

The Influence of Transformational Leadership, Compensation, and Good Corporate Governance Towards Employee Performance

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Abstract— This research aim to analyze the influence of transformational leadership, compensation, and Good Corporate Governance towards employee performances. The population of this research is all of the employee from some companies which work in Indonesia which work in the field of marine supervision survey and loss adjusting of the insurance company. A questionnaire designed to collect the data from all of the population or samples of this research. Then when the data already collected, the data will be examine and analyze by using *Partial Least Square (PLS)* method. The research results shown that the three factors of transformational leadership, compensation and good corporate governance give a positive influence to the employee performance, however only the variabel good corporate governance which give a significant influence for the employee performance.

Keywords— *Transformational Leadership, Compensation, Good Corporate Governance, Employee Performance*

I. INTRODUCTION

The development of the marine sector and insurance industry in Indonesia has grown rapidly, especially the growth of companies engaged in the field of Loss Adjuster and supervision of the port activities, marine sector & risk management (Marine Surveyor). According to the financial services authority (OJK) of the Republic of Indonesia, currently there are 27 Adjusting Company (Loss Adjuster) both in marine, non-marine, and motor vehicle operating in all regions of Indonesia.

As for the companies that carry out the business unit in the field of marine surveyors, there are more than 100 companies operating in Indonesia. The company's overall Loss Adjusting and Marine Surveyor is the Government company, private companies and local building or representative of a foreign company.

On the other hand, the insurance industry in Indonesia still needs more Adjuster who have a good ability and competitiveness, because in the next few years it is estimated the insurance industry in Indonesia will develop rapidly with increasing public awareness of insurance, especially insurance or general insurance losses. With these developments, of course, efforts in the field of Loss Adjuster and Marine Surveyor will follow the development of the finite. The most impact was felt from the growth and development of the Loss Adjusting company and Marine

Surveyors for each company is getting tougher and the complex competition to gain and maintain market share.

For example, the case of PT NKKK Indonesia as one of the companies operating in Indonesia as a loss adjuster and marine surveyors, will certainly face the complexity of competition in Indonesia. This will affect competition and give impact on the productivity and the existence of such companies in competition industry loss adjuster and marine surveyors in Indonesia. As a result of the competition, during the last 5 years this PT. NKKK Indonesia tends to decrease the number of appointment or request services survey of customers amounted to 34% by the end of 2015, however rata-rata handling cases per employee did not decline significantly. So that these conditions have an impact directly on the company's net income decreased during the last 5 years.

Decreased the company productivity should also faced by several companies and the decline is thought to be the effect of the employee's balance inability, maintainance, and improve the quality of performance. In addition, the role and influence of leadership that is owned by a company's leader will also affect the performance of the company and the employees. So companies need to conduct evaluation and performance improvement due to main engine of an organization or company is Human Resources with all the abilities and skills that are owned (Lendzion, 2015).

The company's operations center is located on the performance of each employee. If considering the condition of strict competition maps with no offset by changes or improved quality of human resources in the company, it will be very difficult for each company to correct position and maintain the existence of the company in the market competition loss adjusting and marine surveyors in Indonesia.

The companies must change the paradigm of their business immediately into more modern activities center where a company or organization is an employee who are in it. A company must be revitalized soon before further problems will appear (Guidelines for Early Revitalization of Business, 2003). Outline of the changes and improvements to this own goal is improved performance of employees on an ongoing basis and is balanced in the long term.

In order to improve the performance, an organization/company is required to know the factors that can affect the performance itself to benefit from the management of human resources in a comprehensive manner. And a company's leader must begin to aware and understand that company would not survive for long to seriously thinking of it. (Valentin Mihai Ciolacu, 2012).

One of the important factors as success key of human resources management is what is the quality of leadership that owned by a leader of the company. One of the types of leadership currently is developing transformational leadership. Where did Yildiz et.al. (2014), transformational leadership is a situation where a leader has a charisma and vision to the next which is very clear and purposeful, so being able to transform the whole of both members and employees and become more inspired, believing and convinced of the interest of each in his job for the sake of realizing common goals.

In addition to the leadership factors, a company must also provide more attention on the rights of each employee, namely the granting of compensation. Refer to research Hameed (2014) pointed out that granting compensation (salary/wage, awards, and indirect compensation) gives a positive impact on employee performance.

According to further research Mondiani (2012), indicating that the type of transformational leadership and compensation provides a significant impact on performance of employees.

As for performance improvement assessment efforts nor employees should, based on the principles of Good Corporate Governance (GCG).

According to Brandas (2015), the application of corporate governance in a company is very important as one of the processes and tools to maintain and enhance the performance and the existence of a company in a long period of stakeholders and shareholders.

Then refer to previous research conducted by Handoko (2015) and Jayanti et. Al. (1999) showed that the application of the principles of GCG (Fairness, Accountability, Independency, Responsibility, and Transparancy) capable of providing a positive influence on performance of employees.

Based on the background of research that have been described and refers to research that has been conducted by Ghafoor (2011), Mondiani (2012), Yildiz et. Al. (2014), and Garcia-Guiu et. Al. (2016); then the formula problem that will try to answer through this research are as follows:

- a. Whether the transformational leadership give an effect to employee performance?
- b. Whether the compensation give an effect to employee performance?
- c. Whether the existences of the principle of good corporate governance (GCG) give an effect to employee performance?

II. LITERATURE REVIEW

Transformational Leadership:

According to Ivancevich, Konopaske and Matteson (2006), transformational leaders are leaders who are able to motivate his followers to work reach a certain goal, not for

the sake of personal interest or individual short term, as well as to be able to fulfill a work achievement and self-actualization of its own. Then according to the Gibson et.al. (2006), transformational leadership is an ability to inspire and motivate their followers to get better results from its original purposes and for internal awards. In addition, Robbins and Judge (2015) stated the type of transformational leadership is a type of leadership that is owned by a leader who is able to inspire his followers to be able to go beyond their own self-interest and capable to influence deeply and incredible against his followers.

According to Robbins and Judge (2015), transformational leadership traits – characteristics that are able to spur innovation and creativity in your organization are as follows:

1. Idealized Influence, this aspect include: granting of a clear vision and mission, instilling character and a sense of pride, as well as get their respect and trust.
2. Inspirational Motivation, this aspect include: the ability to communicate the expectations high, the use statements on the efforts and focus on stating the goals which is important in a more simple.
3. Intellectual Stimulation, this aspect include: focusing on the improvement of intelligence, rationality and methods of solving problems which closely from his followers.
4. Individual Consideration, aspect in this case is: give the attention personally, providing training and advice as well as being able to treat each employee individually.

According to Gibson et.al. (2006), the factors of development that make up transformational leadership was referring to the results of research conducted by Bass (1985), among others:

1. Charisma, leaders must be able to instill a sense of value, respect and pride as well as articulate our vision.
2. Individual Attention, give more attention to each individual and give tasks in meaningful projects so that followers will grow personally.
3. Intellectual Stimulation, leaders help followers to think rationally in learning situations. He encouraged his followers to be creative.
4. Reward Contingent, leader of the inform followers about what must be completed to get the award.
5. Management by Exception, the Leaders gave permission to his followers to do its job by not giving pressure or intervention unless the followers are not able to reach the goals on time and predetermined conditions.

Compensation:

Dessler (2015) explains that the compensation is any form of payment or rewards given to employees and incurred as a result of a working relationship. In compensation, a person can encounter several types of Justice, namely:

1. External Justice, i.e. how it compares the level of a paid job in a company as compared to the level of similar workers paid at other companies.
2. Internal Justice, namely how to compare the extent to which the fair pay rate when compared to other jobs within the same company (e.g. Comparing the pay received by a sales manager with the production manager)

3. Individual Justice, i.e. how it compares each individual paid compared to those obtained by co-workers or a very similar job in the company based on the performance of each employee.
4. Procedural Justice, that refers to "Justice prosed and perceived procedure used to take decisions regarding the allocation of the payment.

According to Hameed (2014), the granting of compensation in a company in General include:

a. Salary

According to Mondiani (2012), the granting of salary/wage is based on several factors;

- According to the achievements of the work, the greater the employee's achievements, the greater the salary/wages earned
- According to the duration of employment, the granting of salary/wages in this case depends on the old employees in completing the work
- According to seniority, in this case the longer the employee is employed in a company will demonstrate the level of employees 'loyalty, giving its own considerations in the determination of salary/wages will be accepted
- According to the needs, the setting of salary/wages are based on the degree of urgency of the needs of a decent living of the employees

b. Incentives and rewards

According to Mr. Abdul Hameed, Mphil (2014), incentives and awards play an important role in shaping the quality of performance of each employee. In general this will be associated directly pegged to the employee's satisfaction so that this will encourage each employee to be more creative and more interested in contributing to the company.

c. Indirect Compensations

According to Byars & Rul (2008) and Hameed (2014), there are several types of indirect compensation in a company, namely:

- Social Security, such as health insurance.
- Workers Compensation, like health coverage and granting of rest for an employee who is sick.
- pensions (Retirement Plan), such as the granting of benefits/income for employees who have already retired and contribute in a company.
- Holiday Paid, most companies will give you an extra income of employees at the time – certain times such as new year, hari raya idul fitri, Christmas and so on.
- Paid for Vacation, most companies will mmberikan opportunities for all employees to obtain the rights to the berliburan with dibiayain by the company or the granting of additional income in lieu of vacation.
- Other Benefits, such as credit cards, discount cards, vehicle operations and others.

Good Corporate Governance (GCG):

According to KNKG (2006), the Brandas (2015) and Jayanti et.al. (2016), Good Corporate Governance (corporate governance) is the principles that direct and control the enterprise in order to achieve a balance between the power

and the authority of the company in responsibility providing to stakeholders.

As for the principles of Good Corporate Governance according to the guidelines of the National Policy Committee on Governance (KNKG, 2006) include:

- a. Transparency is openness in the decision-making process, and it suggests openness in information material and relevant about the company.
- b. Accountability, which the company should be able to responsible with its performance in a transparent and reasonable. It is necessary for clarity, implementation and functioning of the organs so that the management of companies questioned was carried out effectively.
- c. Responsibility, a company must have the appropriateness in the management of the company against which the company invitation – militate in professionally managed conflicts of interest and influence without pressure from any party who does not comply with the invitation – militate in force and the principles of a healthy Corporation.
- d. Independency, the company should be managed professionally without conflicts of interest and influence/pressure from any party who does not comply with the applicable invitation-militate and principles of a healthy Corporation.
- e. Fairness, a company must hold the principles of Justice and equality in fulfilling the rights of stakeholders arising under treaties and laws-invitation.

III. RESEARCH METHODOLOGY FLOWCHART

Generally, this research was completed through multiple phases, as seen in Figure 3.1. below:

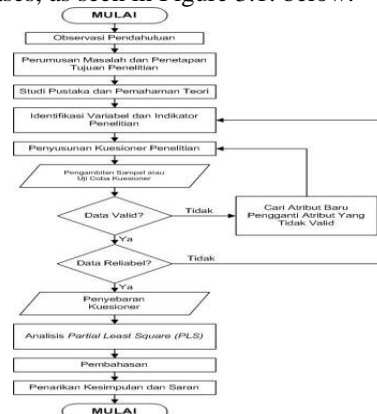


Figure 3.1. Flowchart: Research

HYPOTHESIS

Taking into account as well as learn some earlier research, these are hypotheses that will be presented by the researchers are as follows:

- H1 : Transformational Leadership give an effect to employee performances
- H2 : Compensation give an effect to employee performances
- H3 : The good corporate governance (GCG) give an effect to employee performances

POPULATION and SAMPLE POPULATION

Population is the total of the units of analysis are characteristics will be suspected. The population of this research are employees of some companies engaged in the field of marine surveyors and loss adjuster that is as many as 110 people.

SAMPLE

A sample is a small set of selected cases of a great researcher and will generalize the population (Sugiyono, 2015). Therefore, samples taken from a population should be representative of the overall population (representative). Refer to Nomogram tables Herry King (Sugiyono, 2015), the number of samples that are representative of the population in this study was 78 people.

IV. RESULT

DESCRIPTIVE ANALYSIS

Transformational Leadership:

Table 4.1. Details Answers of Transformational Leadership Variables

Indicators	STS	TS	N	S	SS	Average
	1	2	3	4	5	
X1.1	-	2	14	77	63	4.29
X1.2	-	3	16	76	61	4.25
X1.3	-	5	13	72	66	4.28
X1.4	-	-	23	69	64	4.26
Total	-	10	66	294	254	4.27

From table 4.1 can be seen that the mean – median answers given by the respondents for each of the indicator variable is transformational leadership of 4.27. This shows the transformational leadership in a company holding a considerable role in the advancement of the company.

Compensation

Table 4.2 Details Answers of Compensation Variables

Indicators	STS	TS	N	S	SS	Average
	1	2	3	4	5	
X2.1	-	2	29	83	42	4.06
X2.2	2	12	25	75	42	3.92
X2.3	2	6	31	72	45	3.97
Total	4	20	85	230	129	3.98

From the table 4.2. It can be seen that the average – mean of answers given by the respondents for each of the indicators of the variable compensation is of 3.94. This shows the granting of compensation in a company is already quite good, but needs to be improved in order to encourage each employee to enhance its performance.

Good Corporate Governance

Table 4.3. The Details Of Good Corporate Governance (GCG) variables

Indicators	STS	TS	N	S	SS	Average
	1	2	3	4	5	
X3.1	-	4	18	88	46	4.13
X3.2	-	3	28	78	47	4.08
X3.3	3	3	28	73	49	4.04
X3.4	-	1	17	80	58	4.25
X3.5	-	4	19	76	57	4.19
Total	3	15	110	385	257	4.14

From table 4.3. It can be seen that the average – mean of answers given by the respondents for each variable indicator of Good Corporate Governance (GCG) is amount to 4.14. This suggests that the principles of Good Corporate Governance (GCG) is one of the main factors supporting the progress of the company.

Employee Performance

Table 4.4. Details Answers of Employee Performance Variables

Indicators	STS	TS	N	S	SS	Average
	1	2	3	4	5	
Y1.1	-	11	27	67	51	4.01
Y1.2	1	2	20	65	68	4.26
Y1.3	-	-	6	64	86	4.51
Y1.4	1	1	30	70	54	4.12
Total	2	14	83	266	239	4.23

From table 4.4. It can be seen that the average – mean of answers given by the respondents for each of the indicators of the variable performance of employees is amounted to 4.23. Generally this indicates that the performance of employees in the company/research subject is already quite good, but still need to be improved especially for some of the variables that affect such as transformational leadership, compensation and the principles of Good Corporate Governance (GCG).

Outer Models Test:

Convergent Validity

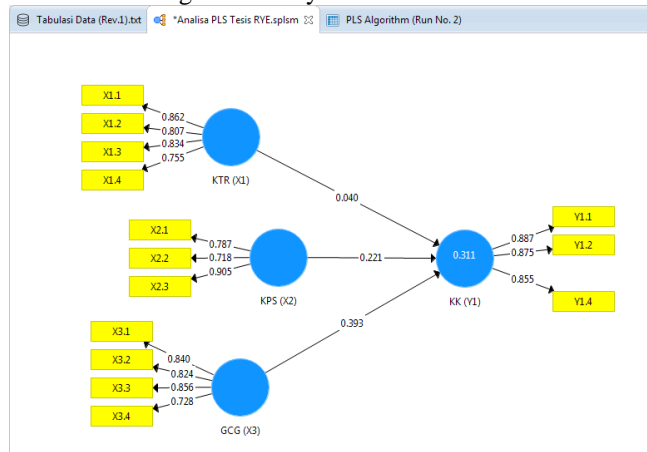


Figure 4.2. Convergent Validity

Table 4.5. Convergent Validity

Variables	Indicators	Loading Factor
Transformational Leadership (X1)	X1.1	0.862
	X1.2	0.807
	X1.3	0.834
	X1.4	0.755
Compensation (X2)	X2.1	0.787
	X2.2	0.718
	X2.3	0.905
Good Corporate Governance (X3)	X3.1	0.840
	X3.2	0.824
	X3.3	0.856
	X3.4	0.728
Employee Performance (Y1)	Y1.1	0.887
	Y1.2	0.875
	Y1.4	0.855

Refer to Table 4.5 above shown that two of variables of X3.5 and Y1.3 which didn't qualified for convergent validity standard because the value of loading factor for these indicators is < 0.70 , then in order to obtained comprehensive results, we exclude this two indicators. And the above table shown that all of the remain indicators were valid as the loading factors for each indicators were > 0.70 , so it is concluded that the terms convergent validity studies have been fulfilled.

Discriminant Validity

Table 4.6. Discriminant Validity

Variables	GCG (X3)	KK (Y1)	KPS (X2)	KTR (X1)
GCG (X3)	0.814			
KK (Y1)	0.521	0.873		
KPS (X2)	0.449	0.431	0.807	
KTR (X1)	0.440	0.288	0.341	0.815

Table 4.7. Comparison of the Average Varianced Extracted (AVE) and the square root of AVE

Variables	Square Root of AVE	AVE
GCG (X3)	0.814	0.662
KK (Y1)	0.873	0.761
KPS (X2)	0.807	0.651
KTR (X1)	0.815	0.665

From table 4.6 and 4.7 above shows that each variable has the value square root of AVE larger than Average Varianced Extracted (AVE) and the AVE value was > 0.50 , so it can be concluded that the terms of the discriminant validity have been met.

Composite Reliability

Table 4.8 Composite Reliability

Variables	Composite Reliability
GCG (X3)	0.886
KK (Y1)	0.905
KPS (X2)	0.847
KTR (X1)	0.888

Refer to the exposure analysis in table 4.8. above, it is understood together that each variable has a variable reliability to meet the requirements in the research because each variable has a value of more than 0.60 (Ghozali, 2014).

Inner Model and Goodness of Fit Test

Table 4.9. Goodness of Fit test result

Variables	R Square
Employee Performance (KK)	0.311

Based on Table 4.9. the above shows that the variable performance of the employee was only able to be influenced of 31.10% by transformational leadership, compensation and Good Corporate Governance, while the rest of 68.90% is the influence of other variables outside of a structural model that are not discussed in this study.

Hypothesis Testing

Testing the hypothesis in this study was done by way of looking at and comparing between the value of the test statistic t of inner models that have been produced with the standard value of t in the table value of t distribution (Appendix D). If the value of the resulting t statistic > 1.96 ($\alpha = 5\%$), then the relations between the latent variables can be said to be significant. Three hypotheses will be tested answered and explained in this study, and below is the result of the hypothesis test:

Table 4.10 details of hypothesis testing

Hypothesis	Correlation	T Statistic	Conclusion
H ₁	KTR --> KK	0.332	Not significant
H ₂	KPS --> KK	1.617	Not significant
H ₃	GCG --> KK	3.041	Significant

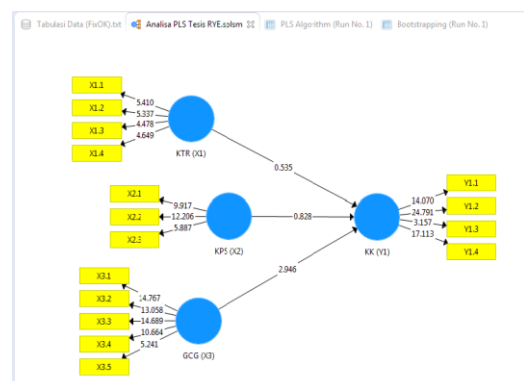


Figure 4.3. The Results Of The Analysis Of Research (Bootstrapping)

Based on Table 4.10 and Figure 4.3 above it can be concluded that there is only one variable that influence significantly to the performance of employees, i.e. Good Corporate Governance (GCG) because the value of t statistics generated from hypothesis testing is worth is greater than 1.96. However overall the variables have a relationship or a positive influence on performance of employees because the final results of the tests is positive.

V. CONCLUSIONS

The conclusions of this research are as follows:

- a. Transformational Leadership has a positive influence on employee performances of 0.040, however did not have a significant relationship, because the value of the T-statistic of this variable is < 1.96 (0.332).
- b. Compensation has a positive influence on employee performances of 0.221, however did not have a significant relationship, because the value of the T-statistic of this variable is < 1.96 (1.617).
- c. Good Corporate Governance (GCG) has a positive influence on employee performances of 0.393, as well as having significant relationships, due to the value of the T-statistic of this variable is > 1.96 (3.041).
- d. Third variables examined i.e., transformational leadership, compensation and Good Corporate Governance influence the performance of the employees of 31.10% (R-square = 0.311), meaning 68.90% more affected by other variables which may affect to the employee performances but not examined in this study.

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