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The effect of compensation, interpersonal communication and transformational leadership on work motivation and their impact on employees performance of Suzuya supermall

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Abstract

The purpose of this study was to examine the effect of compensation, interpersonal communication and transformational leadership style on work motivation and its impact on the performance of employees of Suzuya Supermall. The population in this study were all employees of Suzuya Supermall. Determination of the number of samples to be used in this study using the formula according to these provisions is 5 times the indicator. Because the number of indicators is 26, the number of samples in this study is 130 respondents. Of the 7 direct hypothesis testing, there are 2 that are not significant. The remaining 5 direct

hypotheses and 3 indirect hypotheses were all accepted. Of the 3 indirect hypotheses, although all three showed significant results, the role of the work motivation variable for these three hypotheses was different. For the effect of compensation on employee performance and the influence of transformational leadership style on employee performance, the role of work motivation variable is full mediation. Meanwhile, for the influence of interpersonal communication on employee performance through employee work motivation, the role of the motivational variable is partial mediation.

Keywords: Compensation, Interpersonal Communication, Transformational Leadership Style, Work Motivation and Employee Performance

1. Introduction

This research analyzes the performance of employees at the Suzuya retail group. Suzuya is a supermarket chain with many branches in North Sumatra, Aceh, West Sumatra and Riau, Indonesia. These outlets usually sell a variety of food products, drinks and other necessities of life. More than 200 food products and other necessities of life are available at competitive prices, meeting the needs of consumers every day. This retail company headquartered in Medan, has 6 outlets in Aceh, namely 2 in Banda Aceh, 1 in Bireuen, 1 in Langsa and 1 in Meulaboh. Suzuya also has a Fashion Store department that sells fashion with well-known fashion brands and best serves its consumers. To win the competition, Suzuya Retail store really depends on how good the performance is shown by its employees, especially those on the frontline, both cashiers, in-store salesmen and other support officers. With more and more competitors entering the market in Banda Aceh, the two Suzuya stores must continue to encourage their employees to display excellent service, to make visitors come back to the Suzuya store. Employee performance is basically the result of the work of employees over a certain period compared to various possibilities, for example standards, targets/ targets or criteria that have been determined in advance and have been mutually agreed upon. (Asrar-ul-Haq & Kuchinke, 2016) ^[3].

Performance evaluation is the process through which an organization evaluates or takes into account the performance of employees. In fact, the performance of Suzuya's employees in providing services to their customers has not been as expected. As said by one of the buyers at Suzuya Supermall Banda Aceh through Suzuya's official FB account. The place for storing goods and the place for taking gifts is spacious and good, but the staff is less responsive in serving buyers who need to store goods or collect the rewards. (<https://ro-ro.facebook.com/pg/SuzuyaMallAceh/reviews/>). From the statement above, we can conclude that the performance of Suzuya's employees, especially in the customer service division, is still not optimal, so that it provokes complaints from customers that describe their disappointment.

The low performance of employees, one of which is caused by low work motivation. This statement is in line with what has been proven by Lee who said there was a positive and significant influence between work motivation and employee performance. Employee work motivation is a form of positive encouragement intended for employees so that they are encouraged and have enthusiasm again in carrying out their work. This matter is closely related to the performance of employees and the results of their work.

If they have a strong enough motivation to continue to do their job in the industry well, then the results obtained will also be good. Of course this also results in the success of the business that is being run. There are several factors that are believed to affect the level of employee motivation, namely the compensation that employees get from their work. (Dominique Mendoza, Nasution, & Matondang, 2018) ^[4]. Interpersonal communication that occurs in the workplace (Maria, 2019) ^[10] either horizontal communication with colleagues or vertically with supervisors or managers who become their superiors. Another variable that is also widely mentioned as an antecedent of work motivation and employee performance is transformational leadership style (Arman, Wardi, & Evanita, 2019).

Although there are many references that discuss the determinant variables of employee performance, including work motivation, compensation, interpersonal communication and transformational leaderships, most leaders always direct what their subordinates can and cannot do (Sumiati, 2021) ^[19]. Yet according to Gallup, Inc. which is a global performance management consulting company from the United States revealed that employees will make a lot of changes if what is driven is their inner strength, the strength from within. This opinion is in line with (Aga, Noorderhaven, & Vallejo, 2016) ^[1] in his research emphasized the importance of directing employees to generate their own strengths in solving problems. Therefore, the authors include items of encouragement given by the leadership to build strength from within the employees themselves in finding the best way to solve the problems and tasks assigned to them. This is also the novelty of this research

Problem Formulation

The problem identified is the low performance of employees who work at this Suzuya Department Store. From the reviews given by customers, the services provided by Suzuya employees to their customers are still categorized as less satisfying

2. Literature Review

Compensation

Compensation is a term related to financial and non-financial rewards received by employees. (Dominique Mendoza *et al.*, 2018) ^[4] The purpose of the compensation policy includes respecting employee performance. Sudiardhita, *et al.*, (2018) found a significant effect of compensation on work motivation. Then (Maria, 2019) ^[10] also found a close relationship between compensation and work motivation. (Widodo, 2017) ^[20] In his research found a significant effect compensation on employee performance. The same thing was also reported by (Dominique Mendoza *et al.*, 2018) ^[4] in his research which also found the same effect between these variables.

H1: *the effect of compensation on employees' work motivation*

H4: *the effect of compensation on employee performance*

Interpersonal Communication

Maria, (2019) ^[10] stated that communication is a systematic effort to convey the main idea. Herdiana Abdurrahman, (2018) ^[7] argues that interpersonal communication is a communication process that takes place between 2 or more people face to face. (Herdiana Abdurrahman, 2018) ^[7] In his

research also convincingly found a close influence between interpersonal communications on work motivation. The same thing was conveyed by (Princess, 2018). Kadir, *et al.*, (2016) in their research proves the influence of interpersonal communication on employee performance. (Maria, 2019) ^[10] Also found a significant effect of interpersonal communication on employee performance either directly or through work motivation.

H2: *The influence of interpersonal communication on employee work motivation*

H6: *The effect of transformational leadership style on employee performance*

Transformational leadership

Leadership is also the driving force for energy resources and tools owned by industry. (Pasha, Poister, Wright, & Thomas, 2017) ^[12] Leadership is the process of moving a person or group of people to goals that are usually pursued in non-coercive ways. Leadership is the ability to instill trust and get support from organizational members to achieve organizational goals. On the contrary, according to Prabowo, Noermijati, & Irawanto, (2018) ^[13] Leadership is the ability to influence the attitudes of others in a certain direction. Based on the comments above, it can be concluded that leadership is the ability to influence subordinates or groups to work together to achieve organizational or group goals.

H3: *The effect of transformational leadership style on employee work motivation.*

H6: *The effect of transformational leadership style on employee performance.*

Work motivation

(Martín-Rojas & Fernández-Pérez, 2017) ^[11] Work motivation is an effective tool in strengthening attitudes and tendencies to continue something in other words, work motivation is an internal drive to meet unsatisfactory needs and desires to achieve certain goals. It is also a process that is initiated through a physiological or psychological need to trigger performance that is authorized by a goal. Work motivation is something that makes someone want to do something to achieve organizational goals. Work motivation is the reason a person can undergo a profession or job. Work motivation provides energy that can move all existing potential, create high desires and increase enthusiasm and togetherness. According to Ernest J. McCormick, work motivation is a condition that has an effect on generating, directing and maintaining behavior related to the work environment. Work motivation can also be interpreted as something that can encourage someone, both from within and from outside the person, so that someone will have high enthusiasm, desire and willingness to carry out work activities, work optimally and can make a person feel depressed and experience symptoms of depression.

An employee's work motivation is usually a complicated thing, because motivation involves two factors, namely individual and organizational factors. Which belongs to the individual factors that can have an influence on work motivation, namely goals, attitudes and abilities. Meanwhile, those belonging to organizational factors that can have an influence on employee work motivation are salary, job security and peer relations. Giving the right motivation will be able to generate enthusiasm, passion and sincerity in a

person's work (Prebensen, Woo, Chen, & Uysal, 2013) [14].

H7: The Influence of Employee Work Motivation on Employee Performance

Employee performance

Performance is etymologically said to be (a) something that is achieved, (b) a demonstrated achievement, (c) work skills. On the other hand, employee performance is made as an organizational goal (Sudirjo & Kristanto, 2006) [18]. The various comments above can illustrate that employee performance and organizational performance have a very close relationship, the achievement of organizational goals cannot be separated from the energy sources owned by the organization that are driven or run by employees who function actively as actors in an effort to achieve organizational goals. So it can be concluded that employee performance is an evaluation of the work of a person in an organization in accordance with his duties and responsibilities in order to achieve organizational goals. Employee performance evaluation is an assessment or evaluation process provided by the company to measure the quality of employee work performance. The format used to

conduct this assessment varies greatly, depending on the type of industry and line of business. Usually, what is included in the list of performance evaluations is self-assessment, managerial reviews, reviews from fellow colleagues, or reviews from customers. The evaluation results can be used as documentation for the development of your company's management in the future. In addition, the purpose of this performance evaluation is also expected to be able to assess the performance of employees fairly and effectively, according to their respective positions, skills, and achievements (Shirin & Kley, 2017) [17].

Research Concept Framework

Hair, Sarstedt, Ringle, & Mena, (2012) [5] stated that the theoretical framework is the foundation on which all research projects are based. From the theoretical framework, hypotheses can be developed that can be tested to identify whether the formulated theory is valid or not. Then after that the next can be measured by the appropriate statistical analysis. Referring to the theory and previous research, there is a bond between the variables that have been described previously.

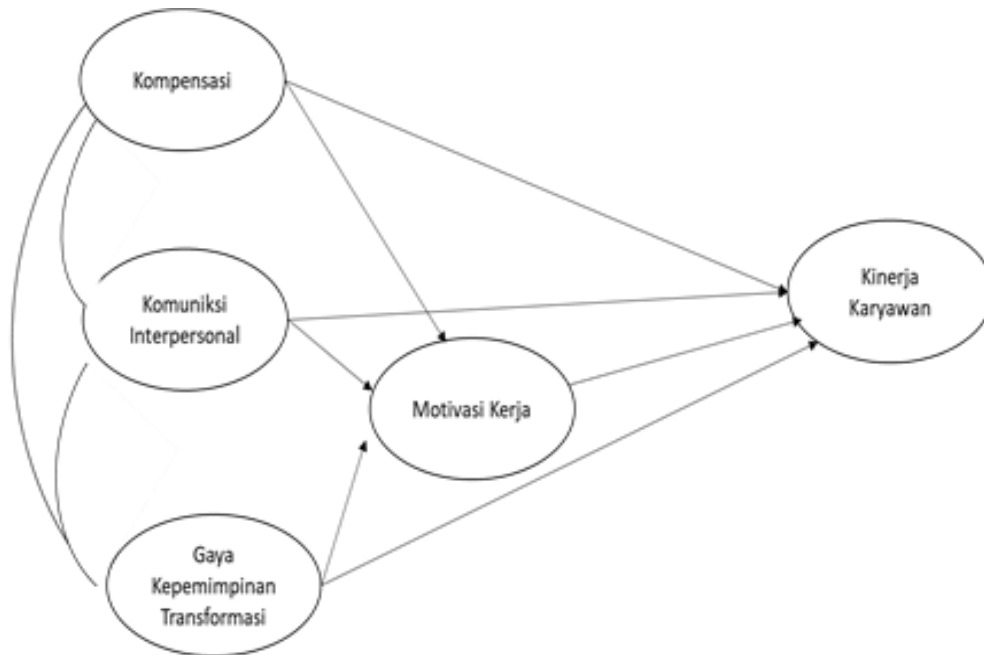


Fig 1: Research Model

3. Research Method

Research Instruments

All measurement items were taken from previous studies to ensure validity; however, slight changes to the statement were made to suit the current analysis. The statement of the measurement item variables for Compensation, Interpersonal Communication, Transformational Leadership Style, Motivation and Employee Performance was adapted from the measurement item introduced by (Selviasari, 2019) [16], (Herdiana Abdurrahman, 2018) [7], (Asrar-ul-Haq & Kuchinke, 2016) [3], (Ida Ayu Brahmasari & Agus Suprayetno, 2008) [8], (Sudirjo & Kristanto, 2006) [18].

A questionnaire with a 5-point Likert scale was used to collect data. In addition, this study uses in-depth interviews with several sources (informants) who represent the elements of providers and customers. This is done to obtain in-depth

information related to the research variables and to support the results of quantitative analysis.

Sample Design and Data Collection

The population determined in this study were all employees of Suzuya Mall. To calculate the number of samples selected using the theory of (Joseph F Hair, Black, Babin, Anderson, & Tatham, 1998) [6] where the minimum sample is 5-10 x the number of parameters (indicators). The sample is part or representative of the population which is the real source of information in an arrangement where some of the people being studied are examples (Sekaran, 2016: 44). Determining the number of illustrations to be used in this research using the formula for these conditions is 5 times the indicator. Because the number of indicators is 26, the number of samples in this study is 130 respondents. The sample consists

of Store Manager, Assistant Store Manager, Inventor, IT, Salesperson/SPG, Cashier, Logistics, Personnel, Procurement and General/Finance.

The sampling method is probability sampling, where each employee has the same opportunity to be sampled. Samples were taken randomly.

Data analysis

The data analysis technique in this research is descriptive and verification. Descriptive analysis was conducted to assess the demographic profile of the respondents and the internal consistency of construction. While the verification analysis uses SEM (Structural Equation Modeling) to verify the path of the relationship between tourist experience, destination image, and place attachment to environmentally responsible behavior. In addition, the SEM analysis software is IBM SPSS-AMOS version 22.

4. Research Results and Discussion

Characteristics of Respondents.

Of the 130 respondents, there were 48 male respondents or 36.9% and as many as 82 people or 63.1% female respondents. In terms of age, as many as 94 people or 72.3% were under 25 years old, as many as 35 people or 26.9% of respondents aged 26 to 30 years, and 1 person or 0.08% of respondents aged 36-40 years. Based on marital status as many as 111 people or 85.4% of respondents are unmarried and 19 people or 14.6% of respondents are married.

Validity with Measurement Model

Convergent validity aims to identify the validity between items and their latent constructs or variables. In this research, a loading factor limit of 0.50 will be used. Indicators with LF values <0.50 are removed.

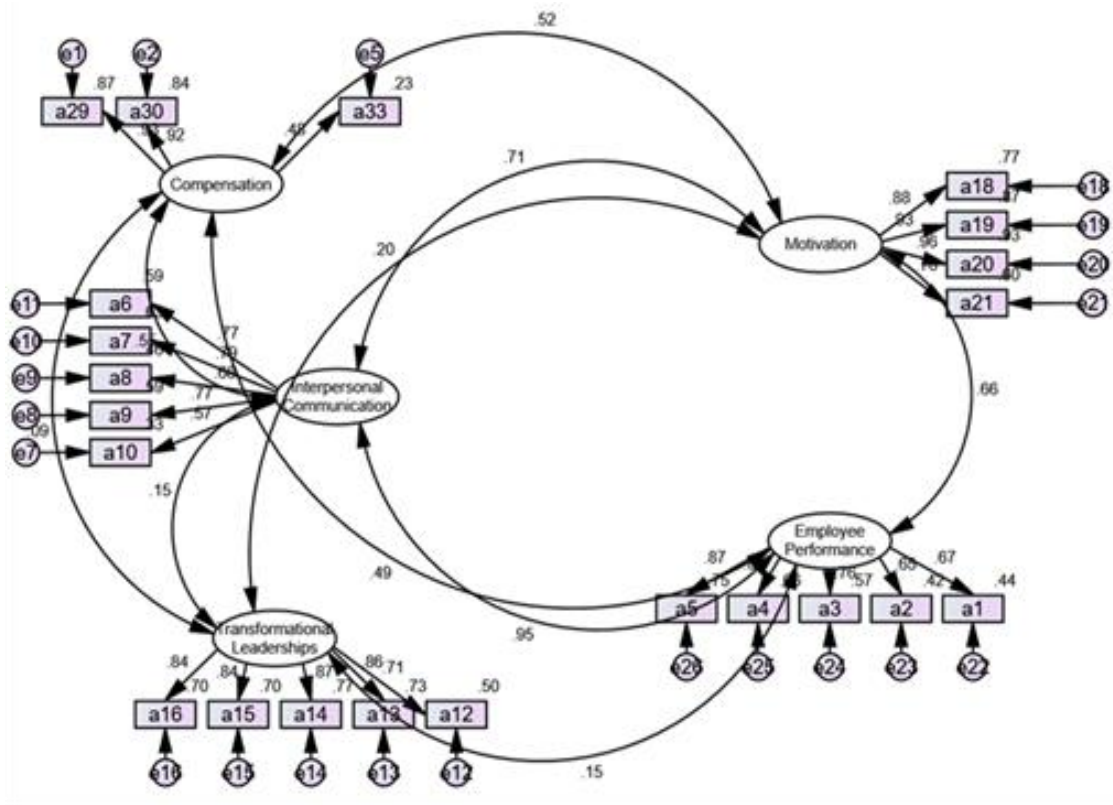


Fig 2: Measurement Model

Table 1: Loading Factor

Item		Variable	Est.
a29	<---	Compensation	0.9
a30	<---	Compensation	0.9
a33	<---	Compensation	0.5
a10	<---	InterpersonalCom	0.6
a9	<---	InterpersonalCom	0.8
a8	<---	InterpersonalCom	0.7
a7	<---	InterpersonalCom	0.8
a6	<---	InterpersonalCom	0.8
a12	<---	TransformationalLead	0.7
a13	<---	TransformationalLead	0.9
a14	<---	TransformationalLead	0.9
a15	<---	TransformationalLead	0.8
a16	<---	TransformationalLead	0.8
a18	<---	Motivation	0.9
a19	<---	Motivation	0.9
a20	<---	Motivation	1.0

a21	<---	Motivation	0.8
a1	<---	EmployeePerf	0.7
a2	<---	EmployeePerf	0.7
a3	<---	EmployeePerf	0.8
a4	<---	EmployeePerf	0.8
a5	<---	EmployeePerf	0.9

Source: AMOS Output Primary Data, 2021

Because it has a loading factor number > 0.50 all indicators in this research variable, namely Compensation, Interpersonal Communication, Transformational Leadership Style, Motivation and Employee Performance are declared valid to be continued at the next stage of research.

Reliability Test

The reliability test intended in this research is to identify the

extent to which the measurement results are always statistically tested, namely by calculating the magnitude of the composite reliability of the information based on the estimated output obtained using Cronbach alpha. The results are as described in the following table which shows that the instrument in this research is professional because its coefficient of reliability is greater than 0.60 (Malhotra, 2006).

Table 2: Research Variable Reliability Using Cronbach Alpha (CA)

No	Variable	CA	Information
1	Compensation	.838	Reliable
2	Interpersonal Communication	.766	Reliable
3	Transformational Leadership Style	.857	Reliable
4	Motivation	.938	Reliable
5	Employee performance	.869	Reliable

Source: Primary Data 2021 (processed)

Based on the reliability analysis, it can be seen that the alpha for each variable can be seen from several variables, compensation is .838, Interpersonal Communication is .766, Transformational Leadership Style is .857, Motivation is .938, and Employee Performance is .869. All variables are reliable.

5. Hypothesis test

Hypothesis test in this study was conducted to test and analyze the effect of Compensation, Interpersonal Communication, Transformational Leadership Style, and Employee Motivation on Performance. The verification hypothesis testing consists of testing the direct and indirect effect hypothesis, as shown in figure 3 and table 3.

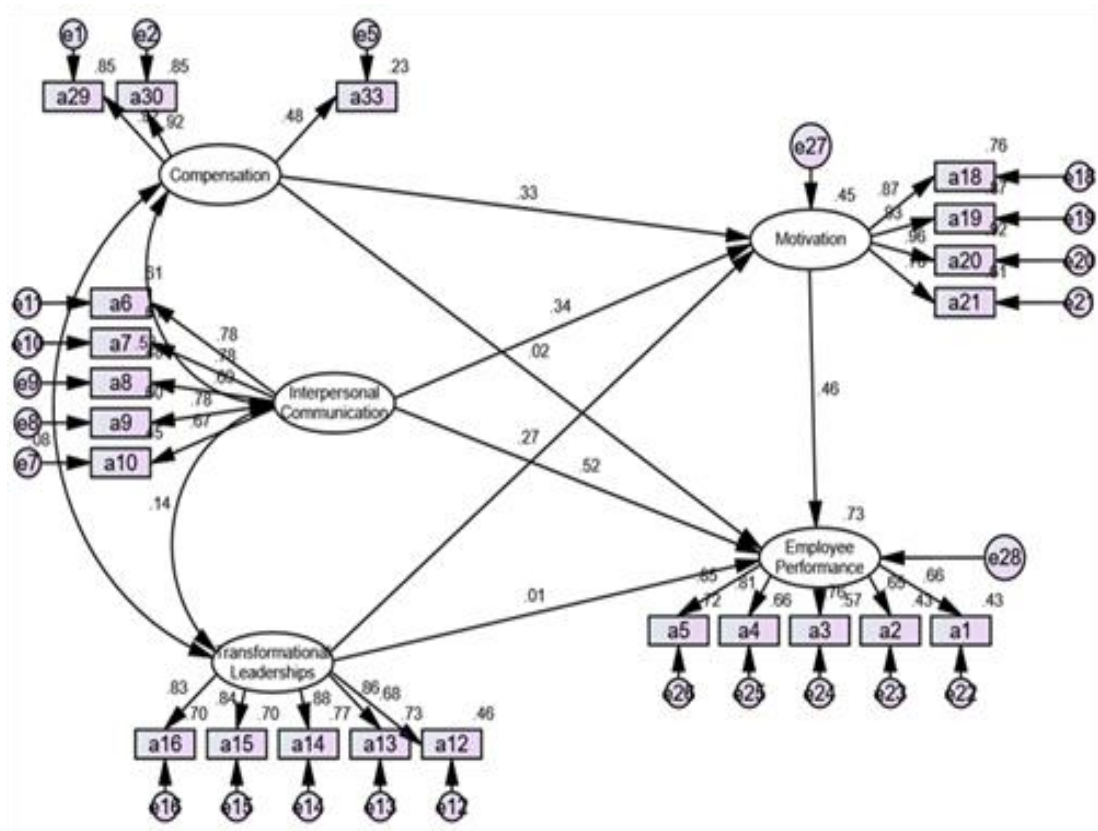


Fig 3: Structural Model

Table 3: Results of Direct Effect Hypothesis Testing

Endogenous		Exogenous	CR	P	Beta
Motivation	<---	Compensation	3.877	***	.331
Motivation	<---	Interpersonal Com	5.079	***	.337
Motivation	<---	Transforma- tional Lead	5.081	***	.267
Employee Performance	<---	Motivation	6.640	***	.462
Employee Performance	<---	Compensation	.255	.798	.017
Employee Performance	<---	Interpersonal Com	6.644	***	.521
Employee Performance	<---	Transforma- tional Lead	.257	.801	.011

Source: Primary data processed, 2021

H1: Effect of Compensation on Motivation

The test results show a CR value of 3.77 and a p value of ***. Thus, it can be stated that the Effect of Compensation on Motivation is significant. The magnitude of the coefficient of Compensation Effect on Motivation is 0.331 so that between Compensation and Motivation has an influence that is directly proportional to the direction and remains significant. This means that the higher the compensation will have an impact on increasing work motivation by 33.1%.

H2. The Effect of Interpersonal Communication on Motivation

The test results show a CR value of 5.079 and a p value of ***. Thus it can be stated that the Effect of Interpersonal Communication on Motivation is significant. This means that if you want to improve interpersonal communication, motivation must be increased. The magnitude of the influence of interpersonal communication on motivation is 0.337 or 33.7%. So that work motivation will improve if the quality of interpersonal communication in this organization is improved.

H3. The Effect of Transformational Leadership Style on Motivation

The test results of the Influence of Transformational Leadership Style on Motivation show a CR value of 5.081 and a probability of ***. Thus it can be stated that this hypothesis is significant. The magnitude of the coefficient of the Influence of Transformational Leadership Style on Motivation is 0.267. Thus, the greater the Effect of Transformational Leadership Style will have an impact on increasing work motivation by 26.7%.

The Effect of Compensation on Employee Performance through Motivation

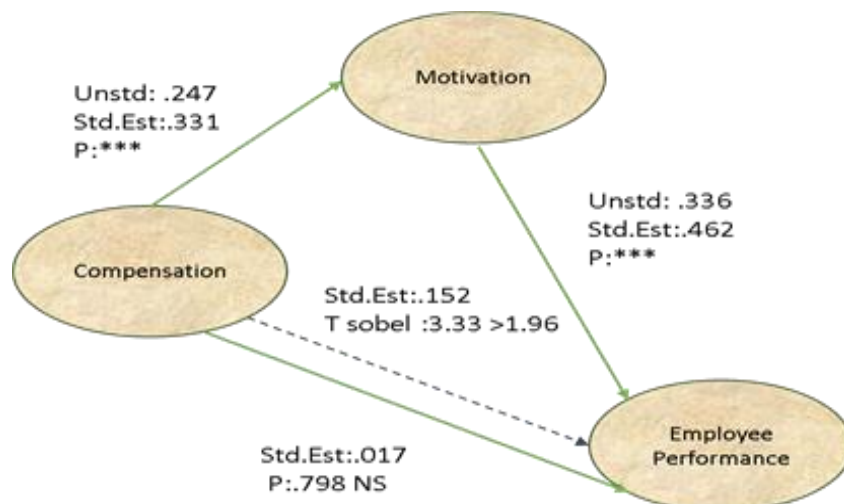


Fig 4: The Effect of Compensation on Employee Performance through Motivation

H4. The Effect of Compensation on Employee Performance

Testing the Influence The influence between these two variables. CR value of 0.25 and with a probability value of .798. Thus it can be stated that the effect of the influence between these two variables are not significant. The magnitude of the coefficient of the effect is 0.017 or 1.7%, a coefficient that is relatively small so that its impact on improving employee performance is considered insignificant.

H5. The Effect of Interpersonal Communication on Employee Performance

From the results of the analysis, it is obtained that the parameter values are estimated for testing. The effect of these two variables displays a CR value of 6644 and with a probability value of ***. Thus it can be stated that the influence between these two variables. The coefficient of the influence of interpersonal communication on employee performance is 0.521 or 52.1%. Thus the impact it has on improving employee performance by increasing interpersonal communication can be done because of this significant influence.

H6. The Effect of Transformational Leadership Style on Employee Performance

The influence test shows a CR value of 0.257 and a probability of 0.801. Thus, it can be stated that the effect is not significant. The magnitude of the coefficient of the influence of interpersonal communication on employee performance is 0.011 or 1.1%, a relatively small coefficient so that the impact on increasing employee performance is considered insignificant.

H7. The Effect of Motivation on Employee Performance

The test results show a CR value of 6.640 with a p value of ***. Thus it can be stated that the effect is significant. The magnitude of the coefficient of the influence of motivation on employee performance is 0.462 or 46.2%. Thus the impact it has on improving employee performance by increasing motivation can be done because of this significant influence.

Mediation Hypothesis Testing

In this study, indirect testing was carried out using the Sobel test on three existing indirect hypotheses.

From the results of the Sobel test calculation, it is obtained that the parameter value is estimated for testing the effect of compensation on Employee Performance through Motivation displays a t-test value of 3.33. The obtained t-test value has met the conditions for acceptance of H_a , which is greater than 1.960 for an alpha of 5%. Thus, it can be stated that the effect of compensation on employee performance through

motivation is significant. The magnitude of the coefficient of Compensation Effect on Employee Performance through Motivation is 0.152 or 15.2%. Thus, employee performance is said to be increasing if compensation through motivation is also increased. The position of work motivation on this indirect effect is a full mediation, because the direct effect of compensation on employee performance is not significant.

The Effect of Interpersonal Communication on Employee Performance through Motivation

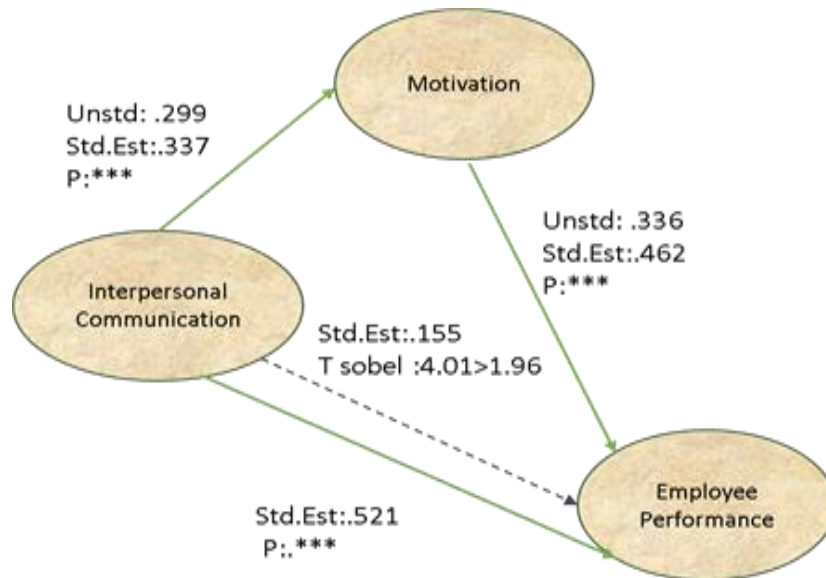


Fig 5: The Effect of Interpersonal Communication on Employee Performance through Motivation

From the results of the Sobel test calculation, it is obtained that the parameter value is estimated for testing the Effect of Interpersonal Communication on Employee Performance through Motivation showing the Sobel test t value of 4.01. The Sobel test t value obtained has fulfilled the conditions for acceptance of H_a , which is greater than 1.960 for alpha by 5%. Thus, it can be stated that the influence of interpersonal communication on employee performance through

motivation is significant. The magnitude of the coefficient of the influence of interpersonal communication on employee performance through motivation is 0.155 or 15.5%. Thus, employee performance is said to be increasing if interpersonal communication through motivation is also improved. The position of work motivation on this indirect influence is a partial mediation.

The Influence of Transformational Leadership Style on Employee Performance through Motivation

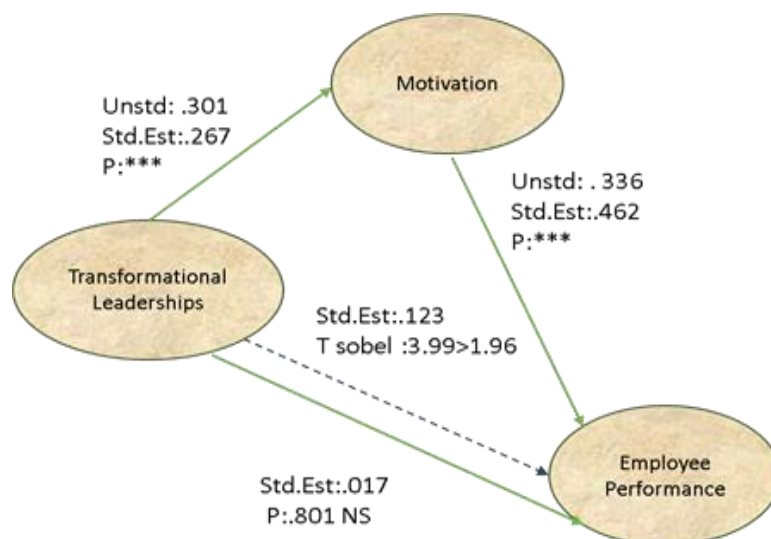


Fig 6: The Effect of Transformational Leadership Style on Employee Performance through Motivation

From the results of the Sobel test calculation, it is obtained that the parameter value is estimated for testing the Effect of Transformational Leadership Style on Employee Performance through Motivation showing the Sobel test t value of 3.99. The Sobel test t value obtained has fulfilled the conditions for acceptance of H_a which is greater than 1, 960 make alpha by 5%. Thus, it can be stated that the influence of transformational leadership style on employee performance through motivation is significant. The coefficient of the effect

of compensation on employee performance through motivation is 0.152 or 15.2%. Thus, employee performance is said to be increasing if the transformational leadership style through motivation is also improved. The position of work motivation on this indirect influence is a full mediation, The conclusion of hypothesis testing for this research, there are 10 hypotheses tested, namely 7 hypotheses to test the direct effect and there are 3 to test the indirect effect. The results can be seen in the following table:

Table 4: Results of Hypothesis Testing

No Hip	Hypothesis	CR/T Sobel	P Value	Information
H1:	The effect of compensation on employee work motivation	3.877	***	Ha Accepted
H2:	Effect of interpersonal communication on work motivation	5.079	***	Ha Accepted
3:	The effect of transformational leadership style on work motivation	5.081	***	Ha Accepted
H4:	Effect of compensation on employee performance	0.255	0.798	Ha Rejected
H5:	The Effect of Interpersonal Communication on Employee Performance	6.644	***	Ha Accepted
H6:	The effect of transformational leadership style on employee performance	0.257	0.801	Ha Rejected
H7:	The Influence of Employee Work Motivation on Employee Performance	6.64	***	Ha Accepted
H8:	The effect of compensation on employee performance through employee work motivation	3.33	***	Ha Accepted
H9:	the effect of interpersonal communication on employee performance through employee work motivation	4.016	***	Ha Accepted
H10:	the influence of transformational leadership style on employee performance through employee work motivation	3,991	***	Ha Accepted

Of the 7 direct hypothesis testing, there are 2 that are not significant, namely the effect of compensation on employee performance and the influence of transformational leadership style on employee performance. The remaining 5 direct hypotheses and 3 indirect hypotheses were all accepted. Of the 3 indirect hypotheses, although all three showed significant results, the role of the work motivation variable for these three hypotheses was different. For the effect of compensation on employee performance and the influence of transformational leadership style on employee performance, the role of work motivation variable is full mediation. Meanwhile, for the influence of interpersonal communication on employee performance through employee work motivation, the role of the motivational variable is partial mediation.

6. Managerial Implications

In principle, the model built is based on a literature review and preliminary research based on references related to the field under study, in this case improving employee performance. Based on the literature review, a research model was built as presented at the end of Chapter II, this research paper.

But in fact, after going through a series of tests, it turns out that there are variables that show a significant effect, and some do not. Of the 7 direct hypotheses tested, all, except for two, showed significant results. The meaning is to improve employee performance, increasing compensation is not the main thing, although this variable is also considered important by some respondents. But the most important thing is interpersonal communication. Because this variable has the greatest magnitude of influence or impact compared to other variables.

As for the indirect effect, of the 3 hypotheses tested, namely the effect of compensation on all of them, it showed significant results. However, if we look at the magnitude figure, it turns out that the biggest impact will be given by compensation through work motivation of 21.4%. This

information serves as a provision for the management of the Suzuya Department Store in Banda Aceh and can be used as a reference in encouraging employee performance improvement through increasing employee motivation in this company.

7. Conclusions and Suggestions

A. Conclusion

1. Of the 7 direct hypothesis testing there are 2 that are not significant
2. The most important thing to improve employee performance is to improve the quality of interpersonal communication. Because this variable has the greatest magnitude of influence or impact compared to other variables in improving employee performance.
3. As for the indirect effect, from the 3 hypotheses tested, namely the effect of compensation on employee performance through employee work motivation, the influence of interpersonal communication on employee performance through employee work motivation and the influence of transformational leadership style on employee performance through employee work motivation all showed significant results.

B. Suggestion

1. From two insignificant hypotheses, namely the role of the compensation variable and transformational leadership style, Suzuya's management can use this information as a reference to encourage better employee performance and focus on improving interpersonal communication as a top priority and then efforts to improve leadership style and compensation are made as the next priority.
2. Of the 3 indirect hypotheses, although all three showed significant results, the role of the work motivation variable for these three hypotheses was different. For the effect of compensation on employee performance and the influence of transformational leadership style on

employee performance, the role of work motivation variable is full mediation. Meanwhile, for the influence of interpersonal communication on employee performance through employee work motivation, the role of the motivational variable is partial mediation. To improve employee performance, the role of the work motivation variable must be the main concern, namely by looking at the compensation received by employees whether it is adequate and the current transformational leadership style is running well or not. Increased Compensation and transformational leadership style in Suzuya Department Store in Banda Aceh and can be used as a reference in encouraging employee performance improvement through increasing employee motivation in this company.

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