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## The Effect of Participative Leadership and Remuneration on Work Satisfaction and Its Implication on Employee Performance in Aceh Culture and Tourism Agency

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### Abstract

The study aims to test the effect of leadership participatory and remuneration on work satisfaction and its implication on employee performance. The object of this study is at the Aceh Culture and Tourism Office. The variables are leadership participatory, remuneration, work satisfaction and performance of the Aceh Culture and Tourism Office employees. The population is the employees of as much as 287 people and the sample is taken with the census method, which takes all population member that is as much as 287 people as well. The causality test uses Structural Equation Model (SEM) as a statistic technique, with Amos software as a tool. Special for the indirect effect that tests the significance of mediation variable, this research uses Sobel Test calculator to see the p value. The result shows that leadership participatory influences employee work satisfaction, remuneration influences work satisfaction, work satisfaction influences employee performance, leadership participatory influences employee performance, remuneration influences employee performance, leadership participatory indirectly influences employee performance through the work satisfaction, and remuneration indirectly influences employee performance through the work satisfaction.

**Keywords:** leadership participatory, remuneration, work satisfaction and employee performance.

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### 1. Introduction

Following up the vision of the Aceh Government in 2012-2017, "A dignified, prosperous, righteous and autonomous of Aceh is based on UUPA as a form of the MoU Helsinki ", there are 3 (three) priority programs out of 10 (ten) Aceh Development Priority Program in the field of culture and tourism towards a dignified, prosperous, righteous and autonomous of Acehnese society. To achieve this priority, Aceh Government through the support of all parties needs to accelerate the development of Aceh's culture and economy through strengthening cultural values and developing the tourism industry supported by a diversity of Acehnese cultural arts, natural beauty and Tsunami heritage adhering to the principles and values of the Dinul Islam.

Cultural and Tourism Development are parts of the process of regional development and character building community towards a society that is independent, advanced, fair, prosperous and civilized. Cultural and tourism development is also a series of sustainable development efforts cover all aspects of people's lives, such as religious, economic, educational, social and

cultural aspects. In cultural development, the creation of moral, noble and ethical society is very important in order to create an atmosphere of life full of tolerance and harmony. Through awareness of a culture it is also expected to provide the realization of national identity in accordance with the heritage values of national culture in creating a conducive and peaceful climate.

To realize cultural development in Aceh, it is necessary to have high-performance employees with various competencies that can improve and maintain Aceh's cultural heritage in the future, as of employees performance is one of the things that must be realized. In order to improve employee performance, leadership factors is needed to coordinate all work based on the plan set. The leadership of Aceh Culture and Tourism Office is leadership participatory, where leadership participatory is expected to provide a role to improve the performance expected by the leadership and increasing the impact on performance of the Aceh Culture and Tourism Office organization. Nowadays there has been a gap between the work targets that have been set with the realization which can be achieved by each employee in carrying out the main tasks and functions, where the realization of work can be achieved by employee's ranges from 80% based on the target of 100%.

The low performance of employees can be seen from: lacking calculation of employees work, employees skill are not in accordance with their duties, many employees or around 68% are not dexterous at work, volume of targeted work is rarely achieved, work targets set by the leaders cannot realized, the ability of employees to work is still low, the field of Assignment given to each employee is not yet in accordance with the their capabilities, lack mastery of technology information, a lot of employees cannot understand work procedures and not obey the procedures, a lot of employees look for excuses to go out of the office in work times, office organizational structure is less to the interests of employees, delegation of authority by the leader is still less flexible and employees are underprivileged to work better.

Phenomenon in this study is consistent with the research conducted by (Hatta, Musnadi and Mahdani, 2017), concluded that compensation given to each employee has implications in improving employee performance. Then the research findings conducted by (Ibrahim, 2014), where the results of the study prove that compensation can have an impact in improving employee performance.

Then related to leadership, this phenomenon is consistent with (Wanda, Musnadi and Adam, 2013) where leadership participatory influences the improvement employee performance. The facts that occur related to leadership participatory can be seen from the leaders of the Aceh Culture and Tourism Office who rarely participate in other employees in important decision making in organizations, where leaders only take decisions themselves in the organization without involving other employees.

Another cause of low performance on employees at the Aceh Culture and Tourism Office is the low level of employee work satisfaction. This can be seen from the happiness of employees in carrying out their duties and working in this office environment, then the relationship between fellow colleagues who are still less harmonious is one of the reasons why employees are less satisfied, besides employees are also difficult to cope the boredom in working with pleasure, and the not respected presence of attitudes to each other in completing work.

Problem related to employee work satisfaction can be seen from employees feeling lazy to carry out work that has become their responsibility as well as employees not feeling happy in establishing relationships with fellow co-workers. Besides that, employees feel they want to move to another part because they feel less suitable with the environment in the office.

In the other hand, which is currently happens, the remuneration is actually expected by employees to fulfill their daily needs. The purpose of remuneration in order to improve employee performance is based on the performance shown by employees, but in fact the performance produced by employees is only quantitative rather than qualitative, it means that work results are in line with expectations, so that remuneration has not been able to improve performance better for a organization.

The fact that occur in the field also is also the presence of employees who are late in entering the office or not arriving without notice, and many employees have not been able to improve the performance that the organization has.

## **2. Literature Review**

### **Employee Performance**

According to (Gustisyah, 2013) performance is a result produced by the function of a particular work or activities on a particular work for a certain period of time. The work result is the result of the ability, expertise, and desire achieved. According to (Gustisyah, 2013) performance is the level at which employees carry out their work in accordance with predetermined conditions.

### **Work Satisfaction**

According to (Henne and Locke, 1985) work satisfaction is an emotional response to value assessment by an individual worker. If the values of his work are considered fulfilled, he will experience a pleasant feeling of satisfaction; if they are considered frustrated, they will experience unpleasant dissatisfaction.

Work satisfaction is as a positive emotional response to the work situation that results from achieving what is desired and assessed from the work. Work satisfaction is also as a positive emotional feeling that results from acceptable evaluations of his experience with work. it is a positive or pleasant emotional state that results from the assessment of one's work or work experience (Locke, 1976). Implicit in Locke's definition is the importance of influencing, or feeling, and cognition, or thinking. They are intrinsic and extrinsic satisfaction. Work satisfaction refers to how people feel about the nature of work tasks while extrinsic work satisfaction is how they feel about aspects of the work situation that are outside of work tasks (Salanova and Kirmanen, 2010) (Hirschfeld, 2000). Some studies define work satisfaction in terms of feelings, attitudes and beliefs. (Robbins and Judge, 2008) defined work satisfaction as an individual genus; attitude towards or work.

In the view of the organization, a good work satisfaction can lead to better worker performance that affects company results. Employee satisfaction is generally seen as a driver of employee retention and productivity. Satisfied employees are a prerequisite for increasing productivity, responsiveness, quality and service the customer (Salanova and Kirmanen, 2010).

### **Leadership**

(Northouse, 2007) stated that leadership in an organization is a process where each individual can influence other groups of individuals to achieve goals together. Leaders carry out this process by applying their leadership knowledge and skills.

However, we know that we have qualities that can affect our actions. This is called Leadership Trait (Jago, Heath and Smith, 1982), because it was once believed that leaders are born rather than made. While leadership is learned, the skills and knowledge that are processed by leaders can be influenced by attributes or characteristics; like trust, value, ethics, and character. Knowledge and skills contribute directly to the leadership process, while other attributes give leaders certain characteristics that make it unique.

When people decide whether they respect you as a leader, they don't think about your attributes, but rather, they observe what you do so they can know who you really are. They use these observations to find out whether you are a respectable and trustworthy leader or selfish person who delegates authority. Self-serving leaders are not as effective as their employees only obey them, not following them. They succeed in many fields because they give a good image to their seniors at the expense of their workers.

### **Remuneration**

Literally, remuneration is a payment or in other words remuneration is a monetary or other reward that has been determined by certain regulations in return for routine work. While according to the large Indonesian dictionary the word remuneration is interpreted as a form of giving a gift or appreciation for the services provided by the employee. First of all it is necessary to combine the various determinants of compensation emphasized by previous researchers. In (Gerhart and Milkovich, 1990) had emphasized 'employee and work characteristics' to explain compensation and organizational performance. (Kristof-brown, Zimmerman and Johnson, 2005) investigated the relationship between organizational level compensation decisions and work performance and they examined how the structure of a company's salary and wage level were related to resource efficiency, patient care outcomes, and financial performance. It was observed that there were many approaches to incentive compensation such as cash bonuses, stock purchases and profit sharing and also examined that the concepts of individual and group incentives could be associated with gifts and compensation for the business community (Appelbaum and Mackenzie, 2000). Again there is research, suggesting that executives in externally controlled companies receive more compensation for performance and less on the scale of operations and those findings apply to compensation rates and rates of change over time for performance (Gomez-Mejia, Tosi and Hinkin, 1987). Furthermore economic and psychological thinking predicts that the design and implementation of performance measurements and compensation systems affect employee motivation (Herpen, Praag and Cools, 2005) and work performance. The definition of remuneration is the remuneration of services or rewards given by the company to its workforce as a result of its achievements because it has helped the company achieve its goals. There is also another understanding, Remuneration is a reward given by an office or company to its workforce because it has contributed to the office or company in achieving the goals.

### **Research Hypothesis**

From the discussion, it can be formulated the research hypothesis as follows,

H1: leadership participatory influences employee work satisfaction,

H2: remuneration influences work satisfaction,

H3: work satisfaction influences employee performance,

- H4: leadership participatory influences employee performance,
- H5: remuneration influences employee performance,
- H6: leadership participatory indirectly influences employee performance through the work satisfaction,
- H7: remuneration indirectly influences employee performance through the work satisfaction.

### 3. Research Method

The object of this study is at the Aceh Culture and Tourism Office. The variables are leadership participatory, remuneration, work satisfaction and performance of the Aceh Culture and Tourism Office employees. The population is the employees of as much as 287 people and the sample is taken with the census method, which takes all population member, that is as much as 287 people as well. The causality test uses Structural Equation Model (SEM) as a statistic technique, with Amos software as a tool. Special for the indirect effect that tests the significance of mediation variable, this research uses Sobel Test calculator to see the p value.

### 4. Result

The test result of this study using the full SEM model as shown in Figure 1.

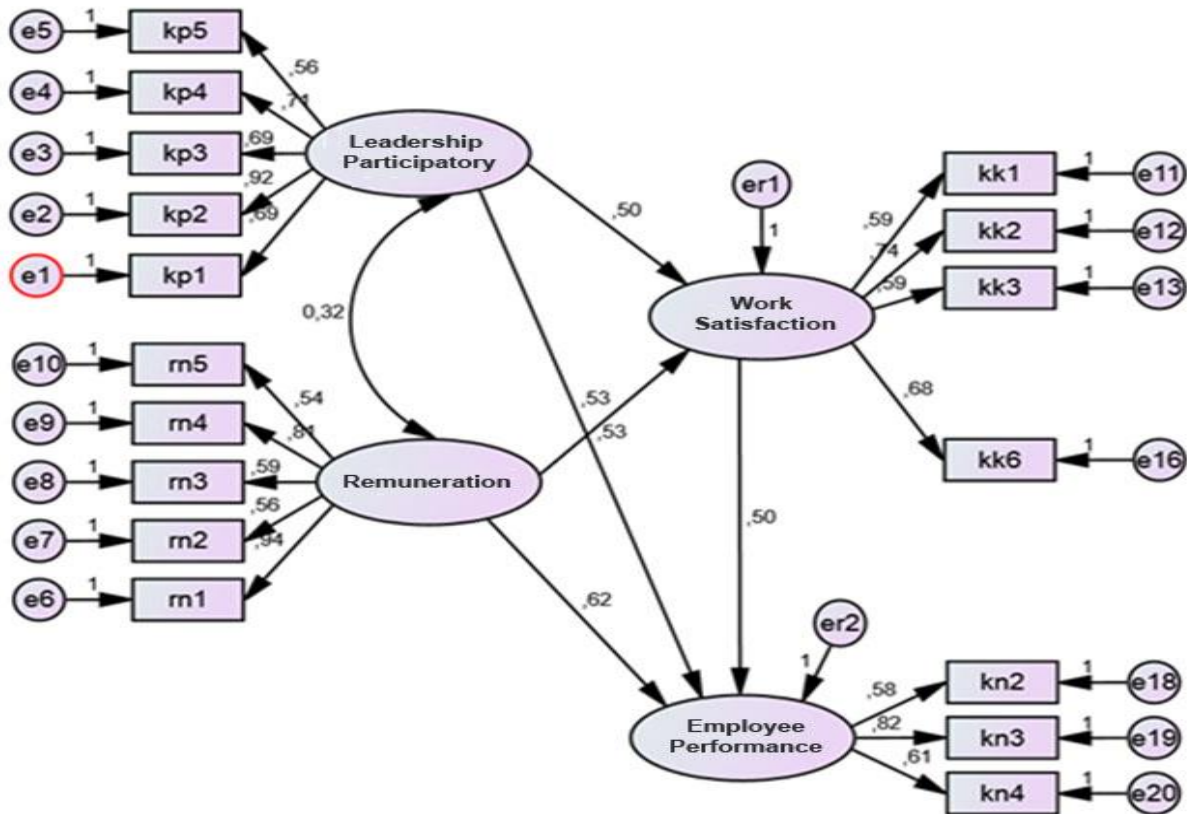


Figure. 1. Test Results of Structural Equation Model (SEM)

**H1 is accepted**

The magnitude of the influence or estimate for the influence of leadership participatory on work satisfaction shows a CR value of 4.086 ( $>1.97$ ) and a probability of 0.000 ( $<0.05$ ). This means that there is a significant effect in this hypothesis.

**H2 is accepted**

The amount of influence or estimation of the effect of remuneration on work satisfaction shows a CR value of 4.086 ( $>1.97$ ) and a probability of 0.000 ( $<0.05$ ). This figures that there is a significant effect in this hypothesis.

**H3 is accepted**

The influence or magnitude of the estimated effect of work satisfaction on employee performance shows a CR value of 4.202 ( $>1.97$ ) and a probability of 0.000 ( $<0.05$ ). This explains that there is a significant effect in this hypothesis.

**H4 is accepted**

The influence of leadership participatory on employee performance shows a CR value of 4.007 ( $>1.97$ ) and with a probability of 0.000 ( $<0.05$ ). This explains that there is a significant effect in this hypothesis.

**H5 is accepted**

The effect of remuneration on employee performance shows a CR value of 4.614 ( $>1.97$ ) and a probability of 0.000 ( $<0.05$ ). This describes that there is a significant effect in this hypothesis.

**H6 is accepted**

The effect of leadership participatory on employee performance through work satisfaction shows P Value in The Sobel Test of 0.000 ( $<0.05$ ). This describes that there is a significant effect in this hypothesis.

**H7 is accepted**

The effect of remuneration tory on employee performance through work satisfaction shows P Value in The Sobel Test of 0.000 ( $<0.05$ ). This describes that there is a significant effect in this hypothesis.

**5. Discussion**

The Coefficient of Direct Influence

After hypothesis testing is done, the next step is to see the strength of relationships between variables. How likely is the exogenous variable influence the endogenous variables that have been proven have a relationship between the two variables by the hypothesis proving? The following table illustrates the strength of the relationship. The strength of the biggest relationship is shown by how the remuneration variable affects the variable work satisfaction with a coefficient number of 0.300. it means that if there is an increase of 1 unit of remuneration, it will increase the work satisfaction by 0.3.

**Table 1.** Direct Effect Coefficient.

Endogen		Exogen	Estimate
Work satisfaction	←-----	Leadership participatory	0.054
Work satisfaction	←-----	Remuneration	0.300
Employee performance	←-----	Leadership participatory	0.177
Employee performance	←-----	Remuneration	0.170
Employee performance	←-----	Work satisfaction	0.204

While the smallest strength is indicated by the influence of variable leadership participatory on the variable work satisfaction which is only 0.054. This means that if there is an increase in 1 unit of leadership participatory, it will only increase employee work satisfaction by 0.054 unit.

#### The Coefficient of Indirect Influence

From the table above, it can be seen that the strength of the relationship indirectly between the variables of leadership participatory and the employee performance is 0.011 (0.054 x 0.204). When compared with the direct effect as stated earlier, this indirect effect has a smaller coefficient number. This means that improving employee performance will be better done by applying leadership participatory styles directly without including the variable work satisfaction.

Other than that, indirect effect between the remuneration variable and the employee performance variable is 0.061 (0.300 x 0.204). Compared with the direct effect as stated earlier, this indirect effect has a smaller coefficient number. This means that improving employee performance is better done by increasing remuneration directly without including work satisfaction variables.

## **6. Conclusion**

The result shows that leadership participatory influences employee work satisfaction, remuneration influences work satisfaction, work satisfaction influences employee performance, leadership participatory influences employee performance, remuneration influences employee performance, leadership participatory indirectly influences employee performance through the work satisfaction, and remuneration indirectly influences employee performance through the work satisfaction. These all findings contribute to the development of knowledge and science, that success in testing the causality from the previous theories, so this is being a new premise/update of theories. The originality is in the causality model development, from the previous research model. The limitation lies in to the number of variables and the object.

This also effects the practical managers especially in the object of this research. Work satisfaction and employee performance need to get attention to provide remuneration in accordance with adequate salary standards. Employee work satisfaction can be improved by providing the best possible treatment and providing services in the form of employee needs. Improving work satisfaction and employee performance is based on the ability of employees to provide examples and examples to subordinates.

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