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The Influence of Transformational Leadership Style and Compensation on Motivation and Its Impact on Employee Performance at Petrochina International Jabung Ltd

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Abstract: The success of a business organization, company, or industry depends on the performance of its employees. Human resources are a crucial factor in achieving company goals, therefore, human resource development planning is a crucial aspect of achieving these goals. This study aims to determine and describe the state or picture of transformational leadership style, compensation, motivation, and employee performance at Petrochina International Jabung Ltd., as well as to determine and analyze the influence of transformational leadership style and compensation on motivation and its impact on employee performance at Petrochina International Jabung Ltd. This study uses descriptive verification research. The PLS analysis method is used. Based on the descriptive analysis of the research variables, the total score for the transformational leadership style was 4096, categorized as good. Furthermore, the compensation variable showed that employee compensation at PetroChina International Jabung Ltd. was good, with a score of 3117. Furthermore, the motivation variable showed a score of 3616, categorized as high. Meanwhile, the employee performance variable showed a score of 2592, categorized as high. The results of the study indicate that transformational leadership style and compensation have a positive and significant influence on employee motivation and performance at PetroChina International Jabung Ltd. The transformational leadership style can increase employee work motivation, which ultimately impacts their performance. Similarly, adequate compensation has been shown to boost employee motivation and directly improve performance. In addition to their direct influence, transformational leadership style and compensation also have an indirect influence on performance through motivation, meaning motivation mediates the relationship between the two on employee performance.

Keywords: Transformational Leadership Style, Compensation, Motivation, Employee Performance.

INTRODUCTION

In the face of increasingly intense global competition, an organization's success is not solely determined by advanced technology or the size of its capital, but also by the quality of its human resources (HR). Human resources are a strategic asset that plays a vital role in

realizing the organization's vision and mission. Therefore, the planning and development of HR cannot be overlooked by companies that aim to maintain their competitive advantage (Damayanti, 2017).

Employee performance is a key indicator in assessing the extent to which HR contributes to an organization's success. Robbins (2015) emphasizes that low employee performance can directly impact productivity and the quality of work outcomes, ultimately affecting the sustainability and profitability of the organization. In this context, attention to factors that influence performance such as work motivation, compensation systems, and leadership styles becomes crucial.

One leadership style believed to enhance enthusiasm and employee loyalty is transformational leadership. This style fosters change through an inspiring vision, individual attention to employees, and the ability to boost team morale. Bass (2011) states that transformational leadership promotes trust and admiration from subordinates, which in turn significantly increases motivation and performance. This is supported by Benjamin & Flyinn (2006, as cited in Saragih, 2007), who argue that transformational leaders are capable of inspiring subordinates to perform beyond expectations.

In addition to leadership, compensation is also a crucial aspect in enhancing work motivation. Fair and competitive compensation provides psychological encouragement for employees to improve their performance. Jufrizen (2016) explains that well-designed compensation not only provides satisfaction but also fosters internal motivation in employees to contribute more effectively. Thus, fulfilling employees' rights through both direct and indirect forms of compensation is one of the organization’s strategies to maintain productivity.

Work motivation is an internal driving force within an individual that determines the direction, intensity, and persistence in performing work (Umam, 2018). When an employee has high motivation, they tend to work harder, take responsibility, and demonstrate optimal performance. Therefore, companies need to understand and fulfill the basic needs that drive motivation, such as the need for recognition, achievement, and self-development (Afandi, 2018).

In the context of this study, PetroChina International Jabung Ltd, as one of the international oil and gas companies operating in Indonesia, faces challenges in improving employee performance, which is largely dominated by contract and outsourced workers. According to the company’s internal data, several indicators such as productivity, teamwork, and communication effectiveness between divisions still show suboptimal results. Therefore, this study focuses on analyzing the influence of transformational leadership style and compensation on motivation, as well as their impact on employee performance within the company.

METHOD

This study uses a quantitative approach with descriptive and verificative research types. A quantitative approach is employed because the study aims to statistically test the relationships between variables. Meanwhile, the descriptive approach is intended to describe the conditions of the variables under investigation, and the verificative approach is used to test the hypotheses that have been previously formulated (Sugiyono, 2023).

The population in this study consists of all employees of PetroChina International Jabung Ltd, totaling 1,143 individuals, including permanent, contract, and outsourced employees. However, the sample was selected using purposive sampling, involving only permanent employees who are not in leadership positions, resulting in a sample of 66 individuals. Purposive sampling was used because it is considered capable of providing relevant information related to the research problem (Sugiyono, 2023).

The data analysis techniques used in this study include descriptive and verificative analysis. Descriptive analysis is used to describe the characteristics of the respondents and the

score distribution of each variable. Meanwhile, verificative analysis is conducted using Partial Least Squares (PLS) with the assistance of the SmartPLS 3.0 application, as this method is effective for small sample sizes and capable of testing complex models with multiple latent variables (Ghozali & Latan, 2015). In PLS testing, two main models are used: the outer model, which tests the validity and reliability of the constructs, and the inner model, which tests the relationships between latent variables. Validity is assessed through loading factor values and Average Variance Extracted (AVE), while reliability is evaluated using Composite Reliability and Cronbach's Alpha values. Hypothesis testing is based on the t-statistic and p-value, where a hypothesis is accepted if the t-statistic is greater than 1.96 at a 5% significance level (Ghozali & Latan, 2015).

RESULTS AND DISCUSSION

Respondent Profile

To identify the characteristics of employee respondents at PetroChina International Jabung Ltd based on age, gender, length of service, and education, the following data can be observed:

Table 1. Respondent Profile

No	Profil Responden	Amount	Percentage (%)
1	**Age Group (Years)**		
	20 – 30	8	12,12
	31 – 40	18	27,27
	41 – 50	28	42,42
	> 51	12	18,18
2	**Gender**		
	Man	47	71,21
	Woman	19	28,79
3	**Grouping of length of service (Years)**		
	< 1	3	4,55
	1 – 5	10	15,15
	6 – 10	15	22,73
	11 – 15	18	27,27
	> 15	20	30,30
4	**Education**		
	High School	8	12,12
	Diploma	5	7,58
	Bachelor	44	66,67
	Masters	9	13,64

Source: processed data (2025).

Descriptive Research Variables

Descriptive statistics of the research variables are used to determine the extent to which the indicators, used as question items for each variable in this study, are reflected in the responses. Based on the conducted survey, the descriptive statistics of the research variables are summarized in the following table.

Table 2. Descriptive Research Variables

No	Variable	Average Score	Total Score	Information
1	Transformational Leadership Style (X_1)	256	4.096	Good
2	Compensation (X_2)	260	3.117	Tall
3	Motivation (Y)	258	3.616	Tall
4	Performance (Z)	259	2.592	Tall

Verification/Quantitative Analysis

Partial Least Squares (PLS) analysis is a statistical method commonly used to analyze complex relationships between variables, particularly within structural models (SEM – Structural Equation Modeling). PLS is suitable for situations where the data do not fully meet the classical SEM assumptions, such as small sample sizes or non-normal data distributions. In PLS, the analysis is carried out in two main stages: the measurement model and the structural model. The results of this study can be seen as follows:

a. Convergent Validity Testing

Convergent validity testing is a type of validity used to evaluate the extent to which an instrument or measurement tool accurately measures the intended construct. In the context of statistics and data analysis—particularly in latent variable models such as Partial Least Squares (PLS)—convergent validity is essential to ensure that the indicators or items used in the model truly reflect the same construct. The results of the convergent validity test are presented below.

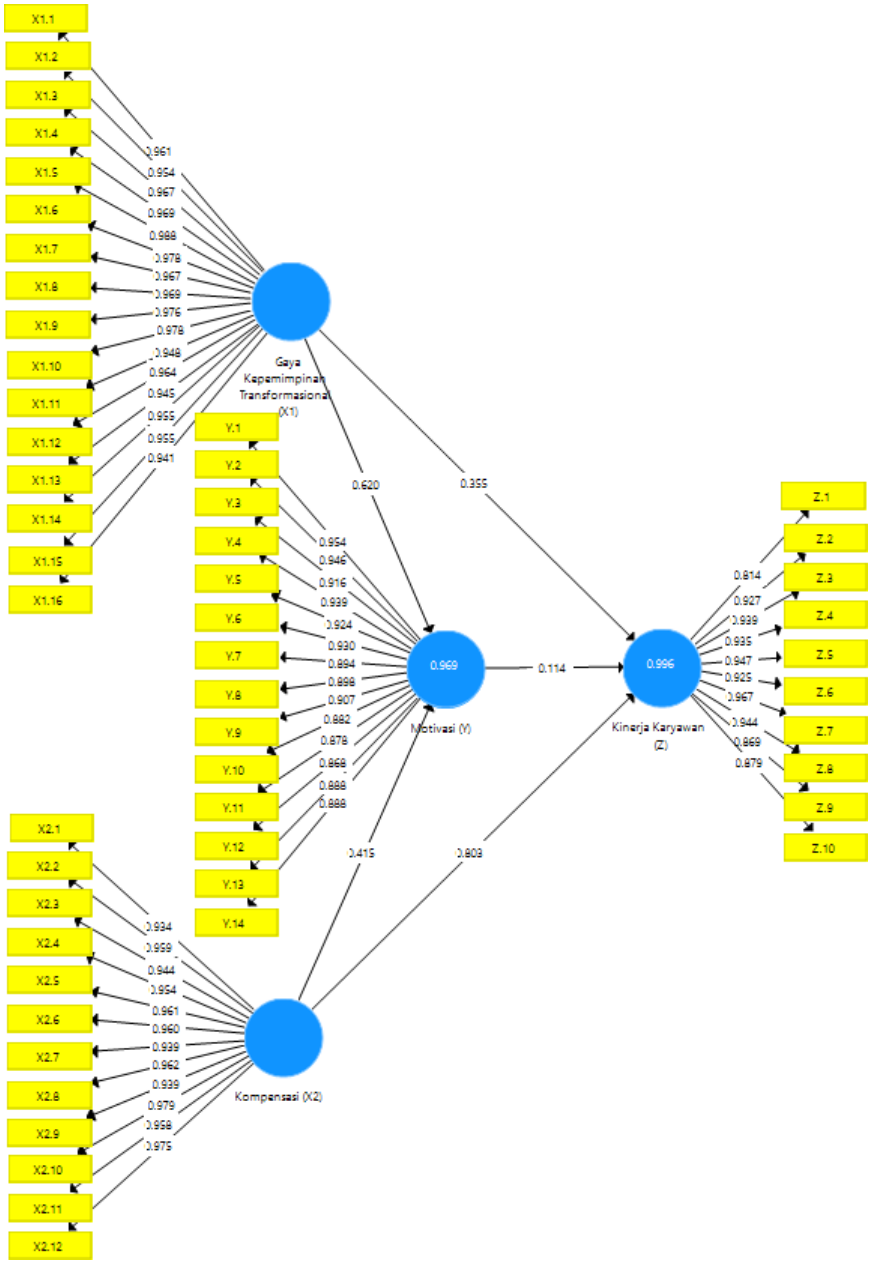

Figure 1. Outer Loading

The figure above represents the initial step toward achieving the research objectives. It shows that all variable indicators have outer loading values above 0.7. Therefore, it can be concluded that all indicators meet the rule of thumb, and there is no need to eliminate any indicators or re-estimate the model. In addition, based on the composite reliability values, all constructs have values greater than 0.7. Thus, it can be concluded that all constructs in this study are reliable and meet the reliability test criteria.

b. Inner Model Evaluation

1) R-Square

In evaluating the model using PLS, the process begins by examining the R-Square value for each dependent latent variable (Hair et al., 2017). Table 4.13 presents the R-Square estimation results using SmartPLS 3:

Table 3. R Square Value

Variabel	R Square
Motivation (Y)	0,996
Performance (Z)	0,969

Source: SmartPLS 3.0 output (2025).

Table 3 shows the R-Square values, with motivation at 99.6 percent and employee performance at 96.9 percent. This indicates that the influence of transformational leadership style and compensation on motivation falls into the strong category. Likewise, the influence of transformational leadership style and compensation on employee performance is also categorized as strong.

Based on the estimated R-Square values presented in Table 3, it is shown that the motivation variable (Y) has an R-Square value of 0.996 or 99.6 percent, while the employee performance variable (Z) has an R-Square value of 0.969 or 96.9 percent. These R-Square values indicate the proportion of variability in the dependent variables that can be explained by the independent variables in the research model. Accordingly, 99.6 percent of the variation in motivation can be explained by transformational leadership style and compensation, while the remaining 0.4 percent is explained by other factors outside the model. Similarly, 96.9 percent of the variation in employee performance can also be explained by transformational leadership style and compensation, with only 3.1 percent influenced by other factors. These high R-Square values indicate that the influence of transformational leadership and compensation on both motivation and employee performance falls into the very strong category. Therefore, it can be concluded that these two independent variables make a significant and dominant contribution to improving employee motivation and performance.

2) Q Square

According to Wiyono (2011), a model is considered to have relevant predictive value if the Q-square value is greater than 0 (> 0). The predictive relevance value is obtained using the following formula:

$Q^2=1 – (1- R1^2) (1- R2^2)$

$Q^2= 1 - (1- 0{,}996^2) (1 – 0{,}969^2)$

$Q^2= 1 – (1- 0{,}992) (1- 0{,}939)$

$Q^2= 1 – (0{,}008)(0{,}061)$

$Q^2= 1 – 0{,}0005$

$Q^2= 0{,}9995$

The Q-square calculation result in this study is 0.9995, indicating that the model is appropriate for explaining the endogenous variables, as the value of 0.9995 is greater than 0.

3) Structural Model Testing

In SEM-PLS analysis, the structural model in this study can be assessed through the direct effect values, also known as path coefficients. Subsequently, the path coefficients between constructs are measured to examine the significance and strength of the relationships, as well as to test the hypotheses.

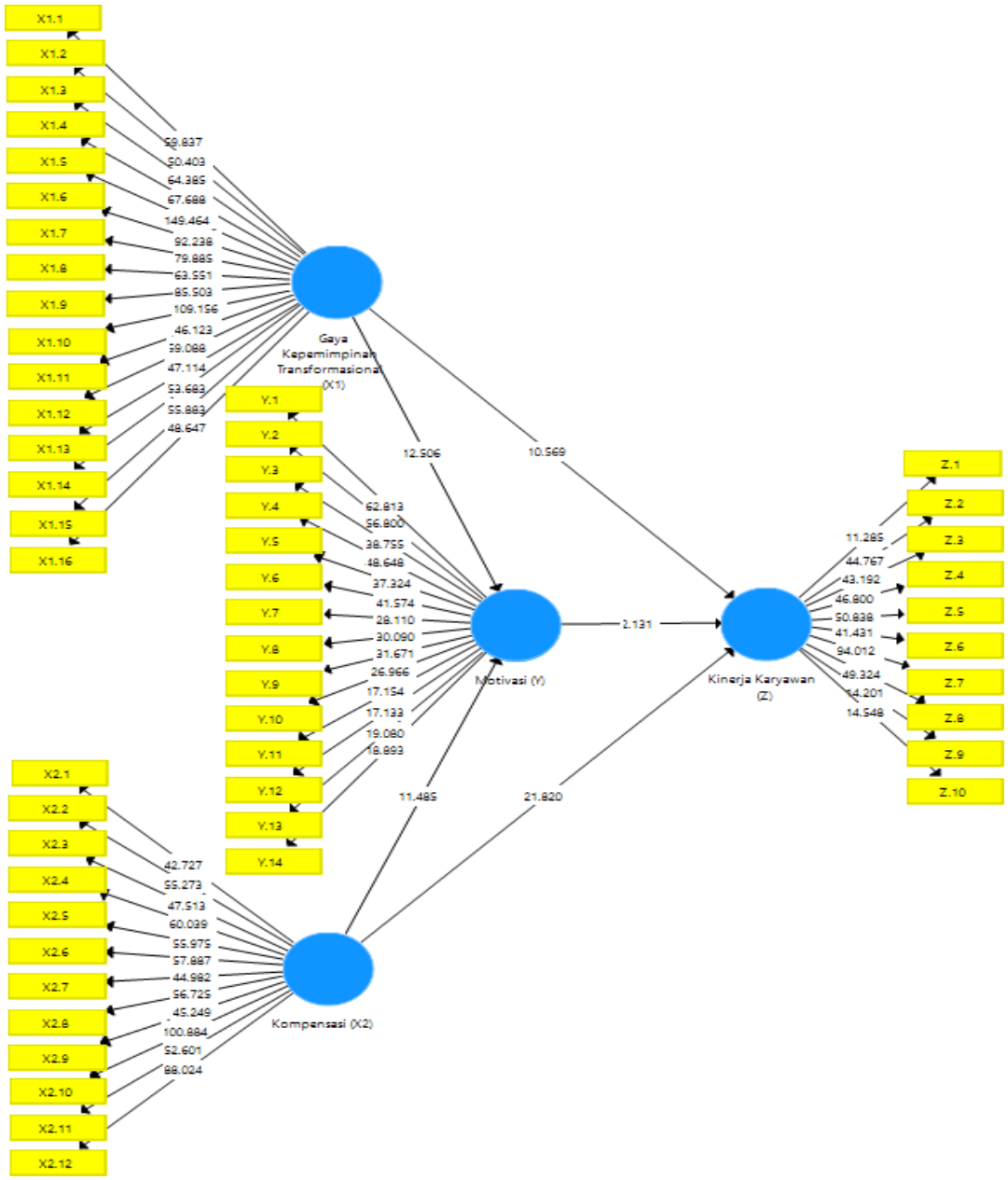

Figure 2. Bootstrapping

Direct Effect

The results of the direct effect testing are presented in the table below as follows:

Table 4. Direct Effect Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Transformational leadership style (X1) -> Motivation (Y)	0.620	0.610	0.050	12.478	0.000
Compensation (X2) -> Motivation (Y)	0.415	0.424	0.038	10.933	0.000
Transformational leadership style (X1) -> Employee performance (Z)	0.355	0.353	0.037	9.679	0.000
Compensation (X2) -> Employee performance (Z)	0.803	0.808	0.037	21.436	0.000
Motivation (Y) -> Employee performance (Z)	0.114	0.119	0.057	1.996	0.046

Source: SmartPLS 3.0 output (2025).

The results of the direct hypothesis testing show that the T-statistic values are greater than the rule of thumb (1.96) and the p-values are less than 0.05 (5%). Based on these results, it can be concluded that all direct effect hypotheses are accepted. The results for the indirect effects can be seen in the following table.

Table 5. Indirect Effect Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Transformational leadership style (X1) -> Motivation (Y) -> Employee performance (Z)	0.071	0.072	0.033	2.143	0.033
Compensation (X2) -> Motivation (Y) -> Employee performance (Z)	0.047	0.051	0.023	2.036	0.042

Source: SmartPLS 3.0 output (2025)

The results of the indirect hypothesis testing also show that the T-statistic values are greater than the rule of thumb (1.96) and the p-values are less than 0.05 (5%). Based on these results, it can be concluded that all indirect effect hypotheses are accepted.

Discussion

The Influence of Transformational Leadership Style on Motivation

The research findings indicate that the transformational leadership style has a positive and significant effect on motivation. This result is consistent with the studies by Yohana et al. (2023) and Prayudi (2020), which also found that transformational leadership has a positive and significant influence on motivation.

Transformational leadership has been proven to significantly impact work motivation due to various leadership characteristics that directly encourage employee enthusiasm and commitment in carrying out their duties. One example is the leader's ability to communicate the organization's vision and direction clearly, enabling employees to better understand the organization's goals and objectives. Employees feel that direct communication with their superiors greatly helps clarify the tasks they need to complete. In addition, leaders consistently consider the impact of their decisions on the team and the organization, both in the short and long term, which fosters trust in leadership. This type of leadership approach not only enhances

employees' sense of belonging to the organization but also makes them feel valued and actively involved. Leaders also inspire team spirit and boost employees' confidence in achieving shared goals, which plays a crucial role in fostering intrinsic motivation.

The Influence of Compensation on Motivation

The research findings show that compensation has a positive and significant effect on motivation. This result is in agreement with the findings of Mardiana et al. (2021), Jufrizen (2018), and Nurjaya & Rizal (2023), who also stated that compensation has a positive and significant effect on motivation.

The influence of compensation on employee work motivation arises because compensation serves as tangible recognition for the contributions made, thereby enhancing enthusiasm and job satisfaction. Based on respondents' statements in the table, employees feel that their base salary is appropriate for the responsibilities and positions they hold. This alignment creates a sense of fairness and satisfaction that encourages employees to work harder. Moreover, the base salary is also perceived as sufficient to meet daily living needs, which directly impacts employees' psychological comfort and work focus. Appropriate compensation helps employees feel financially secure, forming a critical foundation for building stable and sustainable work motivation. When basic needs are met, employees tend to be more motivated to achieve optimal work outcomes.

The Influence of Transformational Leadership Style on Employee Performance

The research findings show that transformational leadership has a positive and significant effect on employee performance. This result is consistent with the studies conducted by Palitta et al. (2024), Satriyo (2019), and Darari & Lutfi (2019), which also concluded that transformational leadership positively and significantly influences employee performance.

The influence of transformational leadership on employee performance is demonstrated through the leader's ability to inspire, guide, and provide clear direction regarding tasks and the organization's vision. Employees feel that their leaders can communicate work direction and vision openly and directly, helping them understand the shared goals to be achieved. Effective communication between leaders and subordinates makes tasks easier to understand and execute effectively. Leaders also take into account the impact of each decision on the team and the organization, both in the short and long term, making employees feel involved in the organization's strategic processes. This kind of involvement increases their sense of responsibility in completing tasks according to plans and work targets. Moreover, moral support and motivation from leaders encourage employees to deliver their best performance with confidence.

The Influence of Compensation on Employee Performance

The research findings indicate that the compensation variable has a positive and significant effect on employee performance. This result aligns with the studies conducted by Laoli et al. (2023) and Utami et al. (2025), which also found that compensation positively and significantly affects employee performance.

Compensation significantly influences employee performance because it serves as a direct form of reward that motivates employees to work more optimally. When employees feel that their base salary is aligned with their responsibilities and job positions, it creates a sense of fairness and job satisfaction. This satisfaction drives employees to deliver maximum performance and complete tasks on time as planned. Adequate compensation also enables employees to focus more on their work without being distracted by financial concerns, thereby increasing their productivity. Furthermore, a salary that meets daily living needs contributes to emotional stability and enhances concentration, allowing employees to fulfill their work responsibilities more efficiently.

The Influence of Motivation on Employee Performance

The research findings show that the motivation variable has a positive and significant effect on employee performance. This result is consistent with previous studies, which have also found that motivation positively and significantly affects employee performance. Similarly, studies by Endra (2022) and Husna et al. (2024) confirm that motivation has a positive and significant impact on employee performance.

Motivation significantly influences employee performance, as both internal and external drives enhance employees' enthusiasm in completing tasks and achieving work targets. Motivated employees tend to demonstrate high performance, as they have clear goals and a strong desire to grow and achieve. This is reflected in respondents' statements that promotions based on performance and years of service encourage them to work harder. Employees also reported that they carry out tasks entrusted by their superiors with full responsibility because they feel valued and have hopes of receiving recognition. When work motivation is high, employees not only complete tasks effectively but also strive to exceed the targets set by the organization.

The Influence of Transformational Leadership Style on Employee Performance Through Motivation

Transformational leadership influences employee performance through the increase in work motivation it generates. Leaders with a transformational style are able to communicate a clear vision and direction while also inspiring employees' enthusiasm for their work. This makes employees feel valued and emotionally engaged with the organization's goals, thereby enhancing their internal motivation. When motivation is high, employees become more enthusiastic in carrying out their tasks, demonstrate a strong sense of responsibility, and take the initiative to deliver their best performance. In other words, this inspiring and communicative leadership style creates a solid foundation for work motivation, which serves as a mediator in improving employee performance.

The Influence of Compensation on Employee Performance Through Motivation

The influence of compensation on employee performance through motivation occurs because compensation serves as a form of recognition that enhances employee satisfaction and work enthusiasm. When employees receive salaries, bonuses, and incentives that align with their efforts and responsibilities, it fosters a sense of being valued, which in turn triggers work motivation. High motivation leads employees to be more committed to completing tasks and achieving the targets set by the company. Thus, adequate compensation becomes an important stimulus that ignites employees' internal drive to perform at their best, ultimately resulting in a tangible improvement in their performance.

CONCLUSION

Based on the analysis and discussion presented in the previous chapter, the following conclusions can be drawn:

1) The questionnaire results regarding the research variables show that the total score for transformational leadership style was 4,096, categorized as good. The score for the compensation variable was 3,117, indicating that employee compensation at PetroChina International Jabung Ltd is also categorized as good. The motivation variable scored 3,616, falling into the high category. Meanwhile, the employee performance variable scored 2,592, which is also categorized as high.
2) Transformational leadership has a positive and significant effect on motivation at PetroChina International Jabung Ltd. This means that the higher the transformational leadership, the higher the motivation, with an effect of 62%.

3) Compensation has a positive and significant effect on motivation at PetroChina International Jabung Ltd. This indicates that increased compensation leads to higher motivation, with an effect of 41.5%.
4) Transformational leadership has a positive and significant effect on employee performance at PetroChina International Jabung Ltd. This means that improved transformational leadership enhances employee performance, with an effect of 35.5%.
5) Compensation has a positive and significant effect on employee performance at PetroChina International Jabung Ltd. This shows that higher compensation improves employee performance, with an effect of 80.3%.
6) Motivation has a positive and significant effect on employee performance at PetroChina International Jabung Ltd. This means that increased motivation enhances employee performance, with an effect of 11.4%.
7) Transformational leadership has a positive and significant effect on employee performance through motivation at PetroChina International Jabung Ltd. This implies that as transformational leadership increases, both motivation and employee performance improve, with an indirect effect of 7.1%.
8) Compensation has a positive and significant effect on employee performance through motivation at PetroChina International Jabung Ltd. This means that higher compensation leads to increased motivation and improved employee performance, with an indirect effect of 4.7%.

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