

The Effects of Transformational Leadership on Commitment, Motivation, Compensation and Employee Performance of Local Water Supply Companies in Timor Tengah Selatan Regency Indonesia

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Abstract: This research is motivated by the contradictions contained in organizational theory and empirical findings of previous research on the effect of transformational leadership on organizational commitment, employee motivation, compensation, employee performance. The purpose of this research is to examine and explain the effect of transformational leadership on organizational commitment, employee motivation, employee compensation and performance. The method in this research is a quantitative approach with explanatory research. The analysis technique uses Smart PLS 3. Sample data were obtained from 40 respondents as employees at the Regional Drinking Water Company in Timor Tengah Selatan Regency.

The findings of this study are that transformational leadership has a positive and significant effect on organizational commitment, employee motivation, compensation and employee performance. Organizational commitment has a positive and significant effect on motivation. Employee motivation has a positive and significant effect on compensation. Compensation has a positive effect and is significant to employee performance. This study concludes that the variables of transformational leadership, organizational commitment, employee motivation, reasonable compensation have an important role in improving employee performance which excels in achieving organizational goals as a common goal. Therefore, it is necessary to get attention from policy makers to consider these variables.

Keywords: Leadership, Commitment, Motivation, Compensation, Employee Performance

I. Introduction

The development of the business and non-business world is influenced by the increasingly rapid technological developments that bring faster changes in the business world and are accessible to all groups. Advances in technology make business competition increasingly fierce and difficult to predict, even the role of human resources in certain fields can be shifted due to the use of robot technology. Technological advances have positive and negative impacts on human life and companies. Companies can experience progress with technological advances and can also experience setbacks. Both of these phenomena will depend heavily on the transfer of technology and knowledge transfer between leaders and organizational personnel. Technology transfer and knowledge transfer between leaders and organizational personnel will have an impact on the performance of organizational or company employee.

Human resources are one of the main elements that are very important in an organization or company because HR is one of the determinants of the success of a business or non-business organization in addition to human-created resources.

Regional Drinking Water Company (PDAM). is a company engaged in the provision of clean water services for the community and is also tasked with developing the regional economy and seeking profit as a source of local revenue. This is in accordance with law (UU) number 5 of 1962 concerning Regional Companies which states that regional companies are production units that aim to purchase services, organize public benefits and foster regional income. To assess the achievement of these objectives, performance measurement is needed at the Regional Drinking Water Company (PDAM). According to Mahmudi (2010: 14) performance measurement at these public sector companies is carried out in an effort to determine the level of achievement of goals and improve the quality of performance of employees in the company, so that Employees will be motivated to work optimally and be able to provide the best service.

Complaints from 2019-2021 have increased, due to less than optimal service. The complaints experienced by customers are the frequent occurrence of broken or leaking pipes, the water is not clean enough, the water discharge is small, the handling of customer complaints is slow, and so on.

Yammarino and Bass (1990) say that transformational leadership articulates a realistic vision of the future of the organization, stimulates subordinates in an intellectual way, and draws attention to the differences possessed by their subordinates. Transformational leadership must be able to persuade subordinates to carry out tasks for the benefit of the higher organization.

That the role of the transformational leadership style is not optimal, this is because the leader did not prioritize an individual approach to each employee, and the leader lacks attractiveness that influences employees at work. According to Moorhead and Griffin (2013) motivation is a series of forces that make people behave in a certain way. Meanwhile, according to Armstrong (2009) says that motivation has two variables, namely extrinsic or artificial motivation and intrinsic motivation. What is meant by extrinsic motivation is something that is done to motivate people while intrinsic motivation is something self-motivation in a person.

Employees do not provide enough motivation to do work, this is because the company does not provide fair promotion opportunities based on performance or achievement, the company does not provide opportunities to develop knowledge and skills, the company does not guarantee security at work. have freedom to work.

Robbins (2015) compensation is an important factor influencing how and why people choose to work in an organization and reject other organizations. Compensation for the organization means awards or rewards or remuneration to employees who have contributed to realizing goals through activities called working in an organization. Compensation is a form of reward given by the organization. Compensation is defined as remuneration provided regularly to employees and generally in the form of money (NitiseMITO, 1996). Compensation is all income in the form of money or goods received by employees in return for services rendered to the organization (Hasibuan, 2007).

In relation to compensation, the company does not provide compensation in the form of benefits other than salary, and the company does not provide incentives other than salary based on merit. Mathis and Jackson (2002:78) argue that employee performance is basically what employees do or don't do that affects how much they contribute to the organization, which includes quantity, quality and duration of output, attendance at work. Performance includes (1) work results in quantity and quality; (2) specified task standards. In relation to the performance of employees in companies that are less than optimal, this is because employees work less in accordance with the quality standards of the targeted work.

II. Literature Review and Hypothesis

2.1. Transformational Leadership

Durbin (2005: 3) explains leadership is an effort to influence and direct people through communication to achieve goals, how to influence people with instructions or orders, actions that cause other people to act or respond and cause positive changes, important dynamic forces that motivate and coordinate members organization in order to achieve goals, the ability to create self-confidence and support among subordinates so that organizational goals can be achieved. Ivancevich (2007: 194) leadership is as a process of influencing others to support the achievement of relevant organizational goals. leadership is the ability to influence a group to achieve a vision or a set of goals (Robbins, 2008: 49). Leadership is the ability of individuals to influence, motivate and enable others to contribute to organizational activities and success.

Transformational leadership is an approach used by leaders to influence subordinates to achieve organizational goals, by acting in ways that apply inspirational motivation, idealism, individual consideration, charisma, and intellectual stimulation to the people they lead in carrying out the leader's policies, with full awareness of the heart to achieve organizational goals as a common goal. Transformational leadership variables have an influence on commitment whereby leadership involving the people being led will raise awareness and commitment from followers. In addition, leadership also influences motivation to work harder which in turn will improve employee performance.

2.2. Organizational Commitment

According to Luthans (2002) Organizational commitment is the strong desire of members of the organization to remain as members of the organization, the desire to work according to the wishes of the organization, certain beliefs and acceptance of organizational values and goals. An attitude that shows employee loyalty to the organization and an ongoing process in which members of the organization express concern for the organization and its success and continuous progress. Employees who have high commitment have low absenteeism, and have a longer working period and tend to want to work harder and provide achievements (Desler, 1999).

Organizational commitment is the degree to which a person recognizes an organization and is committed to its goals. This is an important work attitude because committed people are expected to show a willingness to work harder to achieve

organizational goals. Thus, strong organizational commitment will encourage the emergence of high work motivation among workers, which will ultimately improve performance.

2.3. Motivation

Motive is the reason that encourages someone to do something. Motivation is related to the strength and direction of behavior and the factors that influence people to behave in a certain way. The term 'motivation' can refer to the various goals that individuals have, and the ways in which individuals choose goals, and try to change their behavior (Armstrong, 2009). Arnold et al., (1991) suggested that there are three components of motivation:

- (1) The direction of someone who is trying to do what he wants.
- (2) One's effort to try how hard something is to do.
- (3) Perseverance someone to keep trying for a long time.

Motivating others is to get people to move in the direction the motivator wants, to get other people to do a job and achieve results. Motivating yourself is setting yourself up for direction and then taking action that will ensure you reach your goals. Motivation can be described as goal-directed behavior. A person is motivated when he expects that action will result in the attainment of goals and rewards that are worthwhile in satisfying needs and wants. A well-motivated person will engage in expedient behavior in most roles where there is room for the individual to determine how much effort should be exerted.

Expectancy theory explains that if someone wants and expects to get something big enough, then he will be highly motivated to get what he wants. Conversely, if you get something you want low, your motivation to work will be low (Siagian, 2013: 292). Motivation can be described as goal-directed behavior. People are motivated when they expect that certain actions will result in the attainment of goals and rewards that are worthwhile in satisfying needs and wants. A well-motivated person will engage in expedient behavior in most roles where there is room for the individual to determine how much effort should be exerted. The best motivation is that the person is self-motivated to move in the right direction to achieve what was planned. Most people need to be motivated to move towards a greater or better level. There are two types of motivation, namely intrinsic motivation and extrinsic motivation.

Intrinsic motivation arises from factors that exist within oneself that lead to certain behaviors and are not created by external incentives. Intrinsic motivation is based on the need to become more competent in making the best choice for yourself. Intrinsic motivation can be increased by job or role design. The work itself must provide sufficient variety, sufficient complexity, sufficient challenge and sufficient skills to engage the abilities of the worker. Extrinsic motivation occurs when there are parties who do certain things to motivate others. Extrinsic motivation can be in the form of rewards. Extrinsic motivation has an immediate and powerful effect, but it doesn't last long. Referring to the research of Giannikis and Mihail (2010).

2.4. Compensation

Compensation is remuneration or awards in the form of money or goods that are given fairly and appropriately to achieve organizational goals. Compensation consists of financial compensation and non-financial compensation. Financial compensation consists of salary, benefits and incentives. While non-financial compensation can be in the form of providing facilities such as housing, vehicles, and others. According to Robin (2015) states that compensation is an important factor that influences how and why people choose to work in an organization and reject other organizations. Based on this concept, the provision of compensation can influence people who are in the organization to behave in carrying out their job duties properly so that it will have an impact on improving performance.

2.5. Employee Performance

Employee performance is the result of work or employee achievements that describe the success of employees both individually and in groups in carrying out their work. Performance is work performance that is calculated based on work results achieved with set work standards (Dessler, 2015).

According to Gibson (2015) there are 3 variables that influence employee behavior and performance, namely (1) individual variables include ability, skills, family, and age. (2) organizational variables include resources, leadership and rewards (3) psychological variables include perceptions, attitudes, personality, learning, and motivation. In this study the determinants of employee performance are leadership, commitment, motivation and compensation.

2.6. Hypothesis

H1: Transformational leadership has a significant effect on organizational commitment

H2: Transformational leadership has a significant effect on motivation

H3: Transformational Leadership has a significant effect on Compensation

H4: Transformational Leadership has a significant effect on Employee Performance

H5: Organizational Commitment has a significant effect on Motivation

H6: Motivation has a significant effect on compensation

H7: Compensation has a significant effect on employee performance

III. Research Methods

3.1. Types of Research

This research is explanatory research (explanatory or confirmatory), namely research conducted with the intention of providing an explanation of the causal relationship or influence between variables through hypothesis testing. Explanatory research is to examine the influence of the hypothesized variables. This study uses a quantitative paradigm, aims to test theory by testing and explaining the effect of exogenous variables on endogenous variables, which are measured through instruments, and analysis using statistical procedures and hypothesis testing (Crewell, 2009:4). The paradigm of this research is the paradigm of positivism which uses deductive logical thinking which assumes that a reality will be general and the same in all places.

3.2. Research Objectives

This study aims to explain transformational leadership and its influence on organizational commitment, motivation, compensation and employee performance. Each variable is explained descriptively the magnitude of its influence on other variables.

3.3. Population and Sample

The population in this study was 67 employees of the Timor Tengah Selatan Drinking Water Company. The sample is part of the observed population, because the observed population is relatively small, 40 people were taken as a sample in this study.

Using the Slovin formula:

$$n = \frac{N}{1 + Nd^2} = \frac{67}{1 + 67(0,1)^2} = 40,11 \text{ dibulatkan} = 40$$

The sampling technique in this study was Disproportionate Stratified Random Sampling. Based on the division or position held by the employees of the South Central Timor District Drinking Water Company.

3.4. Variables and Measurements

3.4.1. Transformational leadership

Transformational leadership is an approach used by leaders to influence subordinates to achieve organizational goals. Transformational leadership variables are measured or shaped by the indicators of Idealism, Intellectual Stimulation, Inspirational Motivation, Individual Consideration, and Charisma.

3.4.2. Organizational commitment

Organizational commitment shows that employees who have high commitment and have a longer working period tend to work harder and show better achievements. With effective, sustainable and normative indicators

3.4.3. Motivation

Motivation is something that drives someone to do something. Motivation is related to the strength and direction of behavior and the factors that influence people to behave in a certain way. Motivation is measured by its indicators: Extrinsic Motivation and Intrinsic Motivation.

3.4.4. Compensation

Compensation is remuneration or awards in the form of money or goods that are given fairly and appropriately to achieve organizational goals. Compensation variables are measured by indicators of salary, benefits, incentives and awards.

3.4.5. Employee performance

Employee performance is the result of work or employee achievements that describe the success of employees, both individually and in groups in carrying out their work. Employee performance variables are measured by the indicators of Quality, Quantity, Production Time, Work Effectiveness, Work Commitment, and Independence

3.5. Data Analysis Method

To determine the relationship between latent variables and the relationship between indicators and latent variables, the Smart Partial Least Square 3 analysis tool is used. In data analysis, evaluation of the outer model, inner model, validity and reliability tests were carried out.

IV. Results and Discussion

4.1. Evaluation of the Measurement Model

Evaluation of the measurement model aims to obtain a valid, reliable, and fit research model, so that the model can produce precise and meaningful research outcomes. For this purpose, the measurement model or research model needs to be evaluated so that it can be seen whether the model meets predetermined standards. If it does not meet the standard referred to, the model must be revised before further analysis is carried out. Evaluation of the measurement model includes 3 aspects, namely validity test, reliability test, and evaluation of the Goodness fit model.

4.1.1. Validity test

Generally, the validity test of the research model includes two aspects, namely convergent validity and discriminant validity.

- Convergent Validity

Convergent validity relates to the principle that the gauges of a construct should be highly correlated. Convergent validity occurs when the scores obtained by two different instruments measuring the same construct have a high correlation. Convergent validity test in PLS with reflective indicators is assessed based on the loading factor of the indicators that measure the construct. The criteria used to measure convergent validity are outer loading > 0.7 and average variance extracted (AVE) > 0.5 . In addition, the p-value < 0.05 is another criterion of convergent validity.

Based on the results of the analysis in table 4.1. It appears that all indicators in this research instrument are valid. This is evident from the outer loading value which is greater than 0.70 and the p-value which is smaller than 0.005. In addition, all variables have an Average Variance Extracted (AVE) value greater than 0.5 as shown in the following table

Table 4.1. Outer Loading size and p-value

Variable/Indicator	Outer Loading	p-value
Transformational Leadership (X)		
X1	0,847	0,000
X2	0,863	0,000
X3	0,887	0,000
X4	0,864	0,000
X5	0,867	0,000
Commitment (Y1)		
Y1.1	0,922	0,000
Y1.2	0,919	0,000
Y1.3	0,912	0,000
Y1.4	0,754	0,000
Y1.5	0,839	0,000

Y1.6	0,686	0,000
Motivation (Y2)		
Y2.1	0,948	0,000
Y2.2	0,877	0,000
Y2.3	0,965	0,000
Y2.4	0,895	0,000
Y2.5	0,942	0,000
Y2.6	0,862	0,000
Y2.7	0,849	0,000
Y2.8	0,841	0,000
Compensation (Y3)		
Y3.1	0,927	0,000
Y3.2	0,946	0,000
Y3.3	0,961	0,000
Y3.4	0,940	0,000
Employee Performance (Y4)		
Y4.1	0,857	0,000
Y4.2	0,919	0,000
Y4.3	0,956	0,000
Y4.4	0,942	0,000
Y4.5	0,930	0,000

- Discriminant Validity

Discriminant validity relates to the principle that measures of different constructs should not be highly correlated. Discriminant validity occurs when two different instruments measure two constructs which are predicted to be uncorrelated resulting in a score that is not correlated. Discriminant validity is measured by comparing the cross loading value of each indicator of a variable with the cross loading value of the indicator on other variables. If the cross loading value on the variable in question is greater, then the indicator is declared valid. Another validity criterion was put forward by Chin, et al. (2010), which states that if the cross loading value is greater than 0.70 it is declared valid. In addition, the discriminant validity can also be determined by comparing the AVE root with the correlation between the constructs concerned with other constructs in the model. The model is said to be valid if the AVE root of each construct is greater than the correlation between these constructs and the other constructs in the model.

Table 4.2. The Value of Average Variance Extracted (AVE)

No	Variable	AVE
1	Transformational Leadership (X)	0,682
2	Commitment (Y1)	0,587
3	Motivation (Y2)	0,678
4	Compensation (Y3)	0,671
5	Employee Performance (Y4)	0, 686

4.1.2. Reliability Test

Reliability test is intended to measure the internal consistency of a measuring instrument. Reliability shows the accuracy, consistency and precision of a measuring instrument in making measurements. A research instrument is said to be reliable if the variables under study have a Composite reliability value or Cronbach's Alpha value greater than or equal to 0.70. The following table presents the results of the Composite Reliability and Cronbach's Alpha test results as follows:

Table 4.3. Composite Reliability and Cronbach's Alpha.

No	Variable	Composite Reliability	Cronbach's Alpha
1	Transformational Leadership (X)	0,924	0,917
2	Commitment (Y1)	0,877	0,916
3	Motivation (Y2)	0,847	0,966
4	Compensation (Y3)	0,889	0,959
5	Employee Performance (Y4)	0,897	0,955

4.1.3. Goodness of Fit Model Test

Testing the goodness of fit model in PLS analysis is done by calculating the Q2 value based on the R-square magnitude. The R-square magnitude describes the coefficient of determination of all endogenous variables studied. In this study, there are 3 endogenous variables, namely customer value (Y1), customer satisfaction (Y2) and customer loyalty (Y3). The coefficient of determination R2 for each endogenous variable is shown in the following table.

Table 4.4. The size of R-square

No	Endogen Variable	R-square
1	Commitment (Y1)	0,394
2	Motivation (Y2)	0,786
3	Compensation (Y3)	0,961
4	Performance (Y4)	0,992

Based on the data in table 4.4 above, then the Q2 value can be determined. The Q2 value is 0.99 or 99%, meaning that this research model is able to explain the empirical phenomena studied by 99%, while the remaining 1% of the model is influenced by other variables not examined in this study. Thus this research model can be said to be very good.

4.2. Hypothesis Testing

The results of hypothesis testing are presented in table 4.5, as follows:

Table 4.5. Hypothesis testing results

H	Relationship	Path Coeff.	T values	P values	Results
H1	X → Y1	0,640	5,470	0,000	Significant
H2	X → Y2	0,386	4,732	0,000	Significant
H3	X → Y3	0,153	3,371	0,000	Significant
H4	X → Y4	0,145	7,739	0,000	Significant
H5	Y1 → Y2	0,594	7,273	0,000	Significant
H6	Y2 → Y3	0,859	27,782	0,000	Significant
H7	Y3 → Y4	0,875	49,909	0,000	Significant

The data in table 4.5. The above shows that of the 7 hypotheses formulated, all of them hypotheses were accepted. The description of the relationship between variables and their respective magnitudes was shown in Figure 4.1. in the following:

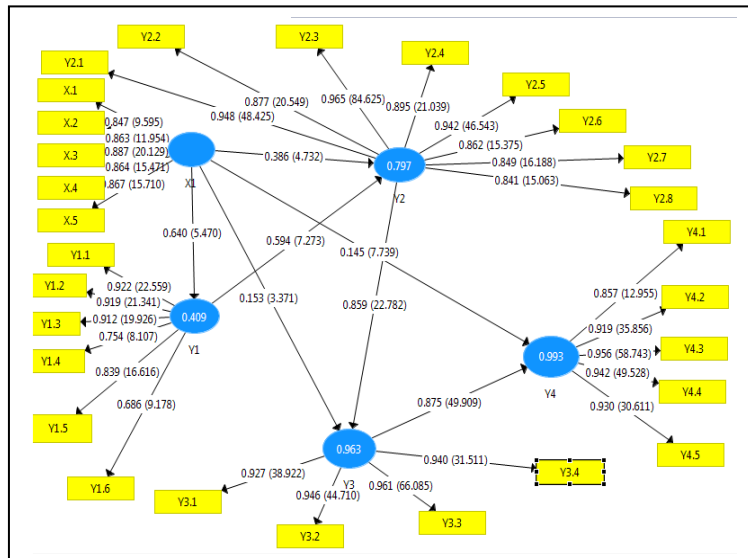


Figure 4.1. Path Diagram of PLS Results

4.3. Discussion

4.3.1. The Influence of Transformational Leadership on Organizational Commitment

Transformational leadership (X) has a significant effect on organizational commitment (Y1), the path coefficient value is 0.640; t value 5.470** greater than 1.96 and p value 0.000; at the P = 0.05 level. The test results support accepting hypothesis 1, which states that "transformational leadership has a significant effect on organizational commitment." The result of statistical proof shows that the path coefficient is positive and significant. The positive path coefficient means that if transformational leadership is managed better, it will increase organizational commitment.

The theoretical implication of this research is that improvement in transformational leadership will result in changes in organizational commitment, or in other words the existence of organizational commitment depends on transformational leadership. Any improvement in idealism, intellectual stimulation, individual consideration, inspirational motivation, and charisma as indicators of transformational leadership will result in an increase in organizational commitment. Organizational commitment includes emotional ties, remaining years of service, objections to leaving the company, staying in the company, desire to leave the company, remaining loyal and proud of work.

4.3.2. The Influence of Transformational Leadership on Employee Motivation

Transformational leadership (X) has a significant effect on employee motivation (Y2), the path coefficient value is 0.386; t value 4.732* greater than 1.96 and p value 0.000; at the P = 0.05 level. The test results support accepting hypothesis 2, which states that "transformational leadership has a positive and significant effect on employee motivation." The result of statistical proof shows that the path coefficient is positive and significant. The positive path coefficient means that if transformational leadership is managed better, it will increase employee motivation.

The theoretical implication of this research is that any improvements in idealism, intellectual stimulation, individual consideration, inspirational motivation, and charisma as indicators of transformational leadership will result in an increase in employee motivation, or in other words the existence of employee motivation depends on transformational leadership. Employee motivation includes extrinsic motivation and intrinsic motivation which can be managed well by a leader in order to achieve organizational goals.

This study supports the research findings of Saputro and Siagian (2017) who found that transformational leadership has a positive and significant effect on employee motivation. The findings of this study support and expand the theory of transformational leadership to be the best approach used by leaders to influence subordinates to achieve organizational goals, by acting in ways that apply inspirational motivation, idealism, individual consideration, charisma, and intellectual stimulation to the people they lead. in carrying out the policies of the leader, with full awareness of the heart to achieve organizational goals as a

common goal. The theory of transformational leadership from Burns (1978) conceptually "Transforming Leadership" is a process in which "leaders and followers help each other to advance to a higher level of morale and motivation". Burns defines two concepts: "transforming leadership" and "transactional leadership". According to Burns, the transformation approach creates significant changes in the lives of people and organizations. It redesigns perceptions and values, and changes employee expectations and aspirations. Unlike in the transactional approach, it is not based on a "give and take" relationship, but on the leader's personality, traits, and ability to effect change through example, the articulation of an energizing vision and challenging goals. Leaders who change are idealized in the sense that they are moral examples that should be sought to benefit the team, organization and/or community. Burns theorizes that transformational and transactional leadership are mutually exclusive styles. Transactional leaders usually do not strive for cultural change within the organization but work within the existing culture while transformational leaders may try to change the organizational culture.

Bass (1985), extends the work of Burns (1978) by explaining the psychological mechanisms underlying transformation and transactional leadership; Bass also uses the term "transformational" instead of "transforming." Bass added to Burns' (1978) initial concept to help explain how transformational leadership can be measured, as well as how it impacts follower motivation and performance. The degree to which a leader is transformational is measured primarily in terms of his influence on followers. The leader's followers feel trust, admiration, loyalty and respect for the leader and because of these qualities the leader is willing to work harder than originally thought. This result occurs because transformational leaders offer followers leaders more than just working to earn themselves; they provide followers with a vision and mission that inspires and gives them an identity. The leader changes and motivates followers through influence ideals (formerly known as charisma), intellectual stimulation and individual judgment. In addition, this leader encourages followers to come up with new and unique ways to challenge the status quo and change the environment to support success.

4.3.3. Effect of Transformational Leadership on Compensation

Transformational leadership (X) has a significant effect on compensation (Y3), the path coefficient value is 0.153; the t value of 3.371 is greater than 1.96 and the p value is 0.001; at the P = 0.05 level. The test results support accepting hypothesis 3, which states that "transformational leadership has a positive and significant effect on compensation." The theoretical implication of this research is that organizations or companies can provide compensation to employees, because if they provide compensation based on employee commitment to behavior and work it will be a fair deed. Companies providing fair compensation must be based on employee commitment and employee achievements (performance).

4.3.4. The Influence of Transformational Leadership on Employee Performance

Transformational leadership (X) has a significant effect on employee performance (Y4), the path coefficient value is 0.145; t value 7.739** greater than 1.96 and p value 0.000; at the P = 0.05 level. The test results support accepting hypothesis 4, which states that "transformational leadership has a significant effect on employee performance". The result of statistical proof shows that the path coefficient is positive and significant. The positive path coefficient means that if transformational leadership is managed better, it will increase employee performance.

The theoretical implication of this research is that any improvements in idealism, intellectual stimulation, individual consideration, inspirational motivation, and charisma as indicators of transformational leadership will result in improvements in quality, quantity, production time, work effectiveness, independence, and work commitment as indicators of employee performance, or in other words, the existence of employee performance depends on idealism, intellectual stimulation, individual consideration, inspirational motivation, and charisma as indicators of transformational leadership. The findings of this study support the findings of Ratnasi's research (2017); Wardani, (2017); Andinasari et al. (2017); Bawaradi et al. (2017); Saputro and Siagian (2017); Hanantoko and Nugraheni (2017); Haryanto (2017) found that transformational leadership has a positive and significant effect on employee performance.

Transformational leadership is able to improve employee performance through the best approach used by leaders to influence subordinates to achieve organizational goals, by acting in ways that apply inspirational motivation, idealism, individual consideration, charisma, and intellectual stimulation to the people they lead in implementing policies. -policy leaders, with full awareness of the heart to achieve organizational goals as a common goal.

4.3.5. The Effect of Organizational Commitment on Employee Motivation

Organizational commitment (Y1) has a significant effect on employee motivation (Y2), the path coefficient value is 0.594; t value 7.273** greater than 1.96 and p value 0.000; at the P = 0.05 level. The test results support accepting hypothesis 5, which states that "Organizational commitment has a significant effect on employee motivation." The result of statistical proof shows that the path coefficient is positive and significant. The positive path coefficient means that if organizational commitment

is managed better, it will increase employee motivation. Any change in organizational commitment will result in an increase in employee motivation.

The theoretical implication of this study is that improvement in organizational commitment will result in changes in employee motivation which include extrinsic motivation and intrinsic motivation, or in other words the existence of employee motivation depends on organizational commitment. Employee motivation can be well managed by a leader in order to achieve organizational goals.

4.3.6. Effect of Employee Motivation on Compensation

Employee motivation (Y2) has a significant effect on compensation (Y3), the path coefficient value is 0.859; t value 22.782** greater than 1.96 and p value 0.000; at the $P = 0.05$ level. The test results support accepting hypothesis 6, which states that "employee motivation has a positive and significant effect on compensation." The result of statistical proof shows that the path coefficient is positive and significant. The path coefficient is positive, meaning that if employee motivation is improved, salary, benefits, incentives and services will increase as an indicator of compensation. The theoretical implication of this study is that improving extrinsic motivation and intrinsic motivation as an indicator of employee motivation will result in changes to salaries, benefits, incentives, services received by employees as indicators of compensation, or in other words the existence of compensation depends on employee motivation. Any increase in employee motivation will result in an increase in compensation.

This research expands on the "Expectancy Theory" formulated by Vroom (1964). Vroom explained that valence means value, instrumentality is the belief that if people do one thing it will lead to another, and hope is the probability that an action or effort will produce a result. An outcome expected by employees to get from the company is compensation, a person is motivated to do the job because he expects compensation. Employees who want to get high compensation must also have high motivation to work and contribute to the company's income. Employee compensation and motivation must be managed properly by management in order to achieve organizational goals.

4.3.7. Effect of Compensation on Employee Performance

Compensation (Y3) has a significant effect on employee performance (Y4), the path coefficient value is 0.875; t value 49.909** greater than 1.96 and p value 0.000; at the $P = 0.05$ level. The test results support accepting hypothesis 7, which states that "Compensation has a positive and significant effect on employee performance." The result of statistical proof shows that the path coefficient is positive and significant. The path coefficient is positive, meaning that if compensation increases, it will increase employee performance (Y4). Any increase or improvement in salary, benefits, incentives, and services as an indicator of compensation will result in an increase in quality, quantity, production time, work effectiveness, independence, and work commitment as an indicator of employee performance. The research findings support Qustolani's research (2017) finding compensation has a positive and significant effect on employee performance.

Robbins (1993) explains that compensation can play a role in increasing work performance and job satisfaction, if compensation is felt (a) appropriate to the ability and productivity of employees; (b) relating to work performance; and (c) adapting to individual needs. In this case the company must pay close attention to the arrangement of compensation for employees properly. Employees assess that the compensation provided is inadequate, then employee performance and job satisfaction will decrease, conversely if the compensation provided is high, employee performance and job satisfaction will increase.

V. Conclusion and Future Research

The factors that influence the performance of the employees of the Regional Drinking Water Company in South Central Timor Regency are Transformational Leadership and Compensation. In addition, Transformational Leadership also influence organizational commitment, motivation and compensation. Organizational commitment influences motivation, and motivation also influence compensation. Thus, the factors that directly influence employee performance are transformational leadership and compensation. Transformational leadership can also affect performance through commitment and compensation.

Future research can develop this research model by involving other variables that theoretically have an influence on employee performance.

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