

**THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND
COMPENSATION ON JOB PERFORMANCE AT BANK X**

(Undergraduate Thesis)

By

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**FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITY OF LAMPUNG
BANDAR LAMPUNG
2024**

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Undergraduate Thesis

**As One of Requirements to Achieve
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In

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ABSTRACT

THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND COMPENSATION ON JOB PERFORMANCE AT BANK X

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This study aims to examine the direct effect of transformational leadership and compensation on job performance at Bank X. To achieve these objectives, research was conducted using a quantitative approach with survey methods, sampling techniques using non-probability sampling purposive sampling, with a total sample of 108 respondents. The instruments, hypothesis testing, and research data were analyzed using SPSS 25 software. The instrument used for validity test was confirmatory factor analysis, while the instrument used for reliability test was cronbach alpha. The results concluded that transformational leadership had a positive and significant direct effect on job performance, and compensation also has positive effect on job performance, and both transformational leadership and compensation simultaneously had a positive significant direct effect on job performance. Further research is recommended to increase the number of population and sample used, as well as look at the aspects of other variables and some suggestion that can be implemented to improve the compensation system at bank x are to increase bonus wages and increase employee overtime pay.

Keywords: *Transformational leadership, Compensation, Job performance*

ABSTRAK

PENGARUH KEPEMIMPINAN TRANSFORMASIONAL DAN KOMPENSASI TERHADAP PERFORMA KERJA DI BANK X

Oleh

RAHADIAN RASHIEF RABBANI

Penelitian ini bertujuan untuk menguji pengaruh langsung kepemimpinan transformasional dan langsung kepemimpinan transformasional dan kompensasi terhadap performa kerja di Bank X untuk mencapai tujuan tersebut, penelitian dilakukan dengan menggunakan pendekatan kuantitatif dengan metode survei, teknik pengambilan sampel menggunakan non probability sampling purposive sampling, dengan jumlah sampel sebanyak 108 responden. Instrumen, pengujian hipotesis, dan data penelitian dianalisis dengan menggunakan perangkat lunak SPSS 25. Instrumen yang digunakan untuk uji validitas adalah confirmatory factor analisis faktor konfirmatori, sedangkan instrumen yang digunakan untuk uji reliabilitas adalah cronbach alpha. Hasil penelitian menyimpulkan bahwa kepemimpinan transformasional memiliki pengaruh langsung yang positif dan signifikan terhadap kinerja karyawan, dan kompensasi juga berpengaruh positif terhadap kinerja karyawan, dan kepemimpinan transformasional dan kompensasi secara simultan berpengaruh positif dan pengaruh langsung yang signifikan terhadap prestasi kerja. Penelitian selanjutnya disarankan untuk menambah jumlah populasi dan sampel yang digunakan, serta melihat aspek variabel lain dan beberapa saran yang dapat dilakukan untuk memperbaiki sistem kompensasi di Bank X adalah dengan meningkatkan upah bonus dan meningkatkan upah lembur.

Kata Kunci: *Kepemimpinan Transformasional, Kompensasi, Performa Kerja*

Undergraduate Thesis Title

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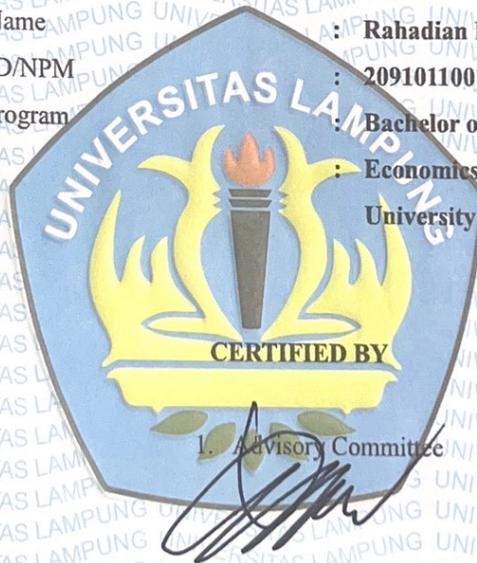
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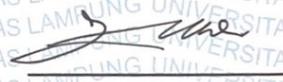
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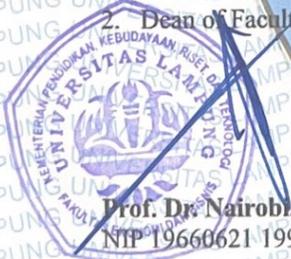


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Hereby declare that this research is the own work of the author, not a duplication or work of others except in parts that have been referred to and mentioned in bibliography. If in the future it is proven that there are deviations in this work, the full responsibility lies with the researchers.

Thus I make this statement so that it can be understood.

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BILBOGRAPHY



Rahadian Rashief Rabbani, or as my family and my friends called me Ryan. Was born in Jakarta, July 26, 2002. Ryan, the author is the second child of Mr. Denny Kusumayadi, S.E. and Mrs. Tanti Marlini, S.P. The author has one older brother who named Maulana Ariq Rabbani, S.T.

From elementary to high school, the author (2008 – 2020), the author studied in five different school; MI – Al Mubarak, Al – Azhar 8 Kembangan Elementary School, Kartika II-5 Elementary School, Kartika II-2 Junior High School, and SMAN 1 Bandar Lampung. Until finally the author became a student at the Faculty of Economics and Business, University of Lampung, Department of Management, International Class Program.

The author is filled with joy and gratitude when reminiscing at the memories and all the experiences that the author gained so far during the college. The piled up assignment, being lectured by lecturers, KKN experience at Hujung Village in West Lampung, and staying up all night doing chores were all precious. The author feel grateful to have the opportunity to study and be surrounded by people who are helpful, fun, and inspiring. Thank you for all the memories, and for helping the author completed the achievement of completing this undergraduate thesis. Hopefully this undergraduate thesis can contribute to the field of human resource management, and be beneficial for readers in general.

MOTTO

*"Ketakutan adalah penjara bernama kegagalan.
Taklukan rasa takut karena sukses adalah hak
pemberani." - Jefri Al Buchori*

For My Beloved Parents, Papa and Mama

Who always supported through thick and thin, who always provided me
with love and care, and who inspired me to do my best

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Who always accompany me everytime, everywhen, and everywhere
from start to finish

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Rahadian Rashief Rabbani

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CHAPTER I

INTRODUCTION

1.1 Background

For this day and age, organizations have to be strong and resilient to survive against developing technology, changes and increasing competition. Accordingly, these processes faced by organizations directly affect employees (Karaman et al., 2020). In other words, in today's competitive environment, standards must be maintained in order for businesses to survive in the business world. Job performance is probably the most important and studied variable in industrial management and organizational behaviour (Carpini, Parker, & Griffin, 2017). According to Campbell, McCloy, Oppler, & Sager (1993), It can be defined as individual behaviour-something that people do and can be observed-that generates value for the organization and contributes to the organization's goals.

The success of achieving the vision, mission and goals of the organization is fully supported by employee behavior. Employees have a strategic role within the company, namely as thinkers, planners, and controllers of company activities because they have the talent, energy and creativity that is needed by the company to achieve its goals. If the quality of human resources in an organization is good, the performance of employees and the organization will also be good. Job performance is the actual achievement achieved by employees, which is in the form of work results in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. The better the performance of a company's employees, the higher and better the value of the company. So it is very important to know how human resource management practices impact employees to show high levels of performance (Chen, 2018).

One of the state-owned banks in Indonesia is Bank X. Bank X managed to achieve solid performance growth throughout 2022 through a consistent business strategy for potential segments and the company's digital optimization process. As a result, the company's efficiency level has increased and encouraged business volume growth in all segments as well as Bank X's current account and savings account (CASA) ratio in 2022. The vision and mission that this bank wants to achieve is to be a good partner for all customers. The bank also wants to improve its leadership with wholesale customers so that it can expand its business network. The bank's vision and mission are not only targeted at business people but at all levels of society.

However according to my interview with The Head Auditor of Bank X, the problem currently faced by them is that the job performance of employees has decreased during 2023 period. The Head Auditor through the interview has given some possible probability on why these job performance problem exist and has shown the researcher some data related to Job Performance decreasing. And for that reason The head auditor give me the employees work hour data.

According to data given by Head Auditor, the work hour for the employees are as follows:

Table 1.1 Work Schedule of Bank X

No	Shift	Work Hours on Paper	Actual Work Hours
1	Shift 1	08.00 – 16.00 WIB	08.00 – 18.30 WIB
2	Shift 2	10.00 – 18.00 WIB	10.00 – 19.30 WIB
3	Shift 3	12.00 – 20.00 WIB	11.00 – 21.00 WIB
4	Shift 4	14.00 – 22.00 WIB	13.30 – 22.00 WIB

Source: Head Auditor of Bank X, 2023

According to table 1.1 above the work hours that the employees experienced are different from their actual schedule. From the result of the interview more than 50 employees has voiced their complain about the work hour which in their word, they claimed it is to excesive without additional compensation. The employees also voiced complain about their superior for imposing to many after hours. This problem seems to

be rooted from their leaders who usually pressure and overworked their employees too much which ends up affecting their work hours because they cannot finished their job on time which reduced their efficiency. Alongside this data, head auditor also give some speculation on why the employees may unsatisfied with their leader.

According to the Head of Auditor Bank X, There are some reasons why employees may unsatisfied with their leader. Employee dissatisfaction with a leader may occur for the following reasons:

- **Lack of direction** : Employees may feel unsatisfied if their leader does not provide a clear direction for the group or realistic and clear objectives
- **Poor communication** : Leaders who fail to provide feedback, recognition, and support to their employees may lead to dissatisfaction.
- **Lack of empathy** : Leaders who do not show concern for the development of their employees and do not provide support and coaching to improve individual performance and abilities may lead to dissatisfaction

According to data given by Head Auditor, the amount of salary of the employees are as follows:

Table 1.2 List of BUMN salary

No	Position	X	Y	Y
1	Sales	Rp 2,500,000	Rp 2,750,000	Rp 2,750,000
2	Teller	Rp 2,800,000	Rp 3,000,000	Rp 2,800,000
3	Clerk	Rp 3,500,000	Rp 3,500,000	Rp 3,500,000

Source: Head Auditor of Bank X, 2023

According to table 1.2 the monthly salary rates of Bank X are relatively lower than the averages of any other Bank employees. As for the compensation the employees received many benefits aside from their usual salary with the catch that their final salary got cut by taxes that end up making their salary actually lower than it should be, and their bonus pay are lower than average. When factoring the many after hours that the employees usually got their salary was not appropriate with their work hours. Because of this many employees feel unsatisfied with their compensation

which end affecting their job performance.

Based on the above phenomenon, the performance of employees at Bank X is an urgency in this research. It is important to examine the factors that influence employee performance, especially at Bank X. One that influences performance is transformational leadership and compensation as a focus in research. Leadership plays a very important role in an organization. One of the leadership styles that is the focus of this research is transformational leadership. Transformational leadership is a type of leadership that is able to integrate creative insight, persistence, energy, intuition, and sensitivity in employees to achieve organizational goals or desires and has a tremendous impact on these employees. Transformational leadership includes developing closer relationships between leaders and employees, not just work agreements but based on trust and commitment (Lin, 2020). According to Hira Khan (2020) said that the transformational leadership style influences employee performance. However, the results of research by Noermijati, (2018) show that transformational leadership has no significant effect on job performance.

Apart from transformational leadership, one of the factors that influences increasing employee performance is compensation. According to Tjahjadi (2021) what influences a person's performance besides the delegative leadership style is compensation, which in their research found that compensation has a positive effect on job performance. Compensation is something that employees receive in lieu of contributing their services to the company. The relationship between compensation and job performance is explained by Borst (2019), compensation programs are determined fairly and fairly and with due regard to applicable labor laws with the aim of stimulating employee passion and job satisfaction. Thus employees will try to maintain and improve their performance, if employees feel the rewards they receive are comparable to the contributions they have made to the company (W Liu, 2021). However, research by Sutoro, (2019) states that partial compensation has a negative effect on employee performance.

Inconsistency in the results of previous research, making this research important to become a gap in research. The research aims to analyze the significant influence of transformational leadership and compensation on employee performance. The subjects of this research are employees of Bank X as a novelty in research. Therefore, this research is entitled, "The Effect of Transformational Leadership and Compensation on Job Performance at Bank X"

1.2 Formulation of the problem

The main problem of this research is the declining job performance of Bank X which might be affected by transformational leadership and compensation. All these problem according from The Head Auditor stems from excessive work hours and low compensation. From the background above, the formulation of the research question:

1. Is there a significant influence between transformational leadership on job performance at Bank X?
2. Is there a significant influence between compensation on job performance at Bank X?
3. Is there a simultaneous influence between transformational leadership and compensation on job performance at Bank X

1.3 Research Objectives

From the formulation of the problem above, the purpose of this study:

1. To know whether there is a significant effect between transformational leadership on job performance at Bank X.
2. To know whether there is a significant influence between compensation on job performance at Bank X.
3. To know whether whether there is a simultaneous influence between transformational leadership and compensation on job performance at Bank X.

1.4 Research Benefits

The benefits of this research are:

1. Theoretical Benefits

To obtain empirical data evidence about the influence of transformational leadership and compensation on employee performance at Bank X which will be useful for developing knowledge and academic students in the field of HRM.

2. Managerial Benefits

This research can be used as information material and as an additional reference related to the variable in the study, namely the effect of transformational leadership and compensation on job performance.

CHAPTER II
LITERATURE REVIEW
AND HYPHOTHESIS

2.1 Transformational Leadership

2.1.1. Definition of Transformational Leadership

According to Robbins (2017) transformational leadership is leaders who can motivate followers to implement and manage their own interests for the benefit of the organization with individual friendliness, intellectual stimulation, and ideal influence, all of which will result in extra effort from workers for organizational effectiveness. better.

Chan and Mak (2014) provides the opinion that transformational leadership is leadership that influences employees to make employees feel a sense of self-confidence, pride, loyalty and respect for their leaders and also have the motivation to do more than expected.

According to Avolio (2009) transformational leadership is leadership that places more emphasis on shifting the values and beliefs of the leader, as well as looking at the needs of his followers. Meanwhile, according to Northouse (2013), transformational leadership is a leader who has a high social nature and cares about the common good.

2.1.2. Dimensions and Indicators of Transformational Leadership

According to Bass and Avolio, quoted from Yukl (2010), transformational leadership has four dimensions or characteristics, namely as follows:

- 1) Idealized influence (Charismatic), namely a leader who has charisma and great strength and influence to motivate subordinates to carry out work. Subordinates trust the leader because the leader can show impressive

behavior that makes the leader respected and can be an example for his followers.

- 2) Inspirational motivation (inspiration and motivation) is leader behavior that inspires and stimulates subordinates' enthusiasm for achievement, as well as demonstrating commitment to company goals and increasing subordinates' optimism and enthusiasm in achieving company goals.
- 3) Intellectual simulation (Intellectual Stimulation) is the behavior of leaders in creating new ideas to create progress in an organization as well as being a leader who is able to influence subordinates to find new perspectives which are expected to be able to solve problems that are or will be faced by an organization
- 4) Individualized Consideration, namely the willingness of the leadership to listen to suggestions from subordinates as well as the leadership's attention to the career development of employees and paying attention to the facilities obtained by employees so that good relationships can be established between superiors and subordinates.

Meanwhile, the results of Rafferty and Griffin's research developed by Avolio et. al., found five dimensions of Transformational Leadership which have discriminant validity between each other as follows:

- 1) Vision

What is meant by vision is the most important dimension of leadership and is raised through a broader construct, namely charisma. Empirical findings provide support for this statement. The results of the meta-analysis show that charisma is most strongly associated with measures of effectiveness such as employee satisfaction with leaders. Researchers have been critical of the way charisma is defined. Vision is one of the five elements of charisma. He further stated that charismatic leaders demonstrate a number of behaviors in which there is the articulation of an ideology that will increase clarity of targets, task focus, unity and harmony of values. Therefore, a vision is the most ideal picture of the future which is used as the basis for organizational values

- 2) Inspirational Communication (Inspirational Communication)

Inspirational motivation has been seen in detail as the most important component of Transformational Leadership, this construct provides various

definitions. Charismatic leaders use inspirational approaches and emotional conversations to increase employee motivation and transcend personal interests for group interests. Charisma and motivational inspiration can be seen when leaders describe the desired future, articulate how it can be achieved, provide examples to follow, set performance standards, and show mature judgment and confidence.

3) Supportive leadership (Supportive Leadership)

One of the factors that differentiates Transformational Leadership from new leadership theories is the inclusion of individual considerations in the Transformational model. This individual consideration occurs when the leader has developed an orientation towards employees and shows individual attention to employees and responds appropriately to employees' personal needs. Supportive Leadership behavior is behavior that is directed at satisfying employee needs and preferences, such as showing concern for employee welfare, creating a comfortable, familiar work environment and full of psychological support.

4) Intellectual Stimulation

Intellectual stimulation refers to behaviors that can increase employee interest and awareness of emerging problems. Thus, this will develop the ability of employees and the tendency to think about problems in a new perspective. The effect of intellectual stimulation can be seen from the increase in the ability of employees to conceptualize, understand, analyze problems, and improve the quality of the solutions they can produce. Intellectual stimulation as something that is aimed at increasing employee interest, awareness and awareness of various problems in the organization and increasing the ability of employees to think about these problems in new ways.

5) Personal Awareness (Personal Recognition)

The term personal awareness captures or explains aspects of contingent reward that are conceptually related to Transformational Leadership. Personal awareness occurs when the leader indicates that he appreciates the efforts of individuals and rewards the achievement of performance consistent with the vision through praise and open recognition of the efforts of his employees. He also defines personal awareness as giving gifts in the form of

praise and open recognition for efforts made for the achievement of certain efforts.

From two indicators above that explained about transformational leadership, the researcher chose the indicator by Bass and Avolio (2010) as the independent variable, which is transformational leadership.

2.2 Compensation

2.2.1 Definition of Compensation

Compensation is an important function in Human Resource Management. Because compensation is one of the most sensitive aspects in employment relations, it contains compensation issues and various related aspects such as benefits. In practice, there are still many companies that do not properly understand the compensation system. The compensation system helps in providing reinforcement of the organization's key values and facilitates the achievement of organizational goals.

The compensation program itself is a reflection of the organization's efforts to maintain human resources. Compensation is a means of motivation that encourages people to work with optimal abilities because it is very important for both employees and employers. This is because compensation is also a picture of social status for employees. Income level is very influential in determining the standard of living. For employers of companies, compensation is a major factor in staffing.

Staffing policies have a lot to do with considerations for determining employee compensation. The level of compensation is closely related to the level of education, position and length of service of employees. Compensation given to employees is very influential on work results. Companies that determine wage rates are reluctant to consider normal life sources, will allow employees to work with full motivation. This is because employee motivation is heavily influenced by whether the minimum needs of employees and their families are met or not.

According to Rothwell & Kazanas (2003) compensation is a meaningful aspect for employees because the amount of compensation reflects the size of the value of their employees among the employees themselves, their families, and society". According to Martocchio (2015) compensation is a counter-performance

to the use of labor or services that have been provided by the workforce. Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort and outputs toward the achievement of organizational goals (Bergmann and Scarpello, 2001; Johari et al, 2012)

According to Hwang and Kleiner (2002) compensation is remuneration paid for the services of employees, workers, hours or employees who are not carrying out supervision and administration.

Furthermore, According to Murphy (2010) compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. Compensation is in the form of money, meaning that compensation is paid in a certain amount of currency to the employee concerned. Compensation in the form of goods means that compensation is paid in kind. For example, compensation is paid 10% of the production produced. In West Java, rice harvesters are 10% of the rice they harvest.

From the question above, it can be concluded that compensation is remuneration received by employees. If the remuneration received by an employee is greater, it means that his position is getting higher, his status is getting better and fulfilling the needs he enjoys more and more, thus his job satisfaction is also getting better. So compensation is expenses and costs for companies hoping that the compensation paid will get more work performance rewards from employees. So the value of employee performance must be greater than the compensation paid by the company, so that the company gets more guaranteed company profits.

2.2.2 Indicator and dimension of Compensation

Human resources are people who carry out activities in an organization to achieve organizational goals. The ability of human resources is the main key for companies in facing the era of globalization. Therefore, the company should provide reciprocity for employees in the form of compensation. Compensation, apart from providing rewards for workers, is an effective way to retain employees. The compensation given by the company to employees is not only in the form of money,

it can also be in other forms depending on the capabilities of the company. Each compensation is formed by several indicators. According to Monday and Robert (2013) the compensation indicator is

1) Wages and salaries

Wages are payments that are often used for production and maintenance workers. Wages are generally linked to hourly pay rates and wages are usually applied to annual, monthly or weekly pay rates.

2) Incentives

Incentives are additional compensation above or beyond the salary or wages provided by the company.

3) Allowances

Benefits are health and life insurance, pension programs, company-covered vacations and other benefits related to employment.

4) Facilities

5) Amenities are generally associated with amenities such as company cars or access to company aircraft that employees obtain.

According to Johari et al (2012), compensation indicator consist of

1) Bonus

Additional payment based on the amount of work

2) Merit

Compensation based on what the employee bring to the company

3) Promotion

Act of elevating an employee position in the company

Compensation policies, both in terms of size, structure and time of payment, can encourage work enthusiasm and the desire of employees to achieve optimal work performance so as to help realize company goals. The amount of compensation must be determined based on job analysis, job position, external consistency, and guided by justice and the law. With this policy, it is hoped that appropriate cooperation will be fostered by providing satisfaction for all products.

The amount of remuneration has been determined in advance, so that employees know with certainty the amount of remuneration or compensation they will receive. This compensation will be used by employees and their families to meet their needs.

The amount of compensation reflects the status, recognition and level of fulfillment of needs that will be received and enjoyed by employees and their families. If the remuneration received is greater, it means that the position is higher, the status is better and the fulfillment of the needs that he enjoys is more and more, thus, his job satisfaction is also getting better. Herein lies the importance of compensation for employees as sellers of energy (physical and mental).

From two indicator above that explained about compensation, the researcher chose the indicator by Johari et al (2012) as the independent variable, which is compensation.

2.3 Job Performance

2.3.1 Definition of Job Performance

According to Luthans (2012) Performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

According to Wittaker (2016) Performance is a management measuring tool used to assess a person's level of responsibility in carrying out their duties. Furthermore, according to Viswesvaran and Ones (2017) Performance is the activity of managing organizational resources to achieve organizational goals.

Based on the definition above, it can be concluded that performance is the results achieved by the work assigned to him in an organization, performance can be measured through skills, experience and punctuality. The more proficient an individual is in carrying out his duties, the better his performance will be.

2.3.2 Performance assessment

Performance can be measured and known if individuals or groups of employees have criteria or benchmark success standards set by the organization. Therefore, if the goals and targets have been set in measurement, it is impossible to know the performance of a person or organization if there are no benchmarks for success. If performance is not up to standard, an appraisal provides an opportunity to review the employee's progress and to develop a performance improvement plan.

Performance appraisal is carried out to assess whether an employee has performed in accordance with standards or not. With performance appraisals,

managers can make development plans, goals and objectives. According to Wittaker (2016) there are several definitions of performance assessment from several figures, namely:

- a) According to Harvard Business Essentials, performance appraisal is a formal method for measuring how well individual workers perform in relation to the goals given.
- b) According to the Advisory, Conciliation and Arbitration Service, performance appraisal is a regular record of measuring worker performance, potential and development needs.
- c) According to Armstrong, performance appraisal is an opportunity to look at the overall content of work, load and volume, review what was achieved during the reporting period and agree on further goals.
- d) According to Williams, performance appraisal is nothing more than a report card given by superiors to subordinates, a decision about professional adequacy or deficiency. Employee performance appraisal is a process of assessing employee performance that is carried out by company leaders individually systematically based on the work assigned to him. Based on the opinions above, the writer can conclude that performance appraisal is a process of assessing how well the work has carried out its duties over a period of time.

2.3.3 Measuring Job Performance

Luthan (2012) states that job standards can be known from a job, can be used as a basis for evaluating employee performance, job standards must be able to be measured and understood clearly. A job can be measured through dimensions including:

- a) Number of Jobs

This dimension shows the amount of work produced by individuals or groups as requirements that become work standards. Each job has different requirements so that employees must meet these requirements in terms of appropriate knowledge, skills and abilities.

- b) Quality of Work

Every employee in the company must meet certain requirements to be able to produce work according to the quality required by a particular job. Every

job has certain quality standards that employees must adapt to in order to be able to do it according to the provisions.

c) Punctuality

Each job has different characteristics, certain types of work must be completed on time, because they are dependent on other jobs. So if the work of a certain part is not completed on time, it will hinder work in other parts, thereby affecting the quantity and quality of work results.

d) Presence

A certain type of work depends on the employee's presence in doing the work according to the specified time. There are types of work that require employees to be present for eight hours a day for a five-day work week. Employee performance is determined by the level of employee presence in the work.

e) Collaboration ability

Not all work can be completed by just one employee. For certain types of work, it may have to be completed by two or more employees, so it requires cooperation between employees and can be assessed by their ability to work together with other colleagues.

2.3.4 Indicator of Job Performance

In organizations, an employee's performance can be assessed. This assessment allows personnel management to provide feedback on the employee's performance. Performance can be measured by certain indicators.

According to Mathis and Jackson (2006), the indicators related to performance are as follows:

a) Quantity of yield

The quantity of output can be interpreted as the amount of work produced by employees. Quantity can be measured in rupiah, units, etc.

b) Quality of results

The quality of the results can be interpreted as the perfection of the work produced by employees.

c) Timeliness of results

Accuracy here can be interpreted as the suitability of the employee's work completion within the deadline that has been provided.

d) Presence

The accuracy of employees to be present at work according to or earlier than the specified time.

e) Ability to work together

The willingness of employees to work together as a team to complete the work.

According to Wittaker (2016), performance indicators consist of seven among others ;

a) Objective

It is a different situation that money is actively sought by a person individual or organization to achieve

b) Standard

It is a measure of whether the desired goal can be achieved.

c) Feedback

It is input that is used to measure progress in performance, work standards and achievements.

d) Tools or means

It is a resource that can be used to help resolve to achieve success

e) Competence

It is the ability that a person has to carry out a given job well

f) Motive

It is a reason or incentive for someone to do something.

g) Opportunity

Workers need to have the opportunity to realize work performance.

According to Viswesvaran and Ones (2017) indicators of performance are:

a) Job skills

Employee mastery of procedures (methods/techniques/systems methods/equipment) carrying out the duties of his position.

b) Quality of work

The employee's ability to show the quality of work results in terms of thoroughness and neatness.

c) Responsibility

The employee's willingness to involve themselves fully in carrying out their work and bear the consequences of errors/negligence and personal carelessness in carrying out their duties.

d) Initiative

Employee's ability to develop ideas and actions that support task completion.

e) Discipline

The employee's ability to comply with company regulations relating to punctual entry/leaving from work, attendance and leaving the office for non-official business.

f) Cooperation

The employee's ability to build relationships with other employees in completing tasks

g) Work quantity

The employee's ability to complete a number of tasks every day.

From three indicator above that explained about job performance, the researcher chose the indicator by Mathis and Jackson (2006) as the dependent variable, which is job performance.

2.4 Previous Research

Table 2.1 Previous Research

No	Author and Year	Title	Result
1.	Hira Khan, 2020	Impact of transformational leadership on work performance, burnout and social loafing: a mediation model	This research contributes to the field of organizational behavior by enhancing our knowledge on how a transformational leader upgrades employees' positive work outcomes by improving their intrinsic motivation.
2.	Fong-Yi Lai, 2020	Transformational Leadership and Job Performance: The Mediating Role of Work Engagement	The findings of this study make several contributions in terms of expanding previous models of transformational leadership to more prominently explicate the role of motivation in members' beneficial behaviors.
3.	Wang Jiatong, 2022	The Impact of Transformational Leadership on Affective Organizational Commitment and Job Performance: The Mediating Role of Employee Engagement	This study confirmed that transformational leadership is the key catalyst in both encouraging employee affective commitment and job performance throughout the mediator, employee engagement
4.	Nurul Mohammad Zayed, 2022	The Power of Compensation System on Employee Satisfaction: The Mediating Role of Employee Motivation	The proportion of male employees (86 percent) was close to six times higher than female employees (14 percent). This means that male employees dominated JBC's workforce.
5.	Elena M. Auer, 2021	Pay for performance, satisfaction and retention in longitudinal crowdsourced research	Findings showed that pay mattered for satisfaction and attrition but not performance.

2.5 Theoretical Framework

The descriptions outlined in the literature review regarding transformational leadership, compensation, and job performance can be summarized in the theoretical framework:

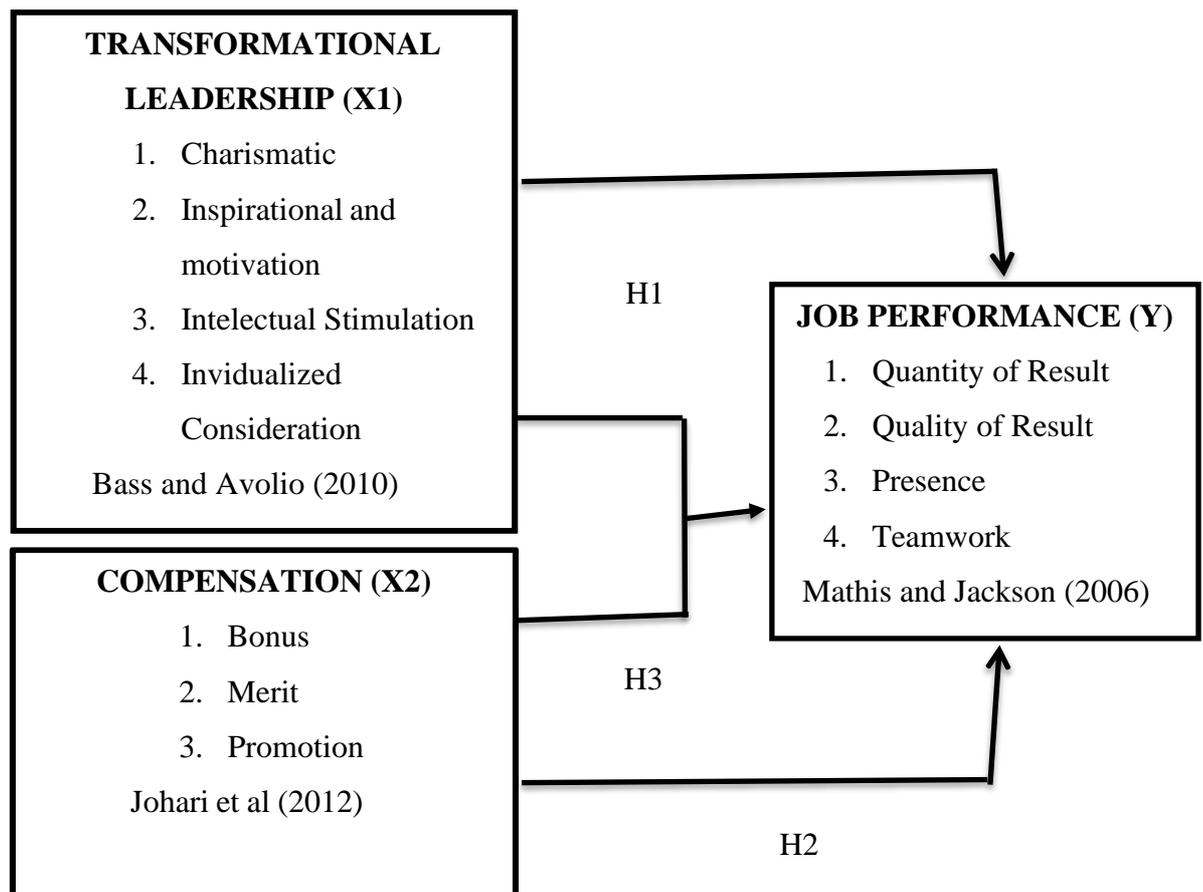


Figure 2.1 Theoretical Framework

2.6 Hypothesis Development

2.6.1. The Effect of Transformational leadership to Job Performance

Meaningful leadership is a reflection of transformational leadership. Marshall Molly (2011) said that leaders who has a sense of concern and can serve his subordinates. Meanwhile according to Rivai (2004), the leader's conclusion is that it is a strong spice/flavoring in an organization. Because basically everyone can do it they will definitely able to observe every movement, style and behavior of the leader.

By not realizing that the people around him will get emotional when a leader which they love to set an example for. Basically a leader who wants to give good example, criticizing, giving praise, giving support and can motivate with a clearer approach to their work will foster loyalty and responsiveness positive from its employees.

The leaders at Bank X are quite influential on their employees. Situations and conditions explain that most employees who feel that they are being cared for by their leaders will work more thoroughly and more actively. On the other hand, employees who feel they receive less attention from their leaders will appear to be more relaxed and at their own pace. This illustrates that transformational leadership is really needed to achieve this better job performance. From this description it follows;

H₁: There is a significant positive influence between Transformational Leadership on Job performance at Bank X.

2.6.2. The Effect of Compensation to Job Performance

Compensation is something that employees receive in lieu of contributions their services to the company. Saydam (2012) said that subsequent human resource activities after employees are appointed and placed to do work, is to think about the need or importance of the gift compensation to these employees. Providing adequate and appropriate compensation Time is what every employee desires most. This is of course also highly desired by the employees of Bank X. Most of them mean that working is to earn money that can be used to meet the daily needs of their family, because in reality the main purpose of most people working is to get compensation.

Mathis and Jacson (2010) said that one way for management is to improve work performance, motivation and increase employee job satisfaction is through compensation. This statement was later reinforced by Prawirosentono (1999) who says that salary and expectations are important things creating motivation for an employee to be willing to carry out work activities with good performance.

From this description it follows;

H₂: There is a significant positive influence between Compensation on Job performance at Bank X.

2.6.3. The Effect of Transformational leadership and Compensation to Job Performance

The appropriate leadership style that should be applied at Bank X is a transformational leadership style. The application of a transformational leadership style well, creatively and sympathetically will of course be able to create a good system within the company, including the compensation system for employees, considering that one way for management to improve job performance is through compensation.

This is reinforced by the opinion of Richard S Sloma (1999: 9-10) In his book entitled "How to Measure Managerial Performance", Mcmillan Publishing Co, Inc, New York (1980), says that company leaders always provide incentives (attractive work incentives, whether in the form of rewards in the form of money or other rewards, so that employees (especially subordinates) are willing to achieve organizational goals through efforts to achieve performance in accordance with the criteria set. This means that transformational leaders always have interesting ways to create employee morale, one of which is through attractive compensation strategies, including providing incentives and awards. So, a good leader will always understand what his subordinates need as well understand what always makes his subordinates enthusiastic about working, one of which is creating a compelling compensation system. The more satisfied employees are in receiving compensation from the company, the more enthusiastic the employees will be in their work. This shows that leadership and compensation factors complement each other in an effort to support job performance. From this description it follows;

H₃: There is a significant positive influence between Transformational leadership and Compensation on Job performance at Bank X.

CHAPTER III

RESEARCH METHOD

3.1 Research Design

On research This use study quantitative associative. Definition study associative according to Lawrance (2003) that is title purposeful research describe and test hypothesis connection two variable or more. In study this, method associative used for know The Effect Of Transformational Leadership And Compensation On Job Performance At Bank X. According to Lawrance (2003) the title associative causal started with the word influence, or factor determinant.

According to Lawrance (2003) method quantitative can interpreted as method philosophy based research positivism, used for researching populations or specific sample, data collection, use of instrument research, data analysis are quantitative or statistics with objective for test hypothesis that has set. Type research used in study This is study quantitative with use method survey. According to Kerlinger (1973) stated that, research survey is research conducted on populations big nor small, but studied data is data from samples taken from population that, so found incidents relative, distribution, and relationships between variable sociological nor psychological.

3.2 Scope and Object of Research

The scope of this research is the field of human resource management. The scope of the discussion studied The effect of transformational leadership and compensation at Bank X. The object of this research is all employe at Bank X.

3.3 Population and Sample

1) Population

According to Lawrance (2003) population is a generalized area consisting of objects or subjects that have certain qualities and characteristics set by the author to be studied and then conclusions drawn. In this research, the population taken was all employees at Bank X which has 366 employees

2) Sample

According to Lawrance (2003) the sample is part of the number and characteristics of the population. If the population is large, and it is not possible for the researcher to study everything in the population, for example due to limited funds, energy and time, then the researcher can use samples taken from that population. This study uses non-probability sampling, with purposive sampling method.

3.4 Source of Data

Data being the origin of primary analysis is absolutely necessary to mention and support the questions that have been formulated and identified previously. The data used in this research is primary data.

The primary data sources in this study are all the employees of Bank X who filled out the questionnaires given by the researcher.

3.5 Data Collection Method

The data collection technique in this research is questionnaire method. A questionnaire is a data collection technique used by giving a set of written questions to respondents to be answered. Respondents answered by giving certain marks according to the respondent's answer in the answer via an online Google Form. A list of questions includes independent and dependent variables. In this case variables independent are transformational leadership and compensation, while the dependent variable is job performance. The scale used is an ordinal scale or likert scale.

3.6 Sampling Techniques

Sampling is the process of selecting a sufficient number of the right elements from the population (Sekaran and Bougie, 2016). Determination of the minimum sample size according to Hair et al (2014) is: (number of indicators + number of latent variables) × (5 to 10 times) Based on these guidelines, the maximum sample size for this study is:

$$\begin{aligned}
 \text{The minimum sample size} &= 5 \times \text{number of question items} \\
 &= 5 \times 18 \\
 &= 90 \text{ sample}
 \end{aligned}$$

From the calculation of the number of samples above, which will be taken in this study are minimum 90 respondent

The sampling technique in this research was non-probability sampling method with purposive sampling technique. According to Kelly (2010) Purposive sampling is used to select respondents that are most likely to yield appropriate and useful information, purposive sampling is a way of identifying and selecting cases that will use limited research resources effectively. The intent of purposive sampling is to choose individuals to be sample who is representative of the population. So, the researcher use purposive sampling to choose the sample which means that every employees who has supervisor at Bank X are potential to be chosen as sample.

3.7 Operational Definition and Measurement of Variables

Operational definition is a statement that explain the definition measurement method, measurement tool, measurement result, measurement scale of the variables to be studied so it can be determine whether the measurement procedure will be caried out by referring to previous similar research or treated with new measurement procedures. The operational definition and dimension of each variable use in this study can be explained in table 3.1 as follows:

Table 3.1 Operational Definition and Measurement of Variable

No	Variable	Operational Definition	Indicators	Scale
1	Transformational Leadership	Transformational Leadership Style is the style of a leader who has the power to influence his subordinates in certain ways to achieve goals.	<ul style="list-style-type: none"> • Charismatic • Inspiration and motivation • Intellectual Stimulation • Individualized Consideration Bass and Avolio (2010)	Likert
2	Compensation	Compensation is something that employees get in exchange for their service contribution to the company." Veithzal Rivai (2011)	<ul style="list-style-type: none"> • Bonus • Merit • Promotion Johari et al (2012)	Likert
3	Job Performance	Performance is the quality and quantity of an individual or group's output in a particular activity which is caused by natural abilities or abilities obtained from the learning process and the desire to achieve.	<ul style="list-style-type: none"> • Quantity of Result • Quality of Result • Presence • Teamwork Mathis and Jackson (2006)	Likert

3.8 Data Testing Method

Validity and reliability of measuring instrument are used to determine whether or not the measuring instrument is good.

1. Validity Test

According to Sekaran and Bougie (2016), validity refers to the degree to which a developed instrument accurately assesses the specific notion that it is designed to measure. Finding out if the questionnaire's items can accurately reflect the topics under study is one of the validity test's benefits. If the tool utilized to gather the research data has low validity, the results will not be valuable.

A questionnaire's validity is evaluated using the validity test. The validity of every tool the researchers employed in this investigation was examined.

2. Reliability Test

A measuring tool's reliability is determined by how consistently it assesses the idea it is intended to measure (Sekaran and Bougie, 2016). If the questionnaire yields the same results after multiple measures, it is considered dependable. The Cronbach Alpha coefficient formula is the technique used to assess the questionnaire's reliability. Hair (2014) states that the following criteria will be used to test the dependability test:

- Cronbach Alpha ≥ 0.60 declared reliable
- Cronbach Alpha ≤ 0.60 declared unreliable

3.9 Data Analysis Method

This data analysis is the stage after data from all respondents and other sources has been collected. Then, the data is processed into information so that it is easy to understand and conclusions can be found. Data analysis techniques will be carried out with the help of the SPSS 25 (Statistical Package for the Social Sciences) computer program. The stages of data analysis are as follows:

1. Classic Assumption Test

The classical assumption test is carried out to determine the condition of the data and then determine the appropriate analysis model. The classic assumption tests used in this research are the normality test, linearity test and heteroscedasticity test.

a. Normality Test

The normality test is carried out to find out whether the residual values (existing differences) studied have a normal or abnormal distribution. In this study, normality tests were carried out on the variables transformational leadership, compensation and job performance. Testing the normality of the data is important because normally distributed data is considered to represent the population in the study. In the normality test research using the Kolmogorov-Smirnov test with the help of the SPSS version 25.0 for Windows program. According to Wibowo and Wulandari (2020:72) the standardized residual value curve is said to be normal if: Kolmogorov-Smirnov $Z_{\text{value}} < Z_{\text{table}}$; or use the Probability Sig Value (2 tailed) $> \alpha$; sig > 0.05 .

b. Linearity Test

Linearity test is a test that is needed to determine the form of the relationship that occurs between the variables being studied. This test is a test to see if there is a significant linear relationship between the two variables being studied. This linearity test is carried out using analysis of variance on regression which will later be obtained Fcount. The value of F obtained, consulted with the value of Ftable at a significance level of 5%. The criteria are as follows:

- 1) If $F_{\text{count}} \leq F_{\text{table}}$ at a significant level of 5%, then the relationship between variables is linear.
- 2) If $F_{\text{count}} \geq F_{\text{table}}$ at the 5% significance level, then the relationship between variables is not linear.

2. Hypothesis Test

a. Simple Linear Regression Analysis

Regression analysis is the study of the relationship between one variable which is called the explained variable and one or two explanatory variables. Regression analysis serves to see the magnitude of the influence of a causative relationship. The simple linear regression formula is:

$$Y = a + bX_1 + bX_2$$

Notes :

X₁ = Independent Variable (transformational leadership)

X₂ = Independent Variable (compensation)

Y = Dependent Variable (job performance)

a = Constant number

b = Regression coefficient

Criteria for acceptance and rejection of the hypothesis if:

- 1) If $t_{\text{count}} > t_{\text{table}}$, or significant ≤ 0.05 , then H_0 is not supported and H_a is supported
- 2) If $t_{\text{count}} < t_{\text{table}}$, or significant ≥ 0.05 , then H_0 is supported and H_a is not supported.

b. T Test

A hypothesis is a temporary assumption or guess about something that is made to explain something that is often required to check it. In the formulation of the statistical hypothesis, between H_0 and H_a are always in pairs, if one is not supported, then the other is supported so that the decision is firm, that is, if H_0 is not supported then H_a is supported. This hypothesis test serves to bring up the allegation of a certain event into a form of problem which is analyzed using regression analysis.

The hypothesis test used in this study is a partial hypothesis test or T test. The T test formula according to Priyatno (in Harwandi, 2019: 40), is as follows:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Where:

r = Partial correlation found

n = number of samples

t = t_{count} which is then consulted with t_{table}

The research hypothesis testing criteria are as follows:

- 1) If $t_{\text{count}} > t_{\text{table}}$, then H_0 is not supported and H_a is supported, then there is a significant influence between the independent variables on the dependent variable partially.
- 2) If $t_{\text{count}} < t_{\text{table}}$, then H_0 is supported and H_a is not supported, then there is no significant influence between each independent variable on the dependent variable.

c. F Test

The F test aims to find out whether the independent variables together (simultaneously) influence the dependent variable. The level of good correlation should be that there is a relationship between variable X, namely transformational leadership style, compensation and job performance as variable Y. The provisions of the F test are as follows (Ghozali, 2016):

- 1) If the significant value of $F < 0.05$ then H_0 is not supported and H_a is supported. This means that all independent/free variables have a significant influence on the dependent/dependent variable.
- 2) If the significant value of $F > 0.05$ then H_0 is supported and H_a is not supported. This means that all independent/free variables do not have a significant influence on the dependent/dependent variable.

d. Determination Coefficient Test (R^2)

The coefficient of determination (R^2) essentially measures how far the model's ability is to explain variations in the independent variables. The coefficient of determination is zero and one. The small value of r^2 means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable.

The test criteria are as follows:

- 1) If the value of r^2 is close to 0, the effect will be smaller.
- 2) 2) If the value of r^2 is close to 1 then the effect is getting stronger.

CHAPTER V
CONCLUSION AND
SUGGESTION

5.1 Conclusion

Based on research result and discussion some conclusion can be made which are as follows:

1. Transformational leadership style has a positive and significant influence on job performance of Bank X. This is proven by the results of the regression analysis, which results in the conclusion that hypothesis I is supported, namely that transformational leadership style has a positive effect on job performance. So, if the transformational leadership style at Bank X is implemented well, then the job performance will increase.
2. Compensation has a positive and significant influence on job performance of Bank X. From the results of the regression analysis it can also be concluded that hypothesis II is supported. Satisfactory compensation will make employees more enthusiastic about work, this will of course have an effect on better performance. So if compensation at Bank X is appropriate and satisfactory, then this will be able to improve employee performance, and vice versa.
3. Transformational leadership style and compensation have a positive and significant effect on job performance of Bank X. So it can be concluded that hypothesis III is supported. The better the leadership style applied in the company and the higher the compensation given to employees, the better and higher the performance of Bank X employees.

5.2 Suggestion

Based on the research, discussion, and conclusion, some suggestion can be made which are as follows:

5.2.1 For Research Development

This research is still not perfect, for this reason further research is needed to examine the aspects of other variables that can influence job performance considering that theoretically there are several other variables that can influence job performance, such as work motivation, performance appraisal, organizational commitment, and other variables.

5.2.2 For Organization

1. Analysis shows that the some respondent answered the questionnaire on Transformational leadership about the leader who take the risk with lowest mean score among all question (Mean = 4.11). Because of that, it is hoped that leaders can be more active, brave, and creative in tackling problems in order to inspire their subordinates who require special attention related to work. For this reason, it would be better if the leadership devotes time or can bring in an experienced instructor to train several employees who need training or guidance to prepared for the risks. All of these things are to encourage the performance of Bank X employees to be even better than before.
2. Bank X also needs to evaluate the compensation system for its employees. The analysis shows that the question about getting paid equal to the number of work has the lowest mean score (Mean = 3.94), which means that the compensation system still need to be improved. Some suggestion that can be implemented to improve the compensation system are to increase bonus wages, increase employee overtime pay, and appropriately measure the amount of work the employee's has done and compensated them accordingly. This will hopefully improve the job performance of the employees.

3. To improve the quality of employee work, it is necessary to provide training and development as well as giving awards to employees who excel. Meanwhile, regarding the frequency of errors made by employees, it is best to take corrective and corrective action so that errors do not occur in the future.

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