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THE EFFECT OF LEADERSHIP STYLE AND COMPETENCE ON PERFORMANCE WITH JOB SATISFACTION AS AN INTERVENING VARIABLE

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Abstract:

Throughout human civilization's history, it has been known that the dynamics and movements of an organization, to some extent, depend on humans as the implementers in carrying out organizational activities. When examined in general, the success of an organization or a company in achieving its goals depends on the components within the organization itself, such as leadership, employees, programs, objectives, facilities, and infrastructure available. Performance is crucial in a company because it is closely related to the activities carried out by employees. Mangkunegara (2010) defines employee performance as the quality and quantity of work an employee achieves in carrying out their tasks by their responsibilities. Competence is a fundamental characteristic of an individual that influences how they think and act, make generalizations about all situations they encounter, and endure within a person for a considerable period (Ruky, 2006). Leadership style has a strong positive influence on Performance. In an institution, organizational behavior factors also directly or indirectly affect Performance. This study focuses on all SMEs (Small and Medium-sized Enterprises) near Badung Regency, using random sampling for testing variables with Smart PLS 4.0. From the research results, leadership style does not significantly influence employee performance; competence has a significant positive relationship with employee performance. Job satisfaction does not have a significant influence on employee performance. Leadership style does not have an indirect influence on employee performance. Competence does not indirectly influence employee performance through job satisfaction."

Keywords: Performance, Job Satisfaction, Leadership Style, Competence

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INTRODUCTION

Throughout the history of human civilization, it has been known that the life and dynamics of an organization, to some extent, depend on humans as the executors in carrying out organizational activities. When examined in general, the success of an organization or a company in achieving its goals depends on the components within the organization itself, such as leadership, employees, programs, objectives, facilities, and infrastructure available. In order to achieve its predetermined goals, a company must focus on several aspects. One of these aspects is human resources.

Human resources are a central factor in the management of an organization. Competent human resources with good Performance can support the success of an organization. Conversely, incompetent human resources with poor Performance are a competitive issue that can lead a company to incur losses. Achieving the goals of an organization requires human resources as the system's managers. To ensure this system's effective and efficient management, attention must be paid to several important aspects such as leadership, motivation, competence, work environment, Performance, and others. This makes human resource management one of the critical indicators of achieving organizational goals effectively and efficiently.

Performance is crucial in a company because it is closely related to the activities carried out by employees. Mangkunegara (2010) defines employee performance as the quality and quantity of work an employee achieves in carrying out their tasks by their responsibilities. An organization or company can only develop if employee performance improves, especially with the increasing competition in the business world (Purnomo, 2016). The issue of improving Performance is closely related to how to motivate, how supervision is conducted, how to place employees in positions that match their competencies, and how to create a comfortable and conducive work environment so that employees can and want to work optimally (Dwi, 2013).

Competence is a fundamental characteristic of an individual that influences how they think and act, makes generalizations about all situations they encounter, and endures within a person for a considerable period (Ruky, 2006). Employee competence influences Performance, both individual and organizational. Companies must seek out quality employees, individuals with potential, and place them in positions that match their competencies.

In addition to competence, the work environment also impacts organizational Performance. The work environment is where employees carry out their activities every day. A suitable work environment is one where employees can carry out their activities optimally and in a healthy, safe, and comfortable manner.

Leadership style is crucial during planning, conditioning, work execution, and performance evaluation. Different leadership styles also affect managers in leading the organization, impacting organizational behavior change. Leadership style is used to direct the actions of employees under it. In a unit of work, staff are willing to carry out the wishes or orders of superiors to achieve organizational goals, even if they disagree. The work environment plays a significant role in the quality of employee performance. The resulting Performance will be maximized if the work environment is comfortable and employee communication runs smoothly.

Leadership style has a strong positive influence on Performance. In an institution, organizational behavior factors also directly or indirectly affect Performance due to the conflict of interests between leaders and employees. An example related to leadership style is policies issued by leaders that could be better received or implemented by staff/subordinates, leading to differences in views between the two parties. The leadership style SMEs apply in the Wisata Bobung Gunungkidul village is still unsatisfactory, as evidenced by the lack of supervision by leaders. Employee participation in decision-making and policy determination is minimal, so complaints and suggestions from employees could be better received.

In addition to improving Performance, competence and the work environment also affect employee job satisfaction. Job satisfaction is essential for boosting employee morale, reducing absenteeism, increasing productivity, enhancing employee loyalty, and retaining exceptionally skilled employees who play a crucial role in a company. Siagian (2000) defines job satisfaction as an individual's positive or negative perspective about their work. When employees are knowledgeable about their jobs, job satisfaction emerges.

Based on the background above, the author is interested in conducting a study titled "The Influence of Competence and the Work Environment on Employee Performance with Job Satisfaction as an Intervening Variable." The author hopes that this research will help employees, the community, and the users of this research understand the benefits and importance of compensation, motivation, Performance, and employee job satisfaction in achieving the expected goals."

Their leadership style influences the influence of leadership style on leaders' Performance. Leaders must create a working environment that stimulates employees to work to their fullest potential. The appropriate leadership style for the conditions will create a positive work climate. Employees will be motivated to work when a positive work climate is established. Through their leadership style, leaders guide employees to work to their maximum potential in alignment with the

targets set by the company. In addition to providing guidance, leaders must also be capable of motivating employees to work effectively. Therefore, leadership style has a positive influence on employee performance. The better the leadership style implemented in the company, the better the Performance of employees in that company. H1: Leadership Style Affects Performance.

The Influence of Competence on Performance K Mitrani et al. (1992) and Spencer and Spencer (1993) state that an individual's competence is something inherent in them that can be used to predict their level of Performance. Competence is closely related to Performance. According to Armstrong (2003), an individual's Performance is based on their understanding of knowledge, skills, expertise, and behavior required to perform a job effectively. Research conducted by Adji and Anwar (2013) shows that competence positively and significantly influences Performance. The results of research conducted by Dedy et al. (2017) indicate that competence significantly influences Performance. These findings are supported by research conducted by Zaim et al. (2013), which shows that competence significantly influences Performance. Research conducted by Arifin (2014) demonstrates that competence positively and significantly influences Performance. This means that the higher the competence employees possess, the higher the performance performance they can achieve. Based on these explanations, the hypothesis in this study is as follows: H2: Competence affects Performance.

The Influence of Job Satisfaction on Performance. Robbins (2006) states that satisfied employees are likelier to speak positively about the organization, help others, and exceed their average job performance. According to Strauss and Sayles, as cited by Handoko (2001): "Job satisfaction is also important for the self-actualization of employees. Those who do not experience job satisfaction will not achieve psychological maturity, which can lead to frustration." Usually, less satisfied employees have low Performance, frequent absences, and engage in activities unrelated to their jobs. According to Dessler, also cited from Handoko (2001): "Employees who are satisfied with their jobs usually have good attendance records and better job performance than those who do not or are less satisfied with their jobs." Research conducted by Ayu (2013) indicates that Performance can influence job satisfaction. This research is supported by the study conducted by Parwanto and Wahyudin (2011), which examined the influence of job satisfaction factors on employee performance. The research found that job satisfaction factors, including salary, leadership, and co-worker attitudes, significantly influence Performance. Dedy et al. (2017) also researched job satisfaction and Performance, showing that job satisfaction has a significant influence. Based on these previous research findings, the hypothesis that can be formulated is as follows: H3: Job satisfaction affects Performance.

The Influence of Competence on Performance through Job Satisfaction. According to McClelland, as cited in Gaol (2014), competence is a fundamental characteristic an individual possesses that directly or indirectly influences Performance. The higher the competence employees possess, the higher their satisfaction levels, resulting in better Performance. For example, employees with high capabilities whom the company rewards tend to increase their Performance. Research conducted by Sutedjo and Mangkunegara (2013) shows that competence significantly influences Performance. Research conducted by Arifin (2015) indicates that competence has a positive but insignificant influence on job satisfaction. However, this finding differs from Fletcher's (cited in Madaria, 2013), where human development assesses the essential potential for personal competence in achieving job satisfaction. Similar findings from Devi (2007), Labbai (2008), Waluyo (2013), and Haskas also confirm that human resource development through competence enhancement has a positive and significant effect on job satisfaction. This research indicates that although competence positively influences job satisfaction, there is no significant effect. Research conducted by Prasyanto (2017) shows that job satisfaction can be an intervening variable in the influence of competence on Performance. The results of this study show that competence has a positive influence on Performance through job satisfaction. This means that job satisfaction can be a mediating variable to

strengthen the independent variable's effect on the dependent variable. Based on these previous research findings, the hypothesis that can be formulated is as follows: H4: The influence of competence on Performance is greater than the influence of competence on Performance through job satisfaction.

The Influence of the Work Environment on Performance through Job Satisfaction Job satisfaction, according to Fitzgerald (1994), is one of the criteria for determining organizational health, providing effective services, and heavily depending on human resources and the job satisfaction experienced by employees. Rose (2001) states that job satisfaction is a two-dimensional concept of intrinsic and extrinsic dimensions. Intrinsic sources of satisfaction depend on an individual's characteristics, such as the ability to use initiative, relationships with supervisors, or the actual tasks employees perform; these are symbolic aspects of work. Extrinsic sources of satisfaction are situational and depend on the environment, such as salary, promotions, or job security; these are financial or material rewards from work. Both intrinsic and extrinsic job aspects must be adequately represented in the overall measure of job satisfaction. Job satisfaction can be influenced by organizational commitment. Research by Kusuma et al. (2018) shows that the work environment positively influences employee job satisfaction. Research conducted by Hanafi and Yohana (2017) shows that job satisfaction can mediate the influence of the work environment on Performance. These results are supported by previous research conducted by Harahap and Hidayat (Harahap, 2015) and Santoso et al. (Santoso, 2015), indicating that the work environment's influence on employee performance with job satisfaction mediation has a positive and significant effect. This means that organizational commitment can strengthen the influence of job satisfaction on organizational Performance. Based on these explanations, the hypothesis in this study is as follows: H5: The influence of the work environment on Performance is greater than the influence of the work environment on Performance through job satisfaction.

METHODS

Research Type and Location. This research employs a quantitative method, with the survey method chosen as the data collection source through questionnaires. The survey method is focused on gathering information from respondents who possess specific information related to the research data, which is expected to ease data processing for the researcher. Based on the study period, this research uses a cross-sectional study because the data is collected simultaneously. A cross-sectional study collects data only once, possibly daily, weekly, or monthly, to answer the research questions (Sekaran & Bougie, 2013). Regarding the research location, the researcher conducted the study in the center of Badung City, where many small to medium-sized enterprises exist. Furthermore, the development of various businesses is concentrated in Badung city.

Data Type. This research utilizes primary data. This study's primary data are questionnaires distributed to employees working in small to medium-sized enterprises in the Badung regency. Population is a generalized area of objects or subjects with specific qualities and characteristics determined by the research to be studied and from which conclusions are drawn (Sugiyono, 2010). The population in this research is all employees in the Badung Regency.

RESULT AND DISCUSSION

Overview of Respondents. The respondents in this study are entrepreneurs from 100 MSMEs (Micro et al.) scattered in Denpasar. Random sampling was chosen as the basis for selection, given the large number of MSMEs in Denpasar, which exceeds 8,000 companies. A general overview of the respondents' positions, ages, and education levels can be described based on the questionnaire responses. Regarding their positions, the majority are direct owners, accounting for 60%, while the rest are in financial and management roles. Based on age, 80% of the respondents fall in the 30-50 age range, with diverse educational backgrounds ranging from high school (SMA), Bachelor's degree (Strata 1), and Master's degree (Strata 2).

Validity and Reliability Test Results. Based on the data analysis results presented in Table 5.1 using the Smart PLS 4 application, it can be concluded that the data is valid and reliable. Validity was tested by examining Cronbach's Alpha values, with a minimum value of 0.7 (George & Mallery, 2003), and reliability was assessed by looking at the square root of the Average Variance Extracted (AVE) above 0.5. If the AVE value is above 0.5, the data is considered valid.

Based on the results of validity and reliability tests, it was found that all four variables in this study are valid, with AVE values above 0.5. Regarding reliability, the variables "competence" and "employee performance" were highly reliable, with values of 0.848 and 0.879, respectively. Meanwhile, "leadership style" was considered reliable, with an average Cronbach's alpha value of 0.879. "Job satisfaction" was found to be moderately reliable, with a value of 0.537.

Hypothesis Testing. In this study, hypothesis testing was conducted by examining the P-values from bootstrapping. The data analysis results can be seen in Table 5.2. It can be inferred that H1, H2, H3, and H4 are rejected because the P-values are still above 0.05. However, the variable "utilization of digital applications" has a P-value < 0.05, indicating a positive effect on the preparation of financial reports by EMKM (Small and Medium Enterprises) accounting standards.

Based on the results of the bootstrapping tests, it can be explained that the "leadership style" variable does not significantly affect employee performance, with a P-value of 0.231, more significant than 0.05. Therefore, hypothesis 1 is rejected.

The "competence" variable has a significant positive relationship with employee performance, supporting the acceptance of hypothesis 2. This suggests that the better the soft and hard skills of employees working in medium-sized businesses, the better their Performance.

Job satisfaction does not have a significant effect on employee performance. This is evident from the P-value of 0.378, which is above 0.05, leading to the rejection of hypothesis 3. This implies that job comfort and salary levels do not influence employee performance in medium-sized businesses.

Results from the indirect effect testing show that leadership style does not indirectly affect employee performance through job satisfaction. Similarly, competence does not indirectly affect employee performance through job satisfaction. This means that employee performance is influenced directly by competence rather than job satisfaction and leadership style.

Based on the results obtained through Smart PLS analysis, several findings can be discussed:

1. The "leadership style" variable does not significantly affect employee performance, as the P-value is 0.231, more significant than 0.05. This contradicts the notion that leadership style is crucial for leaders and employees. The study shows that it only influences employee performance regardless of leadership style. Therefore, hypothesis 1 is rejected.
2. The "competence" variable has a significant positive relationship with employee performance, supporting the acceptance of hypothesis 2. This indicates that the better employees' soft and hard skills are in medium-sized businesses, the better their Performance.
3. Job satisfaction does not have a significant effect on employee performance. The P-value of 0.378 is above 0.05, leading to the rejection of hypothesis 3. This suggests that job comfort and salary levels do not affect employee performance in medium-sized businesses.
4. The results of indirect effect testing show that "leadership style" does not indirectly affect employee performance through job satisfaction, and "competence" does not indirectly affect employee performance through job satisfaction. This means that employee performance is influenced directly by competence rather than by job satisfaction and leadership style.

These findings provide insights into the factors that influence employee performance in medium-sized businesses, emphasizing the importance of employee competence over leadership style and job satisfaction in driving Performance.

CONCLUSION

Based on the research findings, the following conclusions and recommendations can be drawn:

1. Leadership style does not have a significant influence on employee performance.
2. Competence has a significant positive relationship with employee performance.
3. Job satisfaction does not have a significant influence on employee performance.
4. The indirect effect test results suggest that leadership style does not indirectly influence employee performance through job satisfaction.
5. The indirect effect test results suggest that competence does not indirectly influence employee performance through job satisfaction.

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