



Does the Quality of Work-Life Mediate the Effects of Leadership and Work Environment on Employee Performance?

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Abstract

This study aims to explore the role of quality work of life in mediating the effects of leadership and work environment on employee performance at the Aceh Civil Service Agency (*Badan Kepegawaian Aceh- BKA*), Indonesia. From a total of 240 employees in BKA, as many as 150 employees were selected as respondents in this study using the proportionate stratified random sampling technique. By adopting the Structural Equation Modelling (SEM) approach, this study found evidence that leadership and work environment had a significant positive effect on the quality of work-life and employee performance. In addition, quality work of life was found to be significant in mediating the effects of leadership and work environment on employee performance. These empirical findings imply that to enhance employee performance, it can be done either directly by improving the quality of leadership and creating a conducive work environment or indirectly through improving the quality of work of life.

Keywords: Leadership; Work environment; Quality work of life; Employee performance.

1. Introduction

Employees are the primary asset determining the realization of the goals of an organization (Becker and Gerhart, 1996), both private and public organizations. However, in reality, not all human resources are able to show good performance and thus fail to realize the target of organization. This is the case with most public organizations in Indonesia, including the Aceh Civil Service Agency (*Badan Kepegawaian Aceh - BKA*), Indonesia. The persistence of public complaints about the services provided is a sign that employee performance is not optimal. In addition, the poor performance of employees is shown by the slow process of arranging staff promotions and issuing permits for employees who wish to participate in education and training programs. The incomplete implementation of work with standard operational procedures is another indicator that employee performance is not yet optimal.

Previous studies found that the quality of work of life is one of the determinants of employee performance. The low quality of work-life in BKA has caused employee performance to be less favourable (Chib, 2012). Weak capacity development of employees and a lack of innovative rewards system are the main phenomena that characterize the non-optimality of quality of work-life of employees in BKA. The existence of employee dissatisfaction and sincerity in carrying out office tasks due to the low quality of work-life has reduced the performance of employees (Chandra, 2016).

Leadership plays an essential role in creating high-quality of work-life of employees and employee performance (Lor and Hassan, 2017). Leadership plays a vital role in creating regulations that are able to provide protection and space for employees to actively participate in solving organizational problems that will improve the quality of work life. A conducive work atmosphere, adequate office facilities, innovative employee career development policies, improvement of the work environment, job restructuring, appropriate incentives, and other leadership policies are closely related to improving the quality of work-life (Gillet *et al.*, 2013). Besides, leadership is a figure that represents the organization in dealing with the community as service users and stakeholders in general. The quality of work of life is very dependent on leadership that can protect and fulfil the needs and rights of employees.

However, in reality, leadership that has a different style often cannot be followed well by its employees. Moreover, leaders often exchange from one leader to another in a relatively short time (Hargreaves and Fink, 2012). Besides, the frequent rotation of employees from one division to another or from one organization to another makes it difficult for employees to recognize and follow their new leaders. This phenomenon is common in public organizations in Indonesia, including in Aceh. Ineffective leadership fails to create good quality work of life and, in turn, causes a decrease in employee performance.

Furthermore, the work environment, including physical and non-physical conditions, can provide comfort and create quality work of life and employee performance (Bakotic and Babic, 2013). Physical environmental factor includes work equipment, working hours, workplace temperature, and an office environment that is free from noise strongly supports efforts to improve the quality of work of life and employee performance. Likewise with the non-

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physical environment that includes work relations between leaders and subordinates and among fellow employees makes the employees calm at work, so they enjoy the quality of work of life and, in turn, improve their performance (Dharmanegara *et al.*, 2016). Some employees who have flexible working hours and are required to show good work results compared to the process of how they finish work have caused irregular rhythm of work and high work intensity. As a result, employees feel physically and psychologically exhausted (Munandar *et al.*, 2018) due to demands to complete their work in an urgent time (Chandrasekar, 2011). This often causes employees to feel they are not enjoying good quality work of life, causing them to fail to produce optimal performance.

These conditions commonly occur in public organizations, including BKA. Working space and facilities are still inadequate; employee relations with superiors are often not harmonious; communication systems are still not fully effective between fellow employees, work accident management is still not well-functioned. All these conditions affect the quality of work-life of employees and also their performance.

Many previous studies have investigated the determinants of employee performance. For example, the influence of the work environment (Chandrasekar, 2011; Dharmanegara *et al.*, 2016; Munandar *et al.*, 2018), quality work of life (Chib, 2012; Gillet *et al.*, 2013), and leadership (Chandra, 2016; Lor and Hassan, 2017) on employee performance. All of these studies only examined the direct effects of leadership, work environment, and quality work of life on performance. However, none of these studies examined the role of quality of work-life in mediating the influence of leadership and work environment on employee performance in public organizations.

Based on the above phenomenon and encouraged to fill the gap of previous research, this study aims to explore the role of quality work of life in mediating the influence of leadership and work environment on employee performance by taking the case of the Aceh Civil Service Agency, Indonesia. The results of this study are expected to be beneficial for public organization management in creating quality work of life and employee performance based on strengthening work environment and leadership.

The rest of this study is structured in the following sequences. Section 2 provides a literature review of the relevant theories and previous studies on the determinants of quality work of life and employee performance. Section 3 highlights the research method, followed by findings and their discussion in Section 4. Section 5 finally concludes the study.

2. Literature Review

2.1. Employee Performance

Employee performance is the achievement of an employee's work according to job requirements and job standards (Mathis and Jackson, 2011). Employee performance includes the quality and quantity of work produced by employees within a specific time according to the tasks being assigned (Robbins and Judge, 2016). Therefore, performance appraisal will evaluate the qualitative and quantitative aspects related to the extent to which an employee accomplishes official tasks following applicable regulations. Thus, performance management is becoming increasingly important for public organizations, because without knowing employee performance achievements, it will be challenging to map employee performance improvement strategies to realize organizational performance targets.

In the context of public organizations in Indonesia, the performance of government employees is measured according to the Employee Performance Target (SKP) and Work Behaviour that has been regulated in the Government Regulation of the Republic of Indonesia No. 30 of 2019. Indicators for measuring employee performance following this regulation include indicators of performance specifications, realistic, measurable, time limits for achievement, and following organizational conditions.

2.2. Determinants of Employee Performance

Amstrong (2010), identified the determinants of employee performance which included quality work of life, competence, motivation, leadership, employee commitment, team trust, compensation, organizational culture, job satisfaction, and work environment. Work environment (Chandrasekar, 2011; Dharmanegara *et al.*, 2016; Munandar *et al.*, 2018), quality of work-life (Chib, 2012; Gillet *et al.*, 2013), and leadership (Chandra, 2016; Lor and Hassan, 2017) have also been documented as the determinant of employee performance by the previous studies.

2.2.1. Quality of Work-Life

Louis Davis was the scholar who first introduced the term quality work of life in the 1970s at a conference on the quality of work-life in Toronto, Canada. Quality of work-life has been considered as one of the crucial factors in motivating employees, increasing their commitment to the organization and also a tool to improve their performance (Bagtasos, 2011). Meanwhile, according to Srivastava and Kanpur (2014), quality of work-life is a procedure in an organization that empowers individuals in all dimensions to channel their interests effectively and adequately in shaping the conditions, techniques, and results of a hierarchy. Quality of work life is the extent to which employees can proactively complete work following their choices, interests, and desires (Chib, 2012).

The concept of quality of work-life reflects the positive emotional responses and behaviour of individuals in their work. The most important determinant of quality of work-life is whether an employee considers his job attractive, has good relations with managers and co-workers, has adequate income, is allowed to work independently, and has clear career advancement opportunities. By having a quality work-life, employees will have a sense of belonging, a high sense of participation in organizational activities and even the entire organization (Ernst Kossek *et al.*, 2010). Thus, the quality of work-life will be formed through close supervision, comfortable office

conditions, proportional salaries and incentives, and rewards for those who perform well and provide penalties for violating applicable office provisions (Luthans, 2013).

To measure the quality of work-life, Cascio (2013) introduced several indicators, including attractive salary and incentive mechanisms, a conducive work environment, professional work restructuring, employee participation in solving office problems, and employee career development.

2.2.2. Leadership

Robbins (2015), defines leadership as the ability to influence a group of people or individuals in realizing the achievement of organizational goals. In general, leadership encompasses the process of influencing organizational goals and achievement strategies and changing the behaviour and culture of subordinates. Meanwhile, according to Northouse (2010), leadership is a process of influencing subordinates for the realization of shared goals through organizations. In summary, leadership involves the method of persuading, motivating, controlling, directing, and communicating organizational activities towards achieving the stated organizational goals.

Hargreaves and Fink (2012), introduced several indicators to measure leadership which include: the accuracy of reading situations, clarity of tasks, awarding awards, leadership creativity, discipline creation, and the ability to guide.

2.2.3. Work Environment

According to Jain and Kaur (2014), work environment includes all aspects related to the thoughts, actions, and responses of an employee. If the work environment is conducive, feeling tired, bored, and monotonous in completing work will be reduced so that an employee will be able to produce optimal performance. The work environment is one comprehensive concept because it covers aspects of physical, psychological, and social working conditions. The work environment affects the psychological aspects and welfare of employees. Amid increasingly high job demands often cause employees to be under pressure and stress. Such work environment conditions certainly cause inconvenience and make employees unable to fully concentrate on completing office tasks that are charged on time and with quality (Bakotic and Babic, 2013). This shows that efforts to create a conducive work environment that can support the achievement of employee and organizational performance targets (Mokaya et al., 2013).

According to Robbins (2015), there are seven indicators in measuring the work environment, namely: (i) lighting, (ii) cleanliness, (iii) colouring, (iv) noise, (v) air temperature, (vi) working relationship, and (vii) supervision. Meanwhile, according to Chandrasekar (2011), work environment indicators consist of six, namely: (i) space and facilities, (ii) relationship with superiors, (iii) equality, (iv) communication systems, (v) conduciveness, and (vi) procedures for identifying and controlling disasters.

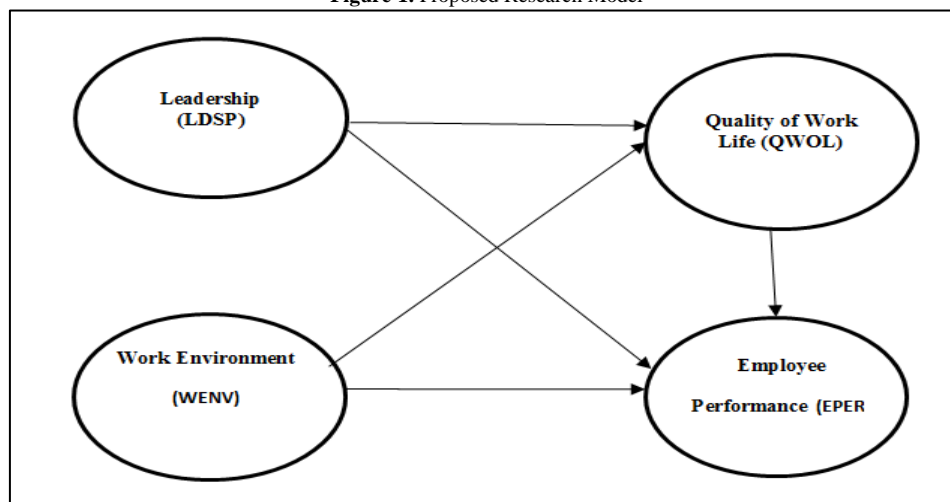
2.3. Selected Previous Studies

In his research, Chandra (2016) found that leadership and work environment significantly influence employee performance. Nursalam et al. (2018), found that employee empowerment and development affected the quality of work-life. Likewise, Gillet et al. (2013) proved that leadership influences on improving the quality of work of life.

Several previous studies have also investigated factors affecting employee performance. Employee performance is documented affecting by the work environment (Chandrasekar, 2011; Dharmanagera et al., 2016; Munandar et al., 2018), quality work of life (Chib, 2012; Gillet et al., 2013), and leadership (Chandra, 2016; Lor and Hassan, 2017) on employee performance.

Based on the above-explanation and previous studies, this research proposes a research model, as illustrated in Figure 1.

Figure-1. Proposed Research Model



Referring to Figure 1, this research proposes seven research hypotheses to be tested, as follows:

1. Leadership influences the quality of work-life
2. The work environment influences the quality of work-life

3. The quality of work-life influences employee performance
4. Leadership influences employee performance
5. The work environment influences employee performance
6. Quality of work-life mediates the influence of leadership on employee performance
7. Quality of work-life mediates the effect of work environment on employee performance

3. Research Methods

The purpose of this study is to examine the mediating effect of quality work of life on the influences of leadership and work environment on employee performance at the Aceh Civil Service Agency (*Badan Kepegawaian Aceh - BKA*), Indonesia. Of the 240 employees in the BKA, this study only selected 150 employees using the proportionate stratified random sampling technique based on the employees' work units.

The sample selected in this study has met the minimum sample size. [Hair et al. \(2014\)](#), state that the minimum sample must be at least as large as the total number of indicators to measure the research variables multiplied by 5 to 10. Because the indicators used to measure the four variables in the study are 22 indicators; thus, the minimum sample size needed is 110 (22 indicators x 5). The selection of 150 employees as samples in this study that has exceeded the minimum sample size is believed to provide robust research results.

This study collected primary data for analysis by distributing structured questionnaires to respondents. Respondents' responses to each indicator were measured using a Likert Scale: strongly disagree, disagree, quite agree, agree, and strongly agree. The leadership and work environment variables, respectively, are measured by six indicators. In contrast, the quality of work of life and employee performance variables are measured, respectively, with five indicators used in previous studies. Leadership variables are estimated based on indicators proposed by [Hargreaves and Fink \(2012\)](#), work environment variables are based on [Chandrasekar \(2011\)](#) study, quality work of life variables are measured using indicators introduced by [Cascio \(2013\)](#), and finally, to measure employee performance variables, the indicator used refers to Government Regulation of the Republic of Indonesia No. 30 of 2019.

Structural Equation Modelling (SEM) approach was adopted for testing the hypothesis of this study. SEM is used because of its accuracy in confirming the dimensions of a concept or factor being tested and theoretically measuring the influence between variables ([Hair et al., 2014](#)). However, before SEM is estimated, to ensure the suitability of indicators in the measurement of variables, the test instrument and the goodness-of-fit model will be tested first.

Based on [Figure 1](#), the mathematical relationship between variables can be written in the following SEM equation:

$$QWOL = \gamma_{11}LDSP + \gamma_{12}WENV + \zeta_1 \quad (3.1)$$

$$EPER = \gamma_{21}LDSP + \gamma_{22}WENV + \beta_{21}QWOL + \zeta_2 \quad (3.2)$$

where QWOL is the quality work of life, LDSP is the leadership, WENV is the work environment, EPER is the employee performance, γ is the estimated value of each variable, and ζ is the structural error term.

To test the direct relationship hypothesis (Hypotheses 1-5), the t-statistic test was used, while to test the mediating or indirect effect hypothesis (Hypotheses 6-7), the Sobel statistical test in the Baron and Kenny (1986) framework was used.

4. Findings and Discussion

4.1. Profile of the Aceh Civil Service Agency

The Aceh Civil Service Agency (*Badan Kepegawaian Aceh - BKA*) is the agency that has the authority to manage public administration in the field of personnel in the province of Aceh, Indonesia. This agency has the function of implementing the formulation of technical staffing policies; implementation of development and development of the state civil apparatus; implementation formation, staffing mutations, performance management, welfare and staffing information; and carry out coordination functions with other relevant organizations in the field of staffing management.

To collect data in this study, of 240 employees of the agency, this study has chosen as many as 150 employees to distribute questionnaires. The majority of BKA employees are women (66%), while the remaining 34% are men. In terms of age, respondents aged less than 30 years old were 10%, aged 30-40 years old were 50%, aged 41-50 years old were 32%, and respondents aged greater than 51 years old were 8%. This shows that employees aged between 31-40 years old dominated the respondents of this study.

Finally, in terms of education, respondents who have a high school education are 9.3%, have a Diploma degree of 28.7%, have an Undergraduate degree of 58%, and those with a Master degree are 4%. Thus, the respondents in this study were dominated by employees with an Undergraduate level of education.

4.2. Direct Effect of Leadership and Work Environment on Quality of Work of Life and Employee Performance

Before the SEM equation is estimated, this study firstly conducts the instrument tests of validity and reliability. Based on the results of the correlation coefficient, all indicators were found to have strong correlations with the variables studied, indicating that all indicators were valid. Furthermore, this study found that the Cronbach's Alpha value was higher than 0.60 for all variables, indicating the reliability of all indicators in measuring variables. According to [Malhotra \(2010\)](#), the indicator is said to be reliable because it has a Cronbach's Alpha value higher than 0.60.

Next, the goodness-of-fit model is tested to ensure the compatibility of the estimation model with the data in this study. The results of this study found that all goodness-of-fit indices showed the best fit. All of these indices consist of X²-Chi-Square, Probability Significance, Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Augmented Goodness of Fit Index (AGFI), Tucker and Lewis Index (TLI), Normed Fit Index (NFI), and Comparative Fit Index (CFI). The estimated values of all indices are above the cut-off value, indicating that the SEM estimation model was found to be very suitable for measuring interactions between variables based on the proposed hypothesis.

After the results of the instrument test and the goodness of fit model are performed, the SEM estimation results to test the influence between variables are reported in Table 1. Based on Table 1, the results of the study show that leadership has a significant positive effect on the quality of work-life and performance of employees in the BKA with the estimated coefficient of 0.303 and 0.218, respectively, at the significance levels of 1% and 5%. This shows that an increase in the quality of leadership by 100 units has caused the quality of work-life and employee performance increased by 30.3 and 21.8 units on the Likert Scale, respectively. The results of this study indicate the importance of the role of leadership in encouraging improvements in the quality of work-life and employee performance. Leaders who are oriented to improving the quality of work-life will provide facilities and policies that support the welfare and service of good employees so that employees will enjoy an increase in the quality of their work life. These conditions cause employees to feel more comfortable working so that they are compelled to work harder. Finally, the performance of the employees also increased.

Table-1. Standardized Regression Estimates

Exogenous		Endogenous	Estimate	C.R.	P
Quality work of life	<---	Leadership	0.303 ^{***}	2.660	0.008
Quality work of life	<---	Work environment	0.286 ^{***}	2.698	0.007
Employee performance	<---	Work environment	0.212 ^{**}	2.277	0.023
Employee performance	<---	Leadership	0.218 ^{**}	2.172	0.030
Employee performance	<---	Quality work of life	0.254 ^{***}	3.069	0.002

Notes: ^{***} and ^{**} show significance at 1% and 5% levels, respectively.

The results of this study are consistent with research conducted by Kara *et al.* (2017). They found a positive influence of leadership on the quality of life of workers at the hospital. Mintari and Majid (2020), found that leadership had a significant positive effect on employee performance. Likewise with the study of Junaidi and Majid (2020), Satria *et al.* (2020), Hanafi *et al.* (2019), Wani *et al.* (2018), and Majid *et al.* (2016) who discovered the importance of leadership in improving employee performance in public organizations in Indonesia. The results of this study imply that the active role of leadership is critical in creating the quality of employee life and performance.

Table 1 also reports the positive influence of the work environment on quality work of life and employee performance with the estimated coefficients of 0.286 and 0.212 at the significance level of 1% and 5%, respectively. This shows that an increase in the quality of the work environment by 100 units has caused the quality of work-life and employee performance, respectively, increased by 28.6 and 21.2 units on the Likert Scale. The results of this study indicate the importance of a conducive and comfortable work environment in encouraging improvements in the quality of work-life and employee performance. Pleasant working environment conditions help employees to be able to concentrate fully and focus on completing work so that the quality of work-life will improve and, in turn, will encourage employees to do work optimally. Consequently, the performance of the employees also increased.

The results of this study are in harmony with the findings of Kumari and Sidhu (2016). They found that a pleasant work environment has improved the quality of work of life and stimulated productivity, work restructuring, feeling of achievement, employee democracy, and enthusiasm in the workplace. Therefore, these can satisfy their personal needs which are essential in terms of power and growth that makes them understand democratization in their workplaces which will increase their creativity and innovation.

The results of this study are also consistent with previous research conducted by Wani *et al.* (2018) and Westerman and Simmons (2007). They found that the work environment had a significant effect on improving employee performance. The work environment in an organization is essential to note. As management, attention must be made to create a conducive work environment that supports employee productivity. Suitable physical work environments such as gloomy office conditions lacking light and colour can cause frustration and low motivation. Painting a room with soothing colours, decorating with greenery, and tasteful artwork will improve employee performance. Likewise, non-physical work environments encourage communication between employees and management so that it creates a sense of comfort for employees to voice opinions and provide suggestions for improving office conditions and work (Chandrasekar, 2011).

Furthermore, this study also found that the quality of work of life also had a significant positive effect on employee performance with an estimated coefficient of 0.254 at a significance level of 5%. This shows that an increase in the quality of work of life by 100 units has caused employee performance to increase by 25.4 units on the Likert Scale. The results of this study indicate the importance of improving the quality work-life in encouraging employee performance improvement. High quality work of life can help employees to accomplish official tasks on time and quality to enhance employee performance.

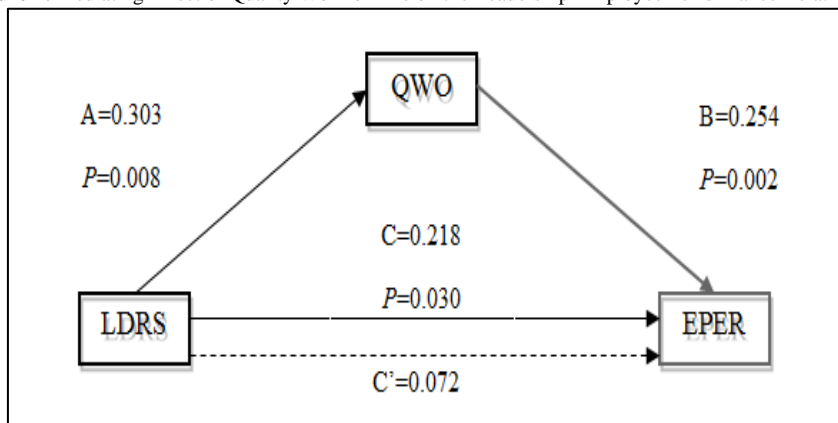
Our empirical evidence is also in line with the results of research by Lau (2000), who recorded the performance of employees is strongly influenced by improving the quality of life of employees. Likewise, Gayathiri *et al.* (2013) found that the quality of work-life affects job satisfaction and employee performance. The results of this study imply that in the context of improving employee work, improving innovative reward systems, work redesign, employee

participation in solving office problems, and employee capacity development Cascio (2013) must be a focus in improving the quality of work-life of employees.

4.3. The Role of Quality Work of Life in Mediating the Effects of Leadership and Work Environment on Employee Performance

Figure 2 illustrates the role of quality work of life in mediating the effects of leadership and work environment on employee performance at the Aceh Civil Service Agency, Indonesia. As reported in Table 1, leadership has a significant positive impact on quality work of life and, in turn, quality work of life also has a significant positive effect on employee performance at a significance level of 1%. These findings indicate the presence of an indirect influence of leadership on employee performance through quality work of life. However, for certainty, this study examines the effect of this mediation by using the Sobel test within the Baron and Kenny (1986) framework.

Figure-2. Mediating Effect of Quality Work of Life on the Leadership-Employee Performance Relationship

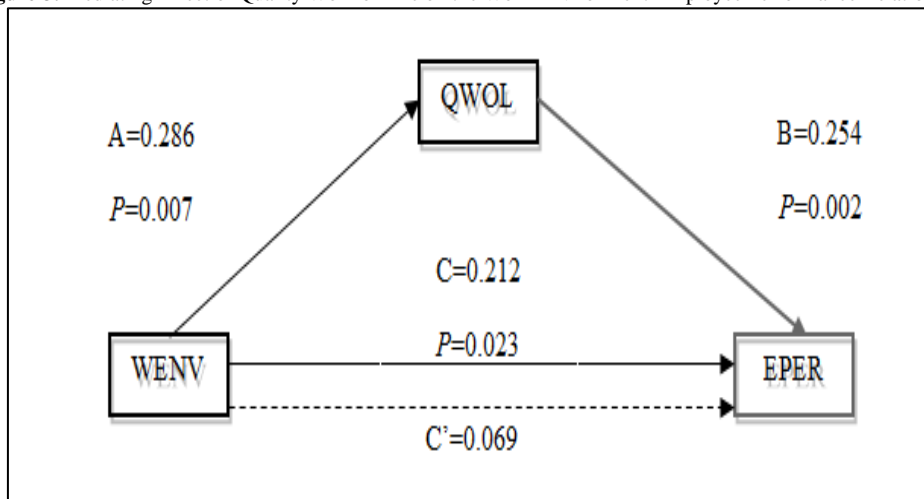


As shown in Figure 2, the Sobel test has a significant at a 5% significance level. This means that there is evidence of the quality of work-life mediating the effect of leadership on employee performance with an estimated coefficient of 0.218. When the direct influence of leadership on quality of life is 0.303, and the impact of the quality of work-life on employee performance is 0.254, indirectly employee performance will increase by 0.218 due to increased leadership quality through increased quality of work of life. The results of this study indicate that efforts to improve employee performance can be made directly through improving leadership or indirectly through increasing the quality of work of life.

Next, Figure 3 illustrates the role of quality work of life in mediating the influence of the work environment on employee performance in BKA. As reported in Table 1, there was a positive influence of the work environment on quality work of life and a positive effect of the quality of work-life on employee performance at a significance level of 1%. These findings indicate an indirect effect of the work environment on employee performance through quality work of life. However, for certainty, this study examines the effect of this mediation by using the Sobel test in the Baron and Kenny (1986) framework.

As illustrated in Figure 3, the Sobel test is found to be significant at the 5% level, indicating the existence of quality work of life in mediating the influence of the work environment on employee performance with an estimated coefficient of 0.212. When the direct effect of work on quality of work of life is 0.286, and the impact of the quality of work-life on employee performance is 0.254, indirectly employee performance will increase by 0.212 due to an increase in the quality of the work environment through quality work of life. The results of this study indicate that efforts to improve employee performance can be made directly through improving the work environment or indirectly through improving the quality of work of life.

Figure-3. Mediating Effect of Quality Work of Life on the Work Environment-Employee Performance Relationship



Because this study found the significance of the quality of work-life in mediating the effects of leadership and work environment on employee performance and the significance of the direct influence of leadership and work environment on employee performance, thus, the variable quality of work of life is found to function as a partial mediating variable. Overall, the results of this study imply that efforts to improve employee performance can be made directly through improving leadership and the work environment or indirectly through increasing the quality of work of life.

5. Conclusions

The research empirically examined and analyzed the role of quality work of life in mediating the influence of leadership and work environment on employee performance at the Aceh Civil Service Agency (Badan Kepegawaian Aceh - BKA), Indonesia. By adopting the Structural Equation Modelling (SEM) approach, this study found empirical evidence that leadership and work environment had a significant positive effect on the quality of work-life and employee performance. Quality work of life was also found to be significant in mediating the effects of leadership and work environment on employee performance. This shows that the quality work of life functioned as a partial mediating variable. The results of the study have implications that to improve employee performance can be done either directly through improving leadership and work environment or indirectly through increasing the quality of work of life.

To improve the quality of work of life and employee performance, leaders in carrying out their duties must provide clear instructions, understand changing situations and adjust them to the interests of the organization. They should offer reward employees who excel and impose penalties for employees who violate official rules, encourage the employees' creativity by guiding them following their capability. In addition, office space and facilities must always be equipped with elegant furniture, fostering a harmonious relationship between leaders and subordinates and fellow employees by building an effective work communication system.

To enrich the results of research on this topic, further research is expected to consider more antecedent variables and the consequences of variable quality work of life. Comparison of employee performance between public organizations and private organizations can also enrich the results of existing research.

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