

Research Article

The Influence of Leadership and Compensation on Employee Performance at PT REX Denpasar with Job Satisfaction as a Mediating Variable

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Abstract: Human resources (HR) are a crucial component of any organization, playing a vital role in determining its development and success. One key aspect of HR management is employee performance, which reflects the quality and quantity of employee output in meeting company targets. This study focuses on PT REX Denpasar, a logistics company that experienced fluctuations in monthly revenue throughout 2023. This phenomenon indicates performance issues related to work quantity, delivery accuracy, and time efficiency. Several operational issues identified included variability in staff productivity, delays in delivery schedules, and inaccuracies in shipping data processing. To explore solutions to these challenges, the study examined the role of managerial leadership and financial incentives in improving employee performance, with job satisfaction as a mediating variable. This study covered all 40 employees of PT REX Denpasar, using a comprehensive enumeration sampling method. Data were collected through structured questionnaires, in-depth interviews, and a review of organizational records. Analysis was conducted using a structural path modeling approach to examine the relationships between variables. The results showed that managerial leadership had a significant effect on job satisfaction, as did the financial incentives provided by the company. Furthermore, leadership quality and compensation systems have been shown to have a positive correlation with improved employee performance. Furthermore, job satisfaction was found to act as a substantial mediator, strengthening the influence of leadership and compensation on performance. Thus, improving leadership quality and improving compensation mechanisms not only have a direct impact but also an indirect impact through increased job satisfaction.

Keywords: Compensation, Employee Performance, Influence, Job Satisfaction, Leadership.

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1. Introduction

The workforce continues to serve as a fundamental element in ensuring organizational functionality and growth of any organization, including public institutions and private enterprises [1]. HR refers to the individuals who are engaged in planning, organizing, and executing tasks to achieve organizational goals [2]. At the heart of every company's success lies the performance of its employees, which is significantly influenced by how well human resources are managed [3]. This study focuses on PT REX Denpasar, a logistics company operating in the expedition services sector. As with many service-based organizations, PT REX Denpasar relies heavily on the performance of its workforce to ensure service quality and customer satisfaction. Despite management's efforts to maintain optimal productivity, the company continues to face challenges related to employee performance, which is reflected in its inconsistent revenue generation throughout 2023.

Several prior studies have explored the factors influencing employee performance, typically using quantitative research methods, such as surveys and regression analyses, to test relationships between variables like leadership, compensation, and job satisfaction. For example, various academic inquiries have applied complex analytical frameworks to assess the extent to which supervisory practices and financial incentives shape individual performance, with workplace satisfaction functioning as an intermediary element [4]. These

studies offer strong empirical insights into the dynamics of organizational behavior by using robust statistical tools that allow for testing complex models. However, such methods are not without limitations; quantitative approaches often lack the depth needed to capture the nuances of individual employee experiences and perceptions. Moreover, many prior studies use cross-sectional data, limiting their ability to infer causality.

While the strengths of these studies lie in their statistical rigor and generalizability, their weaknesses include over-reliance on numerical data and limited contextual analysis. Despite being less prevalent in related research, qualitative inquiry can provide comprehensive perspectives on the personal and professional realities encountered by organizational members and leadership figures. Previous Studies have attempted to integrate both perspectives using mixed methods, yet such approaches remain relatively rare and underdeveloped in Indonesian organizational research [5], [6]. Furthermore, findings across existing literature remain inconsistent, particularly regarding the impact of leadership and compensation on performance. For instance, some studies found that leadership does not significantly influence employee performance, which contradicts previous findings that an affirmative and notable connection between the two factors was established through the analysis [7], [8], [9], [10].

These inconsistencies highlight several research problems, including the unclear and existing research presents varying outcomes on how leadership affects employee outcomes, often influenced by situational variables. Similarly, scholarly discussions on compensation reveal contradictory conclusions. In addition, the role of job satisfaction as an intermediary factor within these associations has not been thoroughly investigated. Further compounding the issue is the scarcity of studies that apply these variables specifically to logistics service providers in Indonesia, which operate under distinct organizational structures and working conditions compared to other sectors. In the case of PT REX Denpasar, employee performance is a particular concern due to fluctuating revenue patterns and recurring operational issues, such as delivery delays and misrouted shipments. These challenges suggest potential instability in employee output, particularly with respect to quantity and service quality.

This research develops a novel analytical framework aimed at investigating the influence of managerial practices and financial rewards on workforce productivity, with particular emphasis on the intermediary role played by employee satisfaction. Focusing on PT REX Denpasar, the model explores how these organizational elements contribute both independently and through interconnected pathways to shaping overall employee performance outcomes. This approach draws upon theories of organizational behavior, motivation, and job satisfaction such as those proposed by previous scholars and is supported by various empirical studies [11], [12], [13]. The conceptual model is tested using quantitative methods, specifically regression analysis and mediation testing, in order to provide a clear statistical assessment of the relationships between the variables [14], [15].

The main contributions of this study are threefold. First, it provides an updated empirical examination of the factors influencing employee performance in the logistics sector, which remains under-researched in the Indonesian context. Second, it explores job satisfaction not just as an outcome but as a mediating mechanism that potentially enhances the influence exerted by managerial leadership and remuneration on employee productivity. Third, it contributes to resolving conflicting findings in previous research by offering a nuanced analysis grounded in a specific organizational setting. Additionally, the study presents practical insights for HR managers seeking to improve performance through non-financial (leadership quality) and financial (compensation) interventions.

The study is also contextualized with real operational data from PT REX Denpasar, which experienced revenue fluctuations during 2023. These figures provide quantitative support for the research problem and serve as an operational backdrop for understanding performance dynamics. As shown in Table 1, the company recorded a total income of IDR 4,088,758,000 against a target of IDR 4,800,000,000, resulting in an overall realization rate of 85.18%. The lowest monthly performance was in March (IDR 314,540,000 or 78.64%), while the highest was in December (IDR 376,900,000 or 94.23%). Such inconsistencies highlight performance variability and signal areas for managerial intervention.

Table 1. Revenue of PT REX Denpasar in 2023

No	Month	Revenue (IDR)	Target Revenue (IDR)	Realization (%)
1	January	357.760.000	400.000.000	89,44
2	February	330.890.000	400.000.000	82,72
3	March	314.540.000	400.000.000	78,64
4	April	332.800.000	400.000.000	83,20
5	May	333.078.000	400.000.000	83,27
6	June	330.870.000	400.000.000	82,72
7	July	365.980.000	400.000.000	91,50
8	August	342.890.000	400.000.000	85,72
9	September	331.600.000	400.000.000	82,90
10	October	325.560.000	400.000.000	81,39
11	November	345.890.000	400.000.000	86,47
12	December	376.900.000	400.000.000	94,23
Total		4.088.758.000	4.800.000.000	85,18
Average		340.729.833	400.000.000	85,18

Source: PT REX Denpasar (2025)

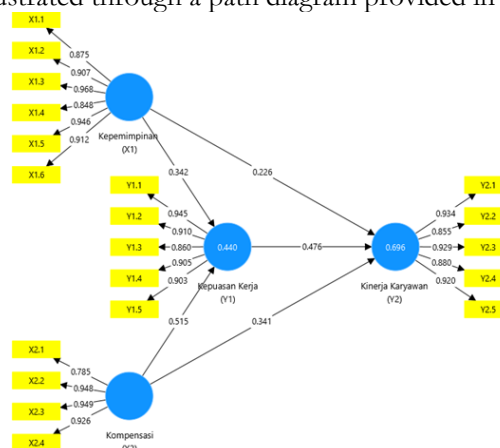
This study seeks to explore the extent to which leadership practices and compensation strategies contribute to employee performance outcomes at PT REX Denpasar, while also assessing the intermediary role played by job satisfaction in shaping these relationships. Specifically, the research aims to determine whether leadership and compensation individually contribute to improved employee performance, and whether job satisfaction enhances or strengthens these relationships. By focusing on a logistics service company that is experiencing fluctuating employee performance, this study seeks to generate actionable insights for organizational leaders and human resource practitioners. Ultimately, the findings are expected to fill existing gaps in the literature, clarify inconsistencies among previous studies, and provide a theoretical and empirical basis for improving workforce performance in the service sector, particularly within Indonesia's growing logistics industry.

2. Proposed Method

This study employed both quantitative and qualitative approaches to achieve its research objectives. The population and sample consisted of all employees of PT REX Denpasar, totaling 40 respondents, selected using a census technique. To support this research, various methods were employed to obtain the necessary information, including structured forms, conversational techniques, and archival review. The resulting findings were then interpreted using a statistical modeling approach known as Partial Least Squares (PLS) [16].

3. Results and Discussion

This study evaluates the interplay of variables through an analysis of both direct and mediated influences. The analytical process was conducted using SmartPLS version 3.0, and the resulting model is illustrated through a path diagram provided in Figure 1:

**Figure 1. Path Diagram of the Relationships Between Variables**

Utilizing the SmartPLS 3.0 software for data analysis, the interrelations among variables were identified, as illustrated in Figure 1 and subsequently summarized in the relational matrix displayed in Table 2:

Table 2. Relationships Between Variables

No	Path Relationship	Original Sample	T Statistics	P Values	Description
1	Leadership (X1) → Job Satisfaction (Y1)	0.342	3.297	0.001	Accepted
2	Compensation (X2) → Job Satisfaction (Y1)	0.515	5.676	0.000	Accepted
3	Leadership (X1) → Employee Performance (Y2)	0.226	2.144	0.034	Accepted
4	Compensation (X2) → Employee Performance (Y2)	0.341	2.225	0.028	Accepted
5	Job Satisfaction (Y1) → Employee Performance (Y2)	0.476	3.253	0.002	Accepted
6	Leadership (X1) → Job Satisfaction (Y1) → Employee Performance (Y2)	0.163	2.477	0.015	Accepted
7	Compensation (X2) → Job Satisfaction (Y1) → Employee Performance (Y2)	0.245	2.637	0.010	Accepted

Source: Processed Data (2025)

Table 2 presents the analysis results regarding the interconnections among the variables, which are elaborated in the following explanation:

1. The influence exerted by leadership practices on employees' levels of job satisfaction
Upon examining the statistical output, it is evident that leadership contributes meaningfully to enhancing job satisfaction, as reflected by the coefficient estimate of 0.342. The associated t-value of 3.297 and probability score of 0.001 which falls well below the 0.05 cutoff provide strong statistical support for this association. Thus, the premise proposed in the first hypothesis (H1), asserting a favorable influence of leadership on job satisfaction, finds empirical support and can be confidently upheld.
2. Effect of Compensation on Job Satisfaction
Based on the statistical output, the variable representing compensation demonstrates a meaningful and favorable contribution to the enhancement of job satisfaction, as evidenced by a standardized coefficient of 0.515, a t-score of 5.676, and a p-value well below 0.05. These outcomes provide empirical support for the acceptance of the second hypothesis, which posits a constructive association between compensation and employee satisfaction levels.
3. Effect of Leadership on Employee Performance
Statistical evaluation indicates that the influence of leadership on employee performance is both meaningful and positive, as evidenced by a path coefficient of 0.226, a t-score of 2.144, and a significance level of 0.034—well below the 0.05 benchmark. These outcomes validate the third hypothesis (H3), confirming that effective leadership contributes constructively to enhancing employee performance.
4. The analysis results show a path coefficient of 0.341 with a t-statistic coefficient of 2.225
The statistical output, marked by a p-value of 0.028, which falls below the 0.05 threshold, underscores the significant and beneficial impact of compensation on employee performance. This outcome provides empirical justification for the acceptance of the fourth hypothesis (H4), asserting that compensation serves as a key determinant in enhancing individual work outcomes.
5. Effect of Job Satisfaction on Employee Performance
The outcome of the statistical analysis reveals that job satisfaction plays a crucial and favorable role in shaping how well employees perform. This conclusion is drawn from the evidence showing a standardized path estimate of 0.476, alongside a t-value of 3.253 and a probability score of 0.002, which is significantly lower than the 0.05 threshold. Such results validate the acceptance of Hypothesis 5, which proposes that greater job satisfaction leads to enhanced employee productivity.
6. Effect of Leadership on Employee Performance Through Job Satisfaction
Based on the statistical analysis, the pathway linking leadership to employee performance mediated by job satisfaction yields a coefficient of 0.163, with a t-value of 2.477 and a p-value of 0.015, which is below the standard 0.05 threshold. These findings imply that leadership positively influences employee performance, both directly and indirectly, with job satisfaction acting as a partial mediator. In other words, leadership enhances employee performance not only through its own direct impact but also by improving levels of job satisfaction. Therefore, the results provide empirical support for

Hypothesis 6 (H6), confirming the significant mediating role of job satisfaction in the leadership performance relationship.

7. Effect of Compensation on Employee Performance Through Job Satisfaction

Improved employee performance can be attributed to compensation, both directly and indirectly, through the enhancement of job satisfaction. This conclusion is supported by the statistical output, where the path coefficient reaches 0.245, accompanied by a t-value of 2.637 and a significance level of 0.010, which is well below the standard cutoff of 0.05. These indicators confirm that while compensation independently affects performance, it also exerts influence by increasing employees' job satisfaction. Therefore, the mediating function of job satisfaction is established, and Hypothesis 7 (H7) which posits a positive and significant link between compensation and employee performance via job satisfaction is empirically upheld.

4. Conclusions

The findings derived from empirical data at PT REX Denpasar indicate that the implementation of strong leadership practices and the provision of equitable compensation play a vital role in fostering employee satisfaction. This heightened level of satisfaction significantly contributes to improving individual performance outcomes. In addition to this indirect influence, both leadership and compensation also exhibit a direct and constructive impact on performance levels. The study thus reinforces the importance of cultivating effective leadership approaches and fair reward systems as strategic tools to enhance workforce morale and drive organizational success.

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