



Enhancing Performance through Improving Participatory Leadership Work Engagement and Compensation

Mintari

Master of Management, Faculty of Economics and Business, Universitas Syiah Kuala, Indonesia

Said Musnadi

Faculty of Economics and Business, Universitas Syiah Kuala, Indonesia

M. Shabri Abd. Majid*

Faculty of Economics and Business, Universitas Syiah Kuala, Indonesia

Email: mshabri@unsyah.ac.id

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Abstract

Most of the organizations encounter the problem of a low level of performance, including the Kotaku Office in Aceh Province, Indonesia. There have been communities complaints on the infrastructure development by the Kotaku office, as the main strategic programs of the office are to ensure the presence of the National Slum Upgrading Program (*Program Kota Tanpa Kumuh - Kotaku*) in Indonesia. This study aims to measure and analyze the mediating effects of employee performance on the influences of participative leadership style, work engagement, and compensation on organizational performance of the Kotaku institution in Indonesia. Of 208 Kotaku officers, 140 of them were selected as the sample of the study using the proportionate stratified random sampling. This study gathered the data by distributing questionnaires to the respondents and they were analyzed using the Structural Equation Modeling (SEM) technique. The study found that participatory leadership style, work engagement, and compensation positively and significantly affected employee performance. In addition, the study also documented the mediating effect of employee performance on the relationships between participatory leadership, work engagement, compensation, and organizational performance. These findings implied that any efforts done to improve the organizational performance should be focusing on the enhancement of employee performance on the basis of empowering participatory leadership, work engagement, and compensation.

Keywords: Participatory leadership; Work engagement; Compensation; Performance; 100-0-100 movement; *Kota tanpa kumuh – Kotaku*.

1. Introduction

The organization is a social entity that can be arranged according to the rules and consciously coordinated, with an identifiable boundary, working continuously to achieve common goals in the organization (Robbins and Judge, 2012). A good organization can be identified from the resources and overall performance in the organization. Understanding the organization itself is a gathering place for a group of people to do work together in a rational, controlled and guided system in order to achieve a certain goal by utilizing human resources.

Kota Tanpa Kumuh - Kotaku (City without Slum) is an open and organized institution because it involves many aspects starting from the community, private and government levels. The Government of Indonesia places this program under the Ministry of Public Works and Public Housing (PWPH) through the Directorate General of Human Settlements. One of the strategic efforts of the Directorate General of Human Settlements is to accelerate the activities of handling slums in Indonesia and support the "100-0-100 Movement". This means 100% of universal access to drinking water, 0% of slum locations and 100% access to clean water or proper sanitation. The main objective of this movement is to increase access to infrastructure and basic services in urban slums to productive and sustainable urban settlements. Kotaku covers the implementation of activities in 34 provinces in Indonesia spread over 269 regencies/cities and 11,067 villages. The total area of slums that have been authorized is 35,291 hectares. All control both for employee operational management and the achievement of the objectives of the special program for the Aceh region are carried out at the Kotaku of Aceh Province.

The funding for Kotaku is sourced from foreign loans from donor agencies including the world bank, the Islamic Development Bank and the Asian Infrastructure Investment Bank, the contribution of the regional government is allocated through the Regional Revenue and Expenditure Budget and funds from the results of non-governmental organizations, these cost sources become a single entity financing of Kotaku activities for the sake of achieving the target of improving the expected quality of slum handling. Project Management Unit (PMU) is a division within the Ministry of PWPH regulating and implementing Kotaku activities. To implement the policy direction of the PMU, government has made plans and provisions for the implementation of Kotaku programs, they have been determined and given to related parties through a structured training and meetings in advance, so that the results of the directives can be accepted at the level below, in this case, the task implementers start from the level of the advisory team, the Regional Management Consultant (RMC) in other words the Oversight Consultant (OC), the City Coordinator (CC) and the team in the field called facilitators. In carrying out the work, it is closely related to the

*Corresponding Author

community and community representatives formed in the Community Self-Reliance Institution (CSRI) and Non-Governmental Groups (NGGs).

The results of the policy direction will provide the organizational performance, in this case, is Kotaku performance, if it is carried out properly according to the directions and refers to established operating standards and procedures. Performance of a company or organization is a vision and mission that will appear after doing the work in full for a certain period of time, which is the achievement and results that are affected from the operational activities of the company/ organization in utilizing the available resources (Srimindarti, 2004). Also, performance is a term generally used part or all of the work implementation activities of the organization in the period with reference to the number of standards carried out with the past financing that is projected efficiently and can be accounted for.

The performance of Kotaku has never received a poor rating due to carrying out tasks following the fiscal year, there are still often incompatible achievements in the field, infrastructure that is of good quality and can be utilized by the community, cannot achieve the expected results, even as a result of development. The infrastructure, the surrounding community has conveyed their complaints through social media in the form of Face book, and commented on by the community and Kotaku team because the infrastructure that should be able to withstand the flow of rainwater is channeled well, but instead inhibits the flow so that the area of infrastructure development in the form of drainage in people's homes becomes flood.

The performance of the Kotaku is also reflected in the results made by the employees of the Kotaku Office. The results of the 2018 fiscal year work have been completed and checked by the audit team from the Financial and Development Supervisory Agency, the results of the audit there are many findings that are not in accordance with the work that was previously planned, it occurs due to many misunderstandings from the field team in realizing the policies, and processes the process is not appropriate so as to result in a decline in personnel/employee performance starting from the OC level to the health facilities being not good, some staff both at OC and CC have received Warning Letter 1 (WL1) and some have not even continued their work contracts. According to Hasibuan (2014), performance is a task and work given to someone based on skills, experience and sincerity and time according to standards that have been set, and predetermined criteria so as to get results that are as expected. In addition to performance factors, the effectiveness of an organization is largely determined by the role of the direction and responsibilities and behavior of a leader, who has professional technical and managerial skills that can motivate (Bhatti *et al.*, 2012).

Kotaku is based on participatory development, by integrating top-down and bottom-up planning, so that planning at the community level will be an inseparable part of more macro planning at the city level, each activity always examines basic needs that come from the community. Based on these needs, discussed with all members of the community work team, both the community itself and through representatives of the organizational body, which had been formed and approved in the notarial deed, the results of the discussion were then submitted to the management team through a leader, making decisions based on the results joint meetings and deliberations to reach an agreement, this is close to participatory leadership.

However, in reality, a leader who was expected to be able to accommodate the creative ideas of the team often could not be channeled properly. The leaders in Kotaku spent a lot of time in his desk, even months, to monitor all activities using only WhatsApp Group media. If there was a delay in the target work, the leaders preferred to find fault by holding a meeting with only the OC team. Likewise, what is felt by the city coordinating team are only those who are always dealing with government parties without being accompanied by the Team Leader at all.

OC Team and City Coordinator always complained about this problem because work felt frightened and only made Origin Happy, what the OC team and City Coordinator wanted was to have a Participatory Leader who could really work together to find solutions, discuss with the government team in order to get maximum results, not only meet when there are findings from the Financial and Development Supervisory Agency and during the Consultant Internal Learning Consultation (CLIC) training. McCrimmon (2007) argued, a participatory leader means involving team members in making and determining decisions, and holding consultations with all staff about the actions decisions proposed or desired by the leadership, as well as trying to provide motivation and efforts to actively carry out all decisions in activities that are as determined, creative thinking is needed to solve complex problems when making decisions that impact team members.

Other issues from the Team Leader's policy also exist, one of which is office facilities and field visits, both felt by the OC team and the City Coordinator team, this was stated by several OC staff and City Coordinator staff when the CLIC, the staff stated when they carry out official services for the CLIC from their respective cities/districts outside of the city of implementation, namely Banda Aceh, the city coordinator team of 12 cities/districts felt that the transportation costs are not appropriate such as vehicle costs not following the applicable standards of the year. Likewise, the OC team felt during in the field, the cost of official travel was not appropriate with the standard price of Experts and paid only as much as 2 people. When traveling on business, they were also often given warnings through WhatsApp Group monitoring; sometimes the team that was working in the field gets an uncomfortable chat so they felt frightened and unfocused when doing work in the field. In other cases working at Kotaku, there were no other benefits such as incentives and benefits. Sometimes monthly salaries were often paid late from a fixed date.

According to Haryono (2009), an appropriate compensation makes employees feel valued, more diligent at work, more motivated, feel happy and in the end, the high organizational performance will be achieved. Compensation is any form of financial return, tangible services, and objectives obtained in part from a relationship with employment (Sunyoto, 2012). Compensation system can be done through two things, namely because of achievements and because time is measured based on the ability of employees to achieve such targets. While the

relevant policies from the achievements of Kotaku have been reported in the local daily newspaper *Serambi Indonesia*.

In addition, several facilitators in the field were dissatisfied with the results of the test scores conducted by the Kotaku office, where the assessment process, which was considered not transparent, was quoted from the *Serambi Indonesia* newspaper. Another source stated that from 30 facilitators who have been active and re-participated in the contract extension selection, only 8 people passed the test, strangely those who were aborted did not know their respective values. This happened in Subulussalam, one of 12 cities in Aceh Province which is the target location for slum handling and prevention in the city without slums program. Work engagement with employees greatly influences the results of one's work performance (Xanthopoulou *et al.*, 2012).

In addition, the data shows that the achievement of slum reduction for 2017 and 2018 amounted to 1,034.65 ha. The target completed for 2017 was 149.48 ha and for 2018 was 885.17 ha, but deviation occurred in 2017 were 19.49 ha and in 2018 were over 296.69 ha. The deviation occurred due to unclear coordination between employees in the OC environment and the field team, resulting in the performance of Kotaku organization is being not good. Work engagement is an aspect that includes positive emotions, full engagement in doing work and is characterized by three main dimensions, vigor, dedication, and absorption. The employees will enjoy the work they do and show ability and good performance when the employee has a high level of work engagement (Bakker and Bal, 2010). Work engagement can be different for each person (Xanthopoulou *et al.*, 2012).

Based on the above research phenomenon, this study aims to analyze the effect of participatory leadership style, work engagement, and compensation on employee performance and its impact on the performance of Kotaku of Aceh Province, Indonesia. The findings of this study are hoped to provide some guidelines for Kotaku management in designing policy for improving the performance of the employee and organization through enhancing participatory leadership, work engagement, and compensation.

The rest of this study is structured in the following manner. Section 2 provides the selected relevant literature reviews and followed by the discussion on the research method in Section 3. Section 4 provides the findings and their discussion and ended with the concluding remarks in Section 5.

2. Literature Review

Previous studies have identified factors determining, directly and indirectly, both employee and organization performances. These factors include leadership style, work engagement, and compensation.

2.1. Participatory Leadership and Employee Performance

Işcan *et al.* (2014), examined the effect of participatory leadership and performance. They revealed how participatory leadership and transformational collaboration drives innovation in organizations, and have a positive effect on organizational performance. Lumbasi *et al.* (2016), also expressed opinions about participatory leadership planning on employee performance; most respondents supported further leadership and supported the compilation of employees in making decisions. This study found a significant positive relationship between the application of participatory leadership and employee performance. Based on this, this research concludes that companies that achieve high compilation of leaders need to be taken from the company through ongoing consultations

2.2. Work Engagement and Employee Performance

Yongxing *et al.* (2017), assessed the effect of work engagement and performance from a work perspective and found a positive effect of work engagement on employee performance. Tsaour *et al.* (2019), found that higher scores suggested that frontline companies, in this case, frontliners in hospitality, were involved in higher levels of work engagement and were preferred at work, satisfied with their work, their attitudes and behavior would be more positive, and they will prioritize professionalism to pay back to the organization. Fun at work is a work resource and has social and interpersonal essence. If the organization can help and develop the workplace, it will help companies to improve social relations and provide social support to overcome a source of pressure from service work, thus allowing employees to be more dedicated to their work.

2.3. Compensation and Employee Performance

Based on the study Matino (2018), the compensation is found to have a positive effect on employee performance, and it was the most important internal and external factors that influence the effectiveness of compensation on working conditions or benefits of private banks in the City of Wolaita Sodo. In addition, this study evaluates the effects of a company's ability to pay, employee productivity, compensation by laws and regulations, rewards strategies and job requirements on the compensation system. Harris *et al.* (2018) found that incentives given to employees have made employees more eager to do their jobs because they feel valued and can support their employees' daily lives.

2.4. Employee Performance and Organization Performance

According to Hewagama *et al.* (2019), employees are very interested in improving work quality and self-development through training and getting decent incentives, this is very refreshing for employees to improve office performance. Tuan *et al.* (2016), in their research, found that the diversity of employees employed if managed effectively would be able to create enthusiasm and improve employee performance with the value of the organization. Diversity-oriented human resources who handle and assess the diversity of employees contribute more to the work of the organization because they feel happy and with such diversity can recognize each other's strengths

and weaknesses of each employee and complement each other in order to improve the performance of organizations that compete in the manufacturing industry in Ho Chi Minh, Vietnam. Data analysis is positively related to employee performance and organizational performance results. Meanwhile, [Fachreza and Majid \(2018\)](#) examine the effect of employee performance on organizational performance and found a significant and positive influence between employee performances on organizational performance of Islamic Banks in the city of Banda Aceh.

2.5. Participatory Leadership and Organizational Performance

The results of related studies revealed by [Huertas-Valdivia et al. \(2019\)](#) were in their research suggested that leadership influences organizational performance, leadership is closely related to decision making. The same thing was stated by [Iqbal et al. \(2015\)](#) in which they argued that leadership participation is most useful in the long run and its effect on employees is positive. From the results of this study, it can be concluded that better leadership in an organization will have an impact on employee performance which will ultimately improve organizational performance.

2.6. Work Engagement and Organizational Performance

[Taufek et al. \(2016\)](#) documented that work engagement is correlated significant towards organizational performance because employees get rewards after completing proper and proper work so that motivates employees in competing with other organizations and can develop their desires and keep the organization where they work, gifts or compensation can be one of the main factors that will motivate employees to do more get along with his work. The second supporting hypothesis is the development and career opportunities and work engagement. [Chaudhary et al. \(2014\)](#) argued that work attachment affects the performance of business organizations in India due to social environmental factors at work, interacts well with colleagues, so employee engagement can be achieved well so as to produce good organizational performance.

2.7. Compensation and Organizational Performance

According to [Matino \(2018\)](#), compensation has a positive effect on organizational performance. The better and more appropriate compensation given to employees in an organization will improve the performance of the organization. [Harris et al. \(2018\)](#), in their research, stated that organizational performance was greatly influenced by compensation in the form of property, that is, employees increased their work more because they were facilitated with adequate work equipment so that all work in quick time could be overcome, this compensation was needed more than compensation in the form of incentives.

2.8. Mediating Effect of Employee Performance on the Relationship between Participatory Leadership Work Engagement Compensation and Organizational Performance

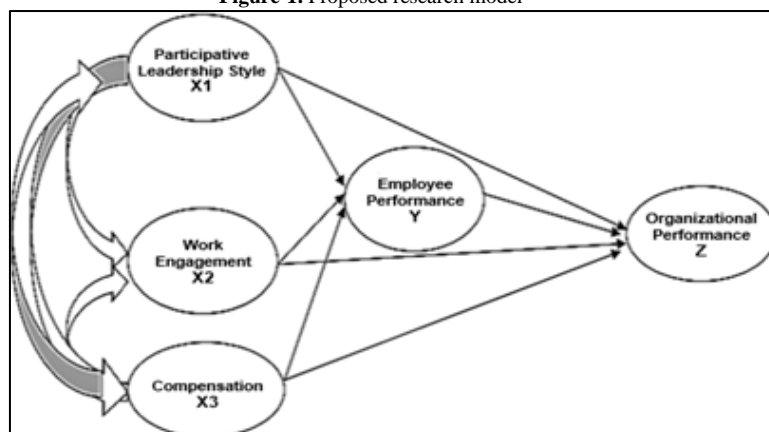
[Lumbasi et al. \(2016\)](#), explored the effect of leadership types on employee engagement in corporate decision making. The findings indicate that there was a significant effect of participatory leadership on employee performance. Based on this, this study recommends that leaders in the corporate environment and other areas should often apply this style. They must aim to get input from employees when making decisions that affect employees and the company in general.

[Bakker et al. \(2011\)](#), found that work engagement positively related to task performance for employees who scored high (versus low) based on awareness. Work engagement was positively related to contextual performance for employees who score high (versus low) on awareness. Work engagement was positively related to active learning behavior for employees who score high (versus low) based on awareness.

Finally, [Matino \(2018\)](#) argued that effective compensation plans from private bank employees are met with their basic salary being productive workers and the organization attracts qualified employees. In general, the compensation plan is influenced by different factors and based on the criteria of the workers being productive. Therefore it can be concluded that the private bank compensation plan is effective.

Based on the above-reviewed literature, the study proposed the following research model to be examined and analyzed.

Figure-1. Proposed research model



Based on the above-proposed research model (Figure 1), the study proposed the following hypotheses to be tested.

1. Participatory leadership affects employee performance
2. Work engagement affects employee performance
3. Compensation affects employee performance
4. Participatory leadership affects organizational performance
5. Work engagement affects organizational performance
6. Compensation affects organizational performance
7. Employee performance affects organizational performance
8. Participatory leadership affects organizational performance through employee performance
9. Work engagement affects organizational performance through employee performance
10. Compensation affects organizational performance through employee performance.

3. Research Method

This study is conducted at the Kotaku Office of Aceh Province, Indonesia. The research object is a scientific target to obtain data with specific goals and uses something that is objective and reliable (Sugiyono, 2007). The population is a collection of all events or group members (Saunders et al., 2015) which refers to the aggregate or the totality of all objects, subjects or certain members which are divided into several characteristics (Zikmund and Babin, 2012). Meanwhile, the sample is a sub-set/sub-group or part of the population of a larger population (Saunders et al., 2015; Zikmund and Babin, 2012). It is a portion of the population that is considered sufficient to represent the population (Arikunto, 2014).

According to Hair et al. (2014), a minimum sample needs to be taken in a study is at least the number of indicators multiplied by 5 for each variable estimated to be acceptable and an indicator multiplied by 10 per variable is considered the most appropriate. If there are 20 indicators, the minimum sample size is between 100-200; therefore, this study takes a sample of 140 respondents. Whereas the sampling technique in this study is a proportionate stratified random sampling where all members of the population have the same opportunity to be selected as samples according to their meanings. Table 1 illustrates the population and sample of the study.

Table-1. Population and sample of the study

Work Unit	Number of employees	Number of samples
OC – 1	30	$(30/208) \times 140 = 20$
City Coordinator Office	70	$(70/208) \times 140 = 47$
Data Management Assistant	15	$(15/208) \times 140 = 10$
Village Facilitator	86	$(86/208) \times 140 = 58$
City Coordinator Admin Staff	7	$(7/208) \times 140 = 5$
Total	208	140

Primary data used in this study are obtained from the first source, for example from individuals (Umar, 2008). Thus, the data collection in this study is carried out by distributing questionnaires. Questionnaires are a number of written questions that are used to obtain information from respondents (Arikunto, 2014). Likert scale is used to measure statement items that are positive or negative about the problem examined (Sekaran and Bougie, 2016). Alternative assessment in the measurement for items that are positive is the respondent's answers starting from the answers strongly disagree, disagree, agree and strongly agree with the value of categories 1-5. The operational definition of variables in the opinion of Nazir (2011) is a definition given to a variable by giving meaning or specifying an activity or providing an operational variable.

According to Sugiyono (2007), a series of measurements or a series of measuring instruments that have consistency if measurements made with the measuring instrument are carried out repeatedly, the reliability of the test is the level of consistency of a test to the extent that the test can be trusted to produce a consistent score, relatively unchanged even if tested on different situations. According to Arikunto (2014), instrument reliability shows an understanding that the instrument can be trusted enough to be used as a data collection tool because the instrument gets good results. To calculate the reliability of the instrument can be analyzed by using a two-sided technique, in this study reliability can be measured using the Spearman technique. According to Malhotra (2010), an acceptable alpha coefficient above 0.06. If the magnitude of Cronbach's Alpha is greater and 0.06 then the instrument in this study is reliable.

This study uses Structural Equation Modeling (SEM) as an analysis technique to test the influence among variables, using AMOS application. Hair et al. (2014) explained the advantages of SEM applications in research is because of its ability to confirm the dimensions of a concept or factor that is very commonly used and its ability to measure the influence of existing relationships theoretically. Da Silva and Alwi (2008), explained that confirmatory factor analysis (CFA) in structural equation modeling (SEM) needs to be done first to ensure that the indicators are in a fit condition. After the analysis, structural equation modeling (SEM) is used to test the theoretical model, which is based on a measure of goodness-of-fit.

According to the SEM method, endogenous latent variables are symbolized by ksi (ξ) and exogenous latent variables are symbolized by eta (η). Parameters that show regression of endogenous latent variables to exogenous latent variables are symbolized by gamma (γ). Furthermore, the regression of endogenous latent variables to other

endogenous latent variables is symbolized by beta (β). Furthermore, structural errors are symbolized by zeta (ζ) (Sitinjak and Sugiarto, 2006; Wijayanto, 2012). Based on Figure 1, the mathematical relationship between causality in research can be stated as follows:

$$\text{Employee Performance} = \gamma_{11}\text{Participatory Leadership} + \gamma_{12}\text{Work engagement} + \gamma_{13}\text{Compensation} + \zeta_1 \tag{1}$$

$$\text{Organizational Performance} = \gamma_{21}\text{Participatory Leadership} + \gamma_{22}\text{Work Agreement} + \gamma_{23}\text{Compensation} + \beta_{21}\text{Employee performance} + \zeta_2 \tag{2}$$

where γ_{ii} and β_{ii} are the estimated coefficients for each exogenous variables and ζ_i is the structural error term.

4. Findings and Discussion

Before the main findings of interrelationships among the investigated variables are reported, the study first presents the respondents' characteristics in Table 2. As illustrated in Table 2, of 140 respondents, the majority of them were men (64.3%), and female employees were 35.7%. in terms of age, 40.7% were 40-49 years old, followed by the group of ages 30-39 years old (33.6%), and those below 30 years old and 50-59 years old were 12.9%, respectively. This indicates that the employees of Kotaku were matured and experienced workers. Finally, in terms of education, the majority of them were diploma holders (92.1%), while those with a bachelor's degree and high school graduates were 5.7% and 2.1%, respectively.

Table-2. Characteristics of respondents

Characteristics		Frequency	Percentage
Gender	Man	90	64.3
	Female	50	35.7
Total		140	100
Age	< 30 year	18	12.9
	30-39 year	47	33.6
	40-49 year	57	40.7
	50-59 year	18	12.9
Total		140	100
Education level	High school	3	2.1
	Diploma	129	92.1
	Undergraduate	8	5.7
Total		140	100

Next, the study proceeded to ensure the validity of data. For the validity test, the confirmatory factor analysis is conducted. If the estimated loading factor is found to be below 0.50, thus the indicator to measure the variable is invalid. The only valid indicator is used to measure a variable that is those estimated loading factors with a value of greater than 0.50. Table 3 reports the validity of data based on the confirmatory analysis.

Table-3. Confirmatory Factor Analysis

Indicator		Variable	Estimate
X_{11}	<---	Participatory Leadership X_1	0.629
X_{12}	<---	Participatory Leadership X_1	0.614
X_{13}	<---	Participatory Leadership X_1	0.772
X_{14}	<---	Participatory Leadership X_1	0.847
X_{15}	<---	Participatory Leadership X_1	0.752
X_{21}	<---	Work Engagement X_2	0.800
X_{22}	<---	Work Engagement X_2	0.789
X_{23}	<---	Work Engagement X_2	0.733
X_{24}	<---	Work Engagement X_2	0.615
X_{25}	<---	Work Engagement X_2	0.430
X_{31}	<---	Compensation X_3	0.331
X_{32}	<---	Compensation X_3	0.745
X_{33}	<---	Compensation X_3	0.861
X_{34}	<---	Compensation X_3	0.689
X_{35}	<---	Compensation X_3	0.645
Y_1	<---	Employee Performance Y	0.621
Y_2	<---	Employee Performance Y	0.664
Y_3	<---	Employee Performance Y	0.674
Y_4	<---	Employee Performance Y	0.463
Y_5	<---	Employee Performance Y	0.727
Z_1	<---	Organizational Performance Z	0.598
Z_2	<---	Organizational Performance Z	0.670
Z_3	<---	Organizational Performance Z	0.652

Z ₄	<---	Organizational Performance Z	0.737
Z ₅	<---	Organizational Performance Z	0.487
Z ₆	<---	Organizational Performance Z	0.729
Z ₇	<---	Organizational Performance Z	0.396
Z ₈	<---	Organizational Performance Z	0.420

As shown in Table 3, of 28 indicators used to measure five investigated variables, one indicator of variables of work engagement (X₂₅), one indicator of compensation (X₃₁), one indicator of employee performance (Y₄), and three indicators of organizational performance (Z₅, Z₇, and Z₈) were found to invalid. These indicators have a value of less than 0.50, thus they cannot be used to measure the respected investigated variables. In short, out of 28 indicators, only 22 of them were found to be valid and could be used for further measuring variables and their interaction with other variables.

Before the research estimates the suggested SEM equations to investigate the interactions between endogenous, mediating, and exogenous variables, to ensure the appropriateness of the estimated model, the study checked the proper specification of our estimated model by using the goodness of fit indices. The findings of the goodness of fit indices are reported in Table 4.

Table-4. Goodness of fit indices (GoI)

GoI	Cut-off value	Finding	Remark
X ² -Chi-square	Expected to be small	345.085	Good fit
Probability	≥0.05	0.000	Best fit
RMSEA	≤0.08	0.069	Best fit
GFI	≥0.90	0.843	Best fit
AGFI	≥0.90	0.800	Best fit
TLI	≥0.95	0.885	Best fit
CFI	≥0.95	0.901	Best fit

As observed from the table, the study found that, except for X²-Chi-Square Statistics that was found to be good fit, all other goodness of fit indices comprising Probability, Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Augmented Goodness of Fit Index (AGFI), Tucker and Lewis Index (TLI), and Comparative Fit Index (CFI) were found to be the best fit. The estimated value of the goodness of fit indices was above the cut-off value, indicating that the overall estimated SEM models were best fit to provide the answer for the objectives of the study. Of seven goodness of fit indices estimated, six of them were found to be the best fit, while only one index was found to be a good fit. These findings indicate that our estimated model was good fit enough to measure the interactions among variables and provide answers for the study's objectives.

After ensuring the fitness of our estimated model, the findings of the effect of participatory leadership, work engagement, and compensation on employee performance and their impacts on organization performance at the Kotaku, Aceh province, Indonesia are now reported. The summary of those findings is reported in Table 4.

Table-5. Summary of Findings of Hypothesis Testing

No.	Hypothesis	CR	p-value	Remark
1.	Participatory leadership affects employee performance	3.841	0.000	Do not reject
2.	Work engagement affects employee performance	3.134	0.002	Do not reject
3.	Compensation affects employee performance	-3.119	0.002	Do not reject
4.	Participatory leadership affects organizational performance	1.972	0.049	Do not reject
5.	Work engagement affects organizational performance	2.304	0.021	Do not reject
6.	Compensation affects organizational performance	2.139	0.032	Do not reject
7.	Employee performance affects organizational performance	2.228	0.022	Do not reject
8.	Participatory leadership affects organizational performance through employee performance	1.758	0.078	Do not reject Partial Mediation
9.	Work engagement affects organizational performance through employee performance	1.670	0.094	Do not reject Partial Mediation
10.	Compensation affects organizational performance through employee performance	-1.669	0.094	Do not reject Partial Mediation

As shown in Table 5, participatory leadership, work engagement, and compensation were found to have significant effects on employee performance. The participatory leadership was found to be the dominant variable in affecting employee performance with the estimated coefficient of 3.841. This indicates that as the participatory leadership improves by 1 unit; the employee performance would be enhanced by 3.841 units on the Likert scale. Meanwhile, the employee performance only improved by 3.324 units when work engagement increased by 1 unit on the Likert scale. These findings imply the important role of the leader to participate together with the employee in designing and implementing all strategies to achieve the vision and mission of the organization.

The results of this study support the researchers conducted by İřcan *et al.* (2014) and Lumbasi *et al.* (2016) who found that high employee performance is achieved when leaders involve the employee in decision making through continuous consultation. Yongxing *et al.* (2017) and Tsaor *et al.* (2019) also found that higher work engagement and enjoyment at work can also encourage better involvement when employees are satisfied with their work, their attitudes and behavior will be more positive, and they will invest more as professionalism to pay back to the organization. Pleasure in the workplace is a kind of work resource and has social and interpersonal essence. If the organization can create and develop pleasure in the workplace, it will help employees to improve their social relationships and provide social support to overcome sources of pressure from service work, thus allowing employees to be more dedicated to their work.

Unlike participatory leadership and work engagement that have a positive influence on employee performance, the study recorded a negative significant effect of compensation in employee performance. Particularly, as the compensation increase by 1 unit, the employee performance declined by 3.119 units on the Likert scale. This could be partially due to the improper compensation mechanism provided by the organization to the employee. An employee who perceived receiving unfair compensation, while his/her contribution to the organization is greater than the other employees that receiving higher compensation would be de-motivated and produced a low level of performance. Meanwhile, those employees that have received a higher level of compensation while completing official tasks in a usual way would not work harder, thus producing a low level of performance. Consequently, the compensation would influence negatively the employee performance.

This is due to the fact that the compensation that has been given has been still unfair enough and instead makes the employee's performance decline. This result is slightly different from the findings of Matino (2018) and Rukayah and Majid (2019) where he found that compensation has a positive effect on employee performance. In addition, Harris *et al.* (2018) get the results of his research on compensation by using incentives given to employees to make employees more eager to do their jobs because they feel valued and can support their employees' daily lives.

Next, the study found a positive influence of employee performance on organizational performance, finding in line with the studies by Hewagama *et al.* (2019) and Tuan *et al.* (2016). They found that the diversity of employees if managed effectively would be able to create enthusiasm and improve work performance with the value of the organization. Diversity-oriented human resources who handle and assess the diversity of employees contribute more to the work of the organization because they feel happy and with such diversity can recognize each other's strengths and weaknesses of each employee and complement each other in order to improve the performance of organizations that compete in the manufacturing industry in Ho Chi Minh, Vietnam.

Participatory leadership is also found to have a positive significant effect on organizational performance. The results of this study support the research conducted by Huertas-Valdivia *et al.* (2019) who documented that leadership influences organizational performance and it closely related to decision making. The same thing was stated by Iqbal *et al.* (2015) in which he argued that leadership participation is most useful in the long run and its effect on employees is positive.

The compensation is found to have a positive effect on organizational performance. The results of this study support research conducted by Matino (2018), where compensation has a positive effect on office performance. The better and more appropriate compensation given to employees in an organization will improve the performance of the organization. Harris *et al.* (2018), in his research, stated that organizational performance is strongly influenced by compensation in the form of property, that is, employees have increased work because they are facilitated with adequate work equipment so that all work can be quickly addressed, this compensation is needed more than compensation in the form of incentives.

Furthermore, work engagement is found to have a positive significant effect on organizational performance. This finding is in line with the study by Taufek *et al.* (2016) that showed that work engagement was significantly correlated with organizational performance because employees get rewards after doing the right and proper work so that motivating employees to compete with other organizations and can develop their desires and maintain the organization where they work, gifts or compensation can be one factor, the main thing that will motivate employees to associate more with their work. Chaudhary *et al.* (2014) argued that work attachment affects the performance of business organizations in India due to social environmental factors at work, interacts well with colleagues, so employee engagement can be achieved well so as to produce good organizational performance.

As for the mediating effects, as shown in Table 5, the employee performance was found to mediate the effects of participatory leadership, work engagement, and compensation on organizational performance. This means that the influences of participatory leadership, work engagement, and compensation on organizational performance were partially mediated by employee performance. These results support research conducted by Lumbasi *et al.* (2016) on the leadership type on employee engagement in corporate decision making. The findings showed that there was a significant effect of participatory leadership on employee performance. Based on this, this study recommends that leaders in the corporate environment and other areas should often apply this style. They must aim to get input from employees when making decisions that affect employees and the company in general.

In addition, Bakker *et al.* (2011) also found work engagement positively related to job performance for employees. Matino (2018), stated that effective compensation plans from private bank employees fulfilled with their basic salary being productive workers and the organization attracting qualified employees. In general, compensation plans are influenced by different factors and based on the criteria of the workers are productive. Therefore it can be concluded that the private bank compensation plan is effective.

Based on the above findings, it is suggested that to improve organization performance, Kotaku should provide opportunities for employees to develop creative ideas and brainstorming to be able to channel the ability for each employee so that employees feel valued and satisfied. Compensation is still getting a not good response, therefore

my Kotaku should provide compensation in accordance with the law and the presidential decree, so that workers are truly in accordance with receiving wages from employers and avoid from the abuse of the employer in terms of both compensation and productivity hours, giving incentives if employees perform well, and paying holiday allowances when celebrating religious days or giving a small reward as an award. Kotaku should try to understand what is participatory leadership, work ethics and compensation so that in carrying out work can be a little understanding of the participatory leadership, work engagement, and compensation then the comfort and improvement of employee performance will be achieved, Organizational performance in Kotaku seems to be less good and therefore Kotaku should really give an understanding to employees if there are not several facilities available in a transparent manner, and compensate for the shortcomings with an appropriate reward, so that employee performance can be improved and will be able to improve its organizational performance.

5. Conclusion

This study investigated the mediating effects of employee performance on the relationships between participatory leadership, work engagement, and compensation on the performance of Kotaku institution in Indonesia. Using the Structural Equation Modeling (SEM) analysis, the study found that participatory leadership and work engagement affected positively and significantly employee performance, while compensation affected negatively and significantly employee performance. The study also found that participatory leadership, work engagement, and compensation affected positively and significantly organizational performance. In addition, the employee performance mediated positively and significantly the effects of participatory leadership, work engagement, and Compensation on organizational performance.

The findings of this study are beneficial for the management of Kotaku as a reference that can provide critical thinking about how to manage and improve organizational performance. Participatory leadership gets responses still far from employees' desires, from the average positive answers meaning that affecting employee performance so far was still autocratic leadership where all the rules are taken based only on leadership decisions, the results of decisions can be faster but have a bad effect on employees because they feel pressured and fear, uncomfortable, and accusing and ignoring each other among employees. Therefore it is better for leaders to participate in official work, to use participative leadership, thus employees feel comfortable and can express opinions and not feel afraid and pressured, so organizational performance can be achieved well.

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