

# THE INFLUENCE OF LEADERSHIP STYLE, WORK ENVIRONMENT, AND EMPLOYEE SATISFACTION AS INTERVENING VARIABLE TOWARDS EMPLOYEE PERFORMANCE IN PT X

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**Abstract**-This study aims to examine and analyze the variables that influence employee performance. The variables studied include leadership style, work environment, and job satisfaction. The approach to this research is quantitative method, and focuses on the analysis of variables that affect employee performance with a survey method approach using a questionnaire. The data collected from the questionnaire will be analyzed statistically using Partial Least Square-Structural Equation Modeling (PLS-SEM). The population in this study are all employees in the Operations Finance division at PT X under the leadership of the Director of Operations Finance. This research was conducted on 112 respondents with a purposive sampling method. The results of the study state that the variables of leadership style and work environment have a significant effect on the variable of job satisfaction, the variable of leadership style and work environment has a significant effect on the variable of employee performance, and the variable of job satisfaction has a significant effect on the variable of employee performance. This shows that leadership style and work environment have an impact on job satisfaction which in the end the expected employee performance is achieved.

**Keywords:** Leadership Style, Work Environment, Employee Satisfaction, Employee Performance

## 1. Introduction

The business world is growing rapidly in the 21st century, especially in the current era of globalization, and competition between business people is increasing, one of which is in the cigarette industry. PT X has been a cigarette company in Indonesia since 1913 then in 2005, majority ownership changed hands (or was acquired) to one of the largest international cigarette companies originating from Switzerland. In 1990, PT X officially set foot on the floor of the Indonesia Stock Exchange, and PT X also held a public offering or IPO (initial public offering) of shares. To survive amid strong competition, one of them is to improve the quality of the company's employee performance. At PT X, every quarter there is always a performance appraisal for each employee, where to assess the performance of peers to peers, supervisors, and managers of their teams and vice versa (giving mutual assessments). In quarter 1 to quarter 4 of 2022, which shows that there is a decline in employee performance. In addition, researchers conducted an initial survey of 20 respondents of PT X employees randomly in the Operations Finance Indonesia division and the results stated that one of the biggest factors that affect the performance of

Operations Finance Indonesia employees is leadership style, work environment, and employee well-being. Therefore, this study focuses on being able to find out how the influence of leadership style, work environment, and job satisfaction on employee performance at PT X.

## 2. Literature Review

### 2.1 Previous Researchers

Research by Siagian and Khair (2018) shows that employee performance is positively correlated with job satisfaction, but employee performance is not mediated by leadership style variables. Job satisfaction is positively and significantly influenced by leadership style and work environment. Employee performance is not influenced by leadership styles that have a positive and significant impact. Research by Jopanda (2021) reveals that job satisfaction has a direct effect on employee performance, leadership style has an indirect effect on employee performance, and leadership style does not affect employee performance. However, the work environment matters. Research by Nabawi (2019) shows that employee performance is not significantly influenced by the work environment, job satisfaction, or workload.

### 2.2 Theoretical Foundation

#### 2.2.1 Leadership Style

According to Robbin & Judge (2015), leadership is the capacity to influence employee performance to achieve organizational vision and goals. According to V.P.K. Lengkong (2015), a leader's leadership style is a pattern or characteristic that he uses to influence his followers. A successful leader must meet several criteria, such as personality, skills, talents, traits, or authority, depending on the perspective or approach taken, which will influence the theory and style of leadership applied. The efforts and behaviors reflected by the leader influence and become a direction for subordinates in achieving organizational goals.

#### 2.2.2 Work Environment

Nabawi (2019) said the term "work environment" includes all physical and non-physical factors that exist around a worker that have an impact on how the work is done. To achieve job fulfillment according to organizational goals, a rewarding workplace will energize and create representative inspiration. According to Khair et al., 2016) a comfortable work environment encourages all employees to do their best.

#### 2.2.3 Job Satisfaction

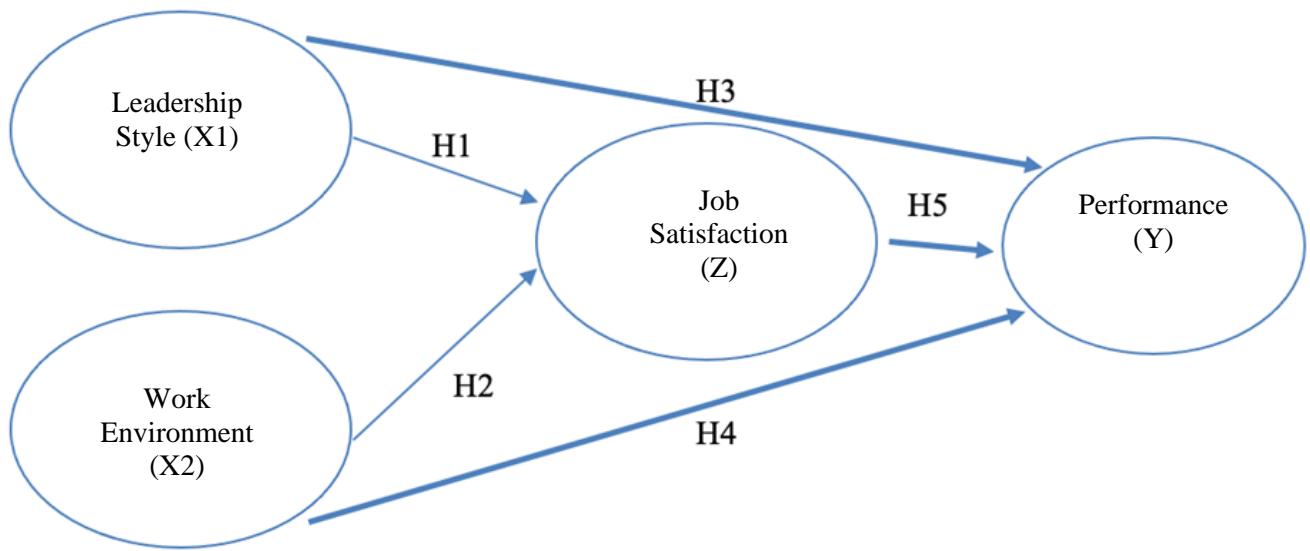
Hasibuan (2016) said job satisfaction is emotional behavior that is exciting and loves his job. According to Robbins (2018) and Priyono (2020), job satisfaction is the overall attitude of employees towards their work, including whether they are happy, satisfied, or dissatisfied. A high level of job satisfaction is a sign of a positive attitude towards one's job, while dissatisfaction is a sign of a negative attitude towards one's job.

#### 2.2.4 Performance

Prawirosentono (1999) in (Jireh & Kodrat, 2015), work carried out by individuals or groups in an organization by their authority and responsibility, to achieve organizational goals legitimately according to the rules, that is performance, morals ethics, and law. According to V.P.K. Lengkong (2015), performance is the result of work done by individuals or groups in an organization to achieve organizational goals in a predetermined amount of time.

### 3. Research Framework

#### 3.1 Conceptual Framework



**Figure 3. 1 Conceptual framework**

Processed by Researchers (2023)

#### 3.2 Research Hypothesis

- H1: Leadership style has a significant effect on PT X job satisfaction
- H2: Work environment has a significant effect on PT X job satisfaction
- H3: Leadership style has a significant effect on the performance of PT X employees
- H4: The work environment has a significant effect on the performance of PT X employees
- H5: Job satisfaction has a significant effect on the performance of PT X employees

#### 4. Research Methods

##### 4.1 Types of Research

This research uses quantitative research methods conducted in Surabaya. The purposive sampling method was used to sample 112 samples in the Operations Finance Indonesia department of PT. X. Data was collected through questionnaires to employees through Google Forms and measured on a Likert scale of 1-5.

##### 4.2 Variable Operational Definition

**Table 4.1 Operational Definitions of Variables**

| Variable              | Variable Concept   | Indicators   | Operational Definition  | Source   |
|-----------------------|--|--|---|--|
| Leadership Style (X1) | A leader's leadership style is how they direct employees to achieve organizational goals by influencing their feelings, attitudes, and actions.                          | 1. Have a positive attitude<br>2. Communication<br>3. Good relationship<br>4. Certainty of goals (authoritative vision and mission)<br>5. Increase motivation<br>6. Accountability<br>7. Trust | X1.1 Leader-centered authority is exercised well<br>X1.2 The policies taken by the leader are objective<br>X1.3 Communication made by the leader to subordinates is carried out effectively<br>X1.4 Making decisions are made jointly between leaders and employees<br>X1.5 Leaders set targets for each individual that align with the vision and mission of the organization<br>X1.6 Leaders motivate employees to achieve good work productivity<br>X1.7 Leaders tend to delegate responsibilities to employees<br>X1.8 Leaders provide support, encouragement, or training for their employees<br>X1.9 Leaders typically foster a climate of mutual trust, respect, or admiration among their subordinates. | Nawawi (2003) inside (Koyongian, 2020)<br>Feryanto & Triana (2015) |
| Work Environment (X2) | Physical and non-physical elements that surround a worker that have an impact on the performance of a given task are referred to as the work environment. To achieve job | 1. Illumination<br>2. Air temperature<br>3. Required space<br>4. Job security<br>5. Employee relations   | X2.1 Lighting in the workspace meets requirements.<br>X2.2 The air temperature in the workspace makes it comfortable to work.<br>X2.3 Comfortable wiggle room at work   | (Nabawi, 2019)   |

|                      |   |  |   |   |
|----------------------|---|--|---|---|
|                      | fulfillment according to organizational goals, a rewarding workplace will energize and create representative inspiration.                     |  | X2.4 My workplace guarantees the safety of its employees at work<br>X2.5 Existence of a well-established relationship between employees   |   |
| Job Satisfaction (Z) | The general state of employee job satisfaction is their happiness, satisfaction, or dissatisfaction with their job.                           | 1. The nature of the work performed by the employee<br>2. Help from superiors<br>3. Salaries received by employees<br>4. Possibility of employees to be promoted<br>5. Relationships with colleagues | Z1: I enjoy challenging or interesting work.<br>Z2: I am satisfied with my boss who can provide support to his employees<br>Z3 I am happy with the company's salary<br>Z4: I got a chance to get promoted.<br>Z5 I love working with colleagues who have responsibility, support, and work solutions. | Robbins (2018) in Priyono (2020)<br>Luthans (2011)                                    |
| Performance (Y)      | Performance is the result of a person's or group's efforts to achieve organizational goals by the authority and responsibility given to them. | 1. Quality produced<br>2. Amount generated<br>3. Working hours<br>4. Cooperation   | Y1 I can complete the tasks assigned by the leader effectively<br>Y2 I have good working accuracy in working<br>Y3 I can complete the work according to the given amount<br>Y4 I was able to complete the work according to the given deadline<br>Y5 I can collaborate effectively with my colleagues | According to (Prawirosentono, 1999) in (Jireh & Kodrat, 2015)<br>Suminar et al (2015) |

Processed by Researchers (2023)

#### 4.3 Data Analysis Methods

A structural Equation Model (SEM) based on Partial Least Square (PLS) is used for analysis. Causal relationships between exogenous variables and endogenous variables can be more clearly formed (Abdullah, 2015), which is a further development of pathway analysis. Not only can it be determined the magnitude of the components that contribute to the formation of constructs by using SEM, but it is also possible to identify causal relationships in observed variables or constructs.

## 5. Result and Discussion

### 5.1 Characteristics of Respondents

The highest gender was 70 female respondents (62.5%). The highest age was between 21 and 25 (33.9%). The highest average length of work was working for one to five years (46.4%). The highest position is as an analyst or staff of 80 people (71.4%).

### 5.2 Description of Research Variables

The highest mean in leadership style was X1.1 and X1.2 at 4,286, indicating respondents strongly agreed and the rest agreed. For the work environment indicator, the highest mean was at X2.2 at 4,223, indicating respondents strongly agreed and the rest on other indicators agreed. In employee performance indicators, the highest mean was in Y2 at 4,232, indicating that respondents on average chose to strongly agree and the rest on other indicators agreed. For the job satisfaction indicator, the highest mean was at Z1, which was 4,125, indicating that the average respondent chose to agree and the rest also voted to agree.

### 5.3 Data Analysis Results

#### 5.3.1 Validity & Reliability

The outer loading result has a value greater than 0.7, the indicators meet the convergent validity criterion, all indicators for all variables are declared valid, and the model is not changed at all. Similarly, all variables on the AVE value have a value of  $> 0.5$ . As a result, it is permissible to affirm that the measurement model meets the requirements of the convergent and valid validity test. Each variable has a Composite Reliability value of  $> 0.7$  and its Cronbach Alpha  $> 0.6$  which indicates that it has passed the test and is reliable.

#### 5.3.2 Structural Model Analysis (Inner Model)

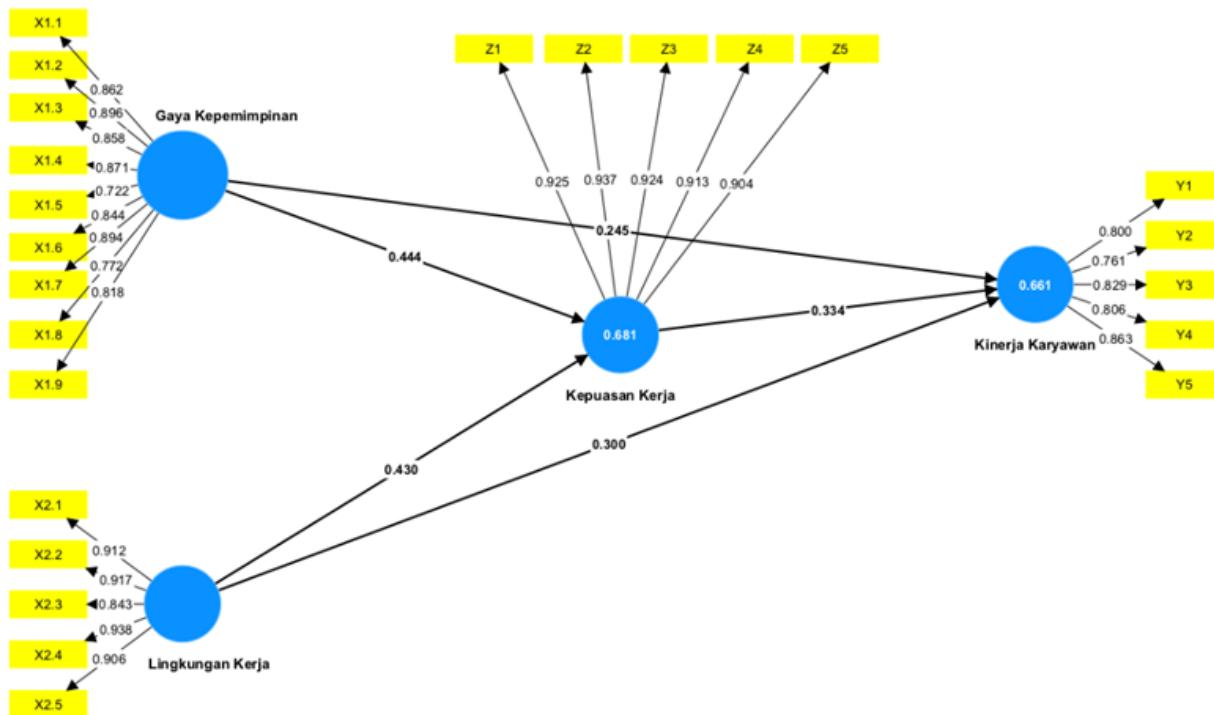


Figure 5.1 Algorithm Test Results

Processed by Researchers (2023)

### 5.3.3 R-Square

The R<sup>2</sup> value of job satisfaction (Z) of 0.681, leadership style (X<sub>1</sub>), and work environment (X<sub>2</sub>) can predict changes in job satisfaction (Z) by 68.1 percent and 31.9% respectively outside this research model. While employee performance (Y) has an R-value of 0.661, it can be predicted that leadership style (X<sub>1</sub>), work environment (X<sub>2</sub>), and job satisfaction (Z) accounted for 66.1 percent variation, and 33.9 percent could be explained by other variables outside the model.

### 5.4 Hypothesis Testing

The t-statistic value is 3.958 (> 1.96) and the p-value is 0.000 (<0.05), indicating job satisfaction is significantly influenced by leadership style. The fact that the work environment has a significant effect on job satisfaction is shown by a t-statistic value of 4.008 (>1.96) and a p-value of 0.033 (<0.05). The resulting p-value is 0.022 (<0.05) which shows that leadership style has a significant effect on employee performance. The T-statistic is 2.136 (> 1.96). The t-statistic value is 2.298 (over 1.96), indicating a significant effect, and the p-value is 0.000 (<0.05). The work environment has a significant influence on employee performance. The t-statistic value of 3.062 (>1.96) and p-value of 0.002 (<0.05) indicate a significant influence. Job satisfaction has a significant effect on employee performance.

#### 5.4.1 Test the effects of mediation

An insignificant relationship between employee performance (Y) and leadership style (X<sub>1</sub>) mediated by job satisfaction (Z) is shown by a t-statistic value of 2.883 (>1.96). In addition, job satisfaction (Z) mediates a significant relationship between employee performance (Y) and the work environment (X<sub>2</sub>).

## 5.5 Discussion

### 5.5.1 The Influence of Leadership Style on Job Satisfaction

According to research findings, there is a strong direct correlation between leadership style and job satisfaction. The acceptance of H1 shows that leadership style has a significant influence on job satisfaction. The t-statistic value is 3.958 (>1.96). According to the findings of this study, employees at PT X are more satisfied with their jobs if the company's leadership is more effective. Employees usually experience a sense of satisfaction as a result of a good leadership style. According to this study, the director of operational finance at PT X must prioritize leadership style indicators, such as being positive, communicating well, setting goals (organizational vision and mission), increasing motivation, accountability, and trust, as well as providing good service, and the right leadership style will affect employee job satisfaction.

### 5.5.2 The Effect of Work Environment on Job Satisfaction

According to research findings, there is a significant direct correlation between work environment and job satisfaction. The second hypothesis (H2) is accepted because the t-statistic value is 4.008 (>1.96), indicating that the workplace environment has a significant effect on job satisfaction. Indicators of the working environment include air temperature, required space, lighting, and employee relations. The provision of an adequate work environment will affect employee job satisfaction.

### 5.5.3 The Influence of Leadership Style on Employee Performance

The t-statistic value of 2.136 (>1.96) shows that the third hypothesis (H3) is acceptable because there is a significant relationship between leadership style and employee performance. The operational finance director at PT X must prioritize leadership style indicators, such as being positive, communicating well, maintaining good relationships, setting goals (organizational vision and mission), increasing motivation, accountability, and trust, as well as providing a better and appropriate leadership style will lead to improving employee performance at PT X.

### 5.5.4 The Effect of the Work Environment on Employee Performance

The t-statistical value of the study as 2,298 (>1.96) shows that the fourth hypothesis (H4) is valid and the work environment has a significant effect on employee performance. Lighting, air temperature, required room area, work safety, and employee relations are indicators of the work environment in this study. The performance of employees at PT X will be affected if the workplace is conducive, comfortable, and appropriate.

### 5.5.5 The Effect of Job Satisfaction on Employee Performance

The fifth hypothesis (H5) is accepted because the t-statistic value is 3.062 ( $>1.96$ ). There is a significant relationship between employee performance and job satisfaction. Therefore, one of PT X's main business needs must aim at the signs of job fulfilment, such as the idea of work done, representation, support from superiors, compensation obtained, open doors of progress, and association with individual workers. Employee performance will be affected if job satisfaction is achieved.

## 6. Conclusion and Suggestion

### 6.1 Conclusion

The following conclusions after analyzing the data and discussion:

1. Job Satisfaction has a significant effect on PT X Employee Performance
2. Leadership Style at PT X has a significant effect on PT X Employee Performance.
3. The Work Environment at PT X has an insignificant effect on the performance of PT X employees.
4. Leadership Style at PT X has a significant effect on PT X Employee Performance.
5. Job Satisfaction has an insignificant effect on the performance of employees at PT X.

### 6.2 Suggestion

#### 1. Management of PT X

It is hoped that the management of PT X can improve things that are still lacking by increasing and improving the leadership style and work environment. This will affect employee job satisfaction and help the company achieve its vision, mission, and goals. In addition, the company's discipline policy must be upheld because it can encourage employees to work more efficiently and effectively.

#### 2. Similar Business Actors

Similar business actors are expected to be able to pay attention to things that are still lacking based on this research by continuing to improve and upgrade leadership styles and work environments that will have an impact on employee job satisfaction so that the expected employee performance can be achieved.

#### 3. Further Research

Researchers can then add other variables and indicators to support their research. The independent variable that can be added or replaced to make it more in-depth is the work motivation variable, while the intervening variable can be added or replaced with work commitment. The dependent variable can be added with the variable of work discipline so that it can conduct more in-depth research.

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