceramic Center, Batu City. Dadaprejo Village is one of the villages in the working area of Junrejo District, Batu City. The description of general description of the respondents includes gender and age, which are described as follows:

Table 1. Description of the General Description of Respondents

No	General data	F	%
Gender:			
1	Man	26	81.2
2	Woman	6	18,8
Age:			
1	19-25 years	25	78.1
2	26-35 years	6	18,8
3	36-45 years	1	3,1
Education:			
1	Student	20	62.5
2	Bachelor	3	9,4
3	Senior High School	8	25.0
4	Vocational High School	1	3,1
Length of working:			
1	1-2 years	7	21,9
2	3-4 years	21	65,6
3	5-6 years	4	12.5

Source: Processed data, 2022

Based on table 1, it is known that the respondents who were part of this sample were mostly male, as many as 32 people (81.2%), most of them were aged between 19-25 years, as many as 25 people (78.1%), the majority were still in the status of 20 students (62.5%), and most of them have worked between 3-4 years, namely 21 people (65.6%).

Testing of the inner model or structural model is carried out to see the relationship between the constructs, the significance value and the R-square of the research model. The structural model was evaluated using the R-square for the dependent construct t-test and the significance of the structural path parameter coefficients. Assessing the model with PLS begins by looking at the R-square for each dependent latent variable. The results of testing the inner model or structural model are as follows.

Table 2. Testing the Inner Model or Structural Model

No.	Variable	R Square	R Square Adjusted
	X1, X2, and X3→ Y1	0.980	0.977
	Y1→ Y2	0.996	0.995

Source: Processed data, 2022

Based on Table 2 shows that the first R-square value for the job satisfaction variable (Y1) is obtained at 0.980, which means that the contribution of the influence of the independent variable, which includes leadership style, compensation and competency variables on job satisfaction in the Ceramic Center of Dadaprejo Village, Batu City by 98.0%. The second R-square for the employee performance variable (Y2) is 0.996, which means that the contribution of the intervening variable, namely job satisfaction, to employee performance in the Ceramic Center of Dadaprejo Village, Batu City of 99.6% variable.

Hypothesis testing is done to find out whether all variables are statistically significant linkages or influences such as the previously proposed hypothesis or may also reject the hypothesis that has been proposed. The first step is to test the hypothesis using the SmartPLS software, where the output display that has experienced the deletion of the construct can be seen in the following figure.

Figure 2. Output PLS Algorithm
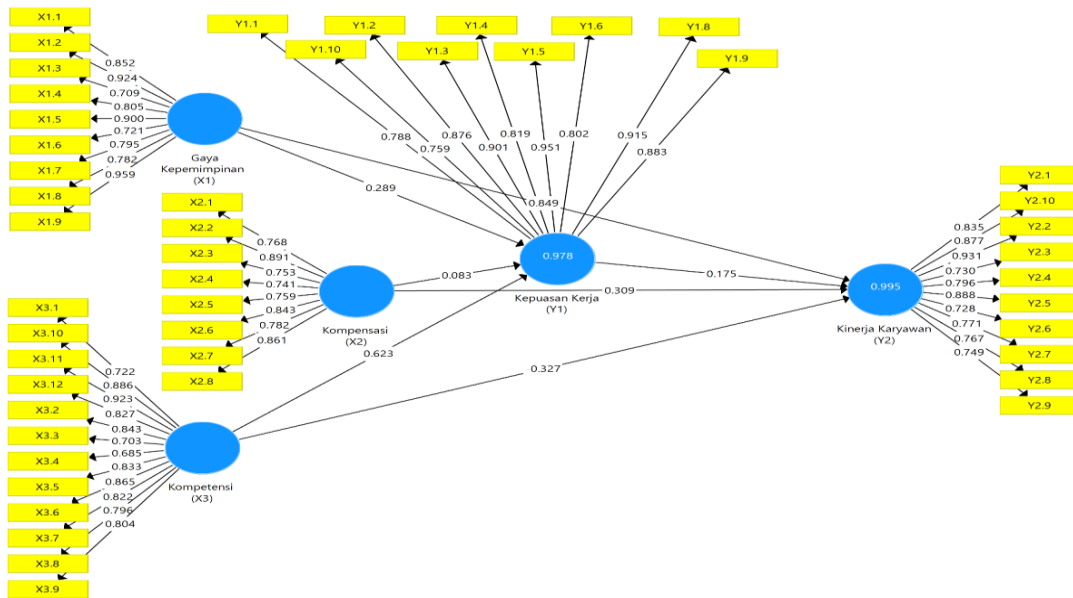
Source: Processed data, 2022

Based on the display of the output image in Figure 2 above, it is known that the highest coefficient value for the leadership style variable (X1) is the statement X1.9 which is equal to 0.959. This indicates that X1.9 is the construct that has the strongest correlation among other constructs in the leadership style variable. The indicator in X1.9 contains the statement "Superiors/leaders always give tasks with detailed explanations", indicating that respondents received detailed explanations regarding new tasks/jobs received from superiors/leaders. While the lowest value is in the X1.3 construct, which is equal to 0.709, this indicates that X1.3 is the construct that has the lowest correlation among other constructs in the leadership style variable. X1 construct.

Next, the highest coefficient value for the compensation variable (X2) is the statement X2.2 which is equal to 0.891. This indicates that X2.2 is the construct that has the strongest correlation among other constructs in the compensation variable. The indicator in X2.2, which contains the statement "The wages and salary that I have received so far have been in accordance with the workload", shows that the amount of wages and salaries received by respondents is in accordance with the work they do. While the lowest value is in the X2.4 construct, which is equal to 0.741, this indicates that X2.4 is the construct that has the lowest correlation among other constructs in the compensation variable. X2.4 construct, which contains the statement "The amount of commission received is in accordance with the workload done", indicates that the respondent feels that the additional commission received is in accordance with the workload he is doing.

Next, the highest coefficient value for the competency variable (X3) is the statement X3.11 which is equal to 0.923. This indicates that X3.11 is the construct that has the strongest correlation among other constructs in the competency variable. The X3.11 construct contains the statement, "I am able to channel my creative ideas in the work environment", which shows that the workplace provides opportunities for employees (respondents) to channel their ideas at work. While the lowest value is in the X3.4 construct, which is equal to 0.685, this indicates that X3.4 is the construct that has the lowest correlation among other constructs in the competency variable. The X3.4 construct containing the statement "I prefer to do challenging work" indicates that respondents like to accept new and challenging jobs.

Next, the highest coefficient value for the variable job satisfaction (Y1) is the statement Y1.5 which is equal to 0.951; this indicates that Y1.5 is the construct that has the strongest correlation among other constructs in the variable job satisfaction. Construct Y1.5, which contains the statement, "I feel comfortable working here because there are many opportunities to advance or develop a career", indicates that respondents feel comfortable working at the Junrejo Village Ceramic Center, Batu City. While the lowest value is in the construct Y1.10, which is equal to 0.759, this indicates that Y1.10 is the construct that has the lowest correlation among other constructs in the variable job satisfaction. Y1.10 construct, which contains the statement, "My co-workers always give advice,

Next, the highest coefficient value for the employee performance variable (Y2) is the Y2.2 statement which is equal to 0.931. This indicates that Y2.2 is the construct that has the strongest correlation among other constructs in the employee performance variable. The Y2.2 construct contains the statement, "In doing my job, I do it carefully and thoroughly", which shows that the respondent

did the job carefully. While the lowest value is in the Y2.3 construct, which is equal to 0.730. This indicates that Y2.3 is the construct that has the lowest correlation among other constructs in employee performance variables. The Y2.3 construct, which contains the statement "I am able to achieve the predetermined target", indicates that the respondent is able to carry out the work according to the specified target.

After calculating the PLS Algorithm to find out the value of the construct coefficient of each variable, then it is done bootstrapping, as shown in the following image.

Figure 3. SmartPLS Bootstrapping
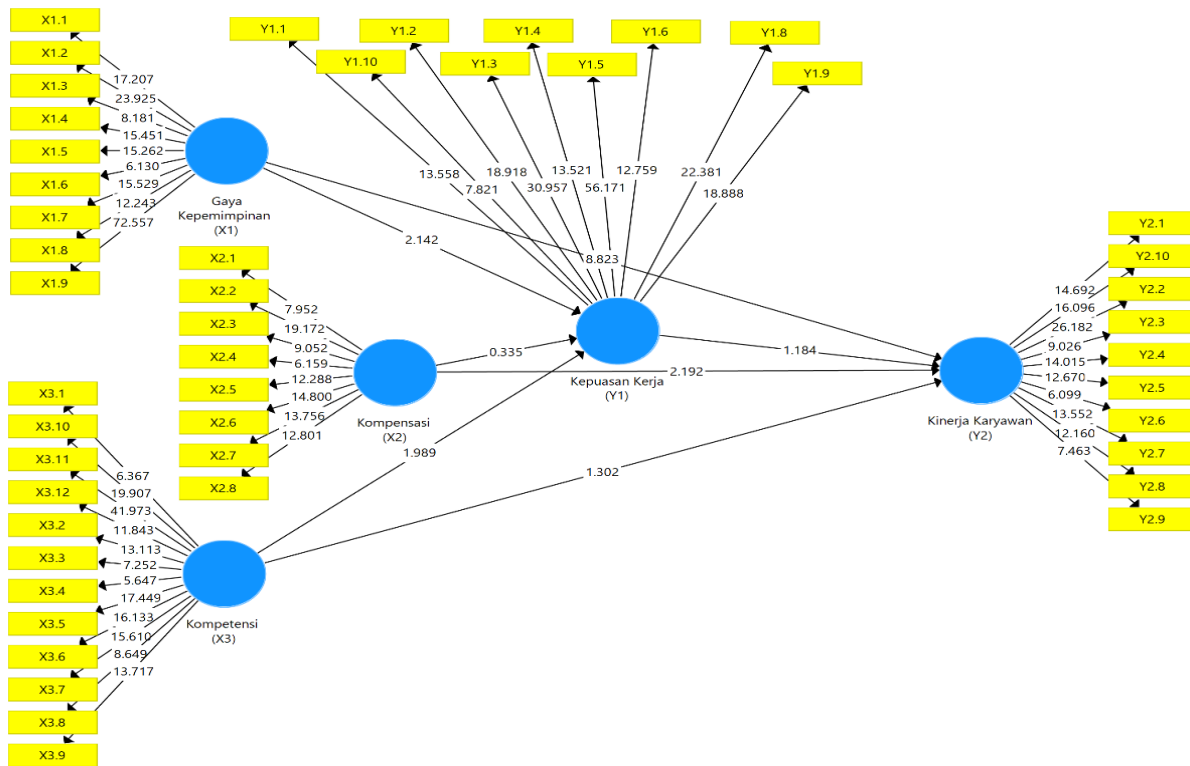
Source: Processed data, 2022

Furthermore, to assess the significance of the prediction model in testing the structural model, it can be seen from the t-statistic value between the independent variables to the dependent variable in the Path Coefficient table in the SmartPLS output below:

Table 3. Path Coefficients (Mean, STDEV, t-Value)

No	Variable	t-Statistics (t-count)	t-table	P-Values	Hypothesis Description
1	X1 → Y2	7,550	1,975	0.000	H1 is accepted
2	X2 → Y2	2,348	1,975	0.019	H2 is accepted
3	X3 → Y2	1,478	1,975	0.140	H3 is rejected
4	X1 → Y1	1,990	1,975	0.047	H4 is accepted
5	X2 → Y1	0.338	1,975	0.736	H5 is rejected
6	X3 → Y1	1,963	1,975	0.050	H6 is rejected
7	X1 → Y2	1.377	1,975	0.169	H7 is rejected
8	X1 → Y1 → Y2	0.998	1,975	0.319	H8 is rejected
9	X2 → Y1 → Y2	0.195	1,975	0.846	H8 is rejected
10	X3 → Y1 → Y2	0.674	1,975	0.500	H8 is rejected

Source: Processed data, 2022

Based on the results of the SmartPLS Bootstrapping test, the path coefficients in table 3 can be interpreted as follows: Testing the first hypothesis (H1), the effect of leadership style (X1) on employee performance (Y2) obtained a t-statistic value greater than t-

table (7.550 ≥ 1.975) and the p values are less than 5% (0.000 ≤ 0.05), so the H1 hypothesis is accepted, meaning that there is an influence of leadership style on employee performance in the Ceramic Center of Dadaprejo Village, Batu City. Testing the second hypothesis (H2), the effect of compensation (X2) on employee performance (Y2) obtained a t-statistic value greater than the t-table (2.348 ≥ 1.975) and a p-value of less than 5% (0.019 ≤ 0.05), so hypothesis H2 is accepted, meaning that there is an effect of compensation on employee performance.

Testing the fourth hypothesis (H4), the effect of leadership style (X1) on job satisfaction (Y1) obtained a t-statistic value greater than the t-table (1.990 ≥ 1.975) and a p-value of less than 5% (0.047 ≤ 0.05), so that the H4 hypothesis is accepted, meaning that there is an influence of competency on employee job satisfaction. Testing the fifth hypothesis (H5), the effect of compensation (X2) on job satisfaction (Y1) obtained a t-statistic value smaller than t-table (0.338 ≤ 1.975) and a p-value greater than 5% (0.736 ≥ 0.05), so that the H5 hypothesis is rejected, meaning that there is no effect of compensation on employee job satisfaction at the Dadaprejo Village Ceramic Center, Batu City. Testing the sixth hypothesis (H6), the effect of competence (X3) on job satisfaction (Y1) obtained a t-statistic value smaller than the t-table (1.963 ≤ 1, 975), and the p values are greater than 5% (0.050 ≥ 0.05), so that the H6 hypothesis is rejected, meaning that there is no influence of competence on employee job satisfaction in the Ceramic Center of Dadaprejo Village, Batu City. Testing the seventh hypothesis (H7), the effect of employee job satisfaction (Y1) on employee performance (Y2) obtained a t-statistic value smaller than t-table (1.377 ≤ 1.975) and a p-value greater than 5% (0.169 ≥ 0.05), so that the H7 hypothesis is rejected, meaning that there is no effect of job satisfaction on performance. Testing the eighth hypothesis (H8), the effect of leadership style (X1), compensation (X2) and competence (X3) on employee performance (Y2) through job satisfaction (Y1) obtained a t-statistic value smaller than the t-table, where each indirect effect of the independent variable leadership style (X1) on employee performance (Y2) through job satisfaction (Y1) of 0.998 ≤ 1.975 with p values greater than 5% (0.319 ≥ 0.05). The indirect effect of the independent variable compensation (X2) on employee performance (Y2) through job satisfaction (Y1) is 0.195 ≤ 1.975 with p values greater than 5% (0.846 ≥ 0.05). The indirect effect of the competency independent variable (X3) on employee performance (Y2) through job satisfaction (Y1) is 0.674 ≤ 1.975 with p values greater than 5% (0.500 ≥ 0.05). So that the H8 hypothesis is rejected, meaning that there is no influence of leadership style, compensation and competence on employee performance through job satisfaction. 975 with p-values greater than 5% (0.319 ≥ 0.05). The indirect effect of the independent variable compensation (X2) on employee performance (Y2) through job satisfaction (Y1) is 0.195 ≤ 1.975 with p values greater than 5% (0.846 ≥ 0.05). The indirect effect of the competency independent variable (X3) on employee performance (Y2) through job satisfaction (Y1) is 0.674 ≤ 1.975 with p values greater than 5% (0.500 ≥ 0.05). So that the H8 hypothesis is rejected, meaning that there is no influence of leadership style, compensation and competence on employee performance through job satisfaction. 975 with p-values greater than 5% (0.319 ≥ 0.05). The indirect effect of the independent variable compensation (X2) on employee performance (Y2) through job satisfaction (Y1) is 0.195 ≤ 1.975 with p values greater than 5% (0.846 ≥ 0.05). The indirect effect of the competency independent variable (X3) on employee performance (Y2) through job satisfaction (Y1) is 0.674 ≤ 1.975 with p values greater than 5% (0.500 ≥ 0.05). So that the H8 hypothesis is rejected, meaning that there is no influence of leadership style, compensation and competence on employee performance through job satisfaction. The indirect effect of the competency independent variable (X3) on employee performance (Y2) through job satisfaction (Y1) is 0.674 ≤ 1.975 with p values greater than 5% (0.500 ≥ 0.05). So that the H8 hypothesis is rejected, meaning that there is no influence of leadership style, compensation and competence on employee performance through job satisfaction. The indirect effect of the competency independent variable (X3) on employee performance (Y2) through job satisfaction (Y1) is 0.674 ≤ 1.975 with p values greater than 5% (0.500 ≥ 0.05). So that the H8 hypothesis is rejected, meaning that there is no influence of leadership style, compensation and competence on employee performance through job satisfaction.

Based on the results of the analysis presented in this study, it is known that testing the hypothesis of the effect of leadership style on employee performance obtained t-statistic values greater than t-table (7.550 ≥ 1.975) and p values less than 5% (0.000 ≤ 0.05), so that the H1 hypothesis is accepted, which indicates that there is an influence of leadership style on employee performance at the Dadaprejo Village Ceramic Center, Batu City. While on the path analysis. The results of this study illustrate that leadership style has an impact on employee performance, namely the leadership style of MSME owners felt by employees, the better their work performance.

The results of this study are in line with previous research conducted by Khairiza et al. (2015)concluded that leadership style has an effect on employee performance (studies on employees at the Library of Brawijaya University Malang. Another study conducted by Setiawan and Mujiati (2016)concluded that leadership style has a significant effect on the performance of employees of PT. Astra Honda Nusa Dua, Badung regency. Firstie and Madina (2017)in their research also concluded that leadership style has a significant effect on performance. Razali (2018), in his research, concluded that leadership style on the performance of the Aceh Regional Secretariat Bureau of Welfare employees. Haeranah (2020) in their research they concluded that style has a positive and significant effect on the performance of employees of the Makassar City Regional Revenue Agency.
Based on the findings in this study, it can be said that the leadership style of MSME owners plays an important role in improving employee performance, this is because leadership style can provide comfort to employees at work, so this certainly improves their

performance in carrying out their duties and work. If the management or owners of SMEs need to apply a leadership style that is considered good and in accordance with the wishes of employees so that working employees have a sense of full responsibility and the desire to achieve predetermined targets.

Based on the results of the analysis presented in this study, it is known that the compensation variable has a t-statistic value greater than the t-table (2.348 ≥ 1.975) and a p-value of less than 5% (0.019 ≤ 0.05), so H2 is accepted, which shows that there is an effect of compensation on employee performance at the Dadaprejo Village Ceramic Center, Batu City. The results of this study prove that the better the compensation received by employees, the better their work performance will be. Compensation given to employees can be in the form of salaries, commissions, incentives, or health benefits such as insurance (BPJS Ketenagakerjaan) in a fair manner taking into account the level of position, education, and workload that can form good work performance.

The results of this study are in line with research conducted by Setiawan and Mujiati (2016)concluded that the compensation variable has a significant effect on the performance of employees of PT. Astra Honda Nusa Dua, Badung Regency. Razali (2018), in his research, concluded that variable compensation affects job satisfaction and work motivation and its impact on the performance of employees of the Bureau of Welfare of the Aceh Regional Secretariat.

Based on the findings in this study, the researchers argue that the compensation given to employees plays an important role in improving employee performance. The compensation given to employees as a form of encouragement for achievement by increasing their performance can be in the form of providing an appropriate salary, additional commissions if employees achieve targets, incentives according to workload, and additional benefits according to rank/class. Compensation given to employees fairly can create a sense of responsibility for employees in doing work. Based on these findings, researchers can argue that compensation can increase employee responsibility for completing work effectively and efficiently,

Based on the results of the analysis presented in this study, it is known that the competency variable has a t-statistic value that is smaller than the t-table (1.478 ≤ 1.975) and a p-value greater than 5% (0.140 ≥ 0.05), so the H3 hypothesis is rejected, which indicates that it does not exist competency on employee performance. The results of this study illustrate that the competence possessed by employees will not necessarily have a significant impact on employee performance.

The results of this study are not in line with previous research, which was research conducted by Firstie and Madina (2017)concluded that the competency variable had the strongest influence on the performance of civil servants at the Kapuas Regency Transportation Service. Razali (2018), in his research, concluded that the competency variable has a significant effect on the performance of the Aceh Regional Secretariat Bureau of Welfare employees. Anggraini (2019)concluded that competence partially affects employee performance.

In general, employees who have characteristics that match the desired criteria in the world of work will be able to improve their work performance and vice versa; employees who work without competence or expertise will not make progress on the job. So that someone who starts work must have basic expertise and skills, and experience in carrying out work or other tasks effectively and efficiently or in accordance with predetermined company standards. However, sometimes or even found that there are employees who have work skills/competencies and feel that they are the best, so they will avoid any mistakes so that work is done carelessly. This, of course, has a negative impact on the results achieved.

Based on the results of the analysis presented in this study, it is known that the leadership style variable has a t-statistic value greater than t-table (1.990 ≥ 1.975) and a p-value of less than 5% (0.047 ≤ 0.05), soH4 is accepted, indicating that there is the influence of leadership style on employee job satisfaction at the Dadaprejo Village Ceramic Center, Batu City. The results of this study illustrate that there are MSME owners leading the business they run in a style and model that is liked by their employees, which will create a sense of satisfaction for these employees.

The results of this study are in line with those previously conducted by Sultan et al. (2020), who concluded that partial leadership style has a positive and significant effect on performance. When viewed from the notion of job satisfaction expressed by Sunarta (2019) that job satisfaction is the way an individual feels his job resulting from the individual's attitude towards the various aspects contained in work, it can give an illustration that when aspects of the leadership style are applied by someone, in this case, the MSME owner, will give positive or negative effects to employees.

Based on the results of the analysis presented in this study, it is known that the compensation variable has a t-statistic value that is smaller than the t-table (0.338 ≤ 1.975) and the p-value is greater than 5% (0.736 ≥ 0.05), soH5 is rejected, indicating that it is not there is an effect of compensation on employee job satisfaction. The results of this study prove that the compensation given to employees according to their position, type of work, and the amount of work done by employees, does not necessarily create

a feeling of satisfaction; this is because human nature, the higher the income, the higher the value of their needs, so it will not have an impact on employee job satisfaction.

The results of this study are also not in line with research conducted by Widjaja (2021)concluded that compensation has an effect on job satisfaction and work motivation and its impact on employee performance. Based on the findings in this study and previous research, the researchers argue that the compensation given to employees plays an important role, namely, providing satisfaction for employees. The level of satisfaction that employees have can trigger them to work more effectively and efficiently to achieve better results so that when the compensation given is increased, such as being given an additional bonus for the achievements of the work done, it will provide a spirit of satisfaction so that employees will have a sense of accomplishment passion for working even harder.

Based on the results of the analysis presented in this study, it is known that the competency variable has a t-statistic value that is smaller than the t-table (1.963 ≤ 1.975) and a p-value greater than 5% (0.050 ≥ 0.05), so that the H6 hypothesis is rejected, which indicates that it does not exist the influence of competence on employee job satisfaction. The results of testing this hypothesis indicate that when employees work according to their competence, it will increase their sense of satisfaction at work, but on the other hand, employees feel not challenged because the work they are doing is considered too easy for them.

The results of this study are not in line with previous research conducted by Razali (2018)concluded that competence affects job satisfaction and work motivation and its impact on employee performance. Based on the findings of this study and previous research, the researcher argues that competent employees and being able to apply them to the business world will give them a sense of satisfaction, where employees will feel that the characteristics that exist in them can be applied or applied to the world of work so that employees will have a sense of to look for new experiences by trying to do experiments that are considered better than what they currently have.

Based on the results of the analysis presented in this study, it is known that the variable job satisfaction has a t-statistic value that is smaller than the t-table (1.377 ≤ 1.975) and a p-value greater than 5% (0.169 ≥ 0.05), so the H7 hypothesis is rejected, which shows that it is not there is an effect of job satisfaction on employee performance. The results of testing this hypothesis indicate that job satisfaction possessed by employees does not necessarily have a significant impact on their performance because the level of satisfaction possessed sometimes makes employees feel comfortable in their position so that they are not productive (relaxed) at work.

The results of this study are not in line with previous research conducted by Wiliandari (2019) concluded that job satisfaction has a significant impact on employee performance. Based on the findings and previous research, the researchers assume that job satisfaction is a pleasant or emotionally positive condition that comes from a person's assessment of his work or work experience. Job satisfaction is a positive feeling about one's job, which is the result of an evaluation of its characteristics, likewise with job satisfaction felt by employees, so that when employees are satisfied with various existing aspects will have the potential to improve performance. Employee performance is very influential for the success of MSMEs; good performance or employee performance will be directly proportional to good results in the development of the company's business.

Based on the results of path analysis calculations, it was found that the leadership style variable had a direct effect on employee performance but did not have an indirect effect; in other words, leadership style did not affect employee performance through job satisfaction. The results of this study mean that leadership style can have a positive impact on the level of employee job satisfaction, but not necessarily that satisfaction can improve employee performance.

The results of path analysis calculations also show that the compensation style variable has a direct effect on employee performance but does not have an indirect effect; in other words, compensation does not affect employee performance through job satisfaction. The results of this study mean that compensation affects the level of employee job satisfaction, but job satisfaction does not necessarily have an impact on increasing employee performance. In other words, compensation given to employees will create a sense of satisfaction, but the satisfaction experienced by employees does not have an impact or does not necessarily form high morale so as to create good employee performance, where employees can work effectively and efficiently.

The results of path analysis calculations also show that competence does not directly affect employee performance and also does not affect indirectly; in other words, competence does not affect employee performance through job satisfaction. The results of this study mean that employees can be satisfied because their competencies or characteristics can be utilized or applied to the world of work, but it is not certain that job satisfaction arising from the impact of these competencies can increase employee performance.

5. Conclusion

Employee performance at the Dadaprejo Village Ceramic Center, Batu City, is influenced by leadership style and compensation with path coefficients of 0.849 and 0.309, respectively. Competence has no significant effect on employee performance, with a path coefficient of 0.327. Leadership style has a significant effect on employee job satisfaction, with a path coefficient of 0.289. Compensation and competence each have no significant effect on employee job satisfaction with a path coefficient of 0.083; 0.623. Job satisfaction has no significant effect on employee performance, with a path coefficient of 0.175. Leadership style, compensation, and competence have no significant effect on employee performance through job satisfaction, with a path coefficient of 0.210. The limitation of this study is that the method used in collecting data with a questionnaire may be less accurate than the direct observation and interview methods. The distribution of online questionnaires through Google Forms which is possible, has not been understood by some employees at the Dadaprejo Village Ceramic Center, Batu City. It is recommended that Micro, Small and Medium Enterprises (MSMEs), in running their business need to pay attention to things that can improve employee work performance, such as leadership style, compensation provided, and competencies possessed by employees so that they can achieve maximum business goals.

Conflicts of Interest: The authors declare no conflict of interest.
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ORCID iD: https://orcid.org/0000-0002-7568-0659

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