

# The Effect of Incentives and Leadership on Employees' Motivation and Performance at the Indonesian Footwear Industry Development Centre Mahmudah

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# The Effect of Incentives and Leadership on Employees' Motivation and Performance at the Indonesian Footwear Industry Development Centre

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This research aims to study the effect of incentives and leadership on employees' motivation and performance at the Indonesian footwear industry development centre. The sampling was done using saturation sampling, in which all existing populations were sampled, with 35 employees as the population. Path analysis and hypothesis testing was done using the t test. The results indicate that incentives, leadership, and motivation have a positive and significant effect on employees' performance; incentives and leadership have a positive and significant effect on employees' motivation; and through motivation, leadership and incentives have a positive effect on employees' performance. Motivation plays a major role in employees because the higher the incentives given to employees and leaders, the more their performance will also increase. This study showed that each variable has a link, the independent variable (incentive and leadership) and the dependent variable that is performance and motivation influence each other. The analysis approach used is path analysis, confirmed by path regression.

**Keywords:** *Incentives, Leadership, Motivation, Employee Performance.*

## Introduction

Human resources have an important role in the organisational environment as a synergy with production factors such as capital, material, methods and machinery. An organisation needs to take advantage of the human condition in terms of its capabilities. According to Snyder (1998), humans as a resource have value, knowledge and techniques, within a system that guides human utilisation effectively (Snyder, LaPointe, Jeffrey Crowson, & Early, 1998).



The main job of an employee could reflect their performance. Job performance assessment is a system through which the organisation evaluates the work performance of employees in accordance with their respective performance within a company organisation (Carmeli, Gilat, & Waldman, 2007). This system aims to improve and motivate employees to produce high performance. Therefore, good performance does not only benefit the individual employee, but institutions or organisations and communities as well.

The motivation given for employees at the Indonesian Footwear Industry Development Centre has a huge impact on improving employees' performance. The higher the expectations of the organisation, the higher the enthusiasm that can foster human values and the dignity of employees as professionals. This is not only based on the working capital that supports employees in improving their performance, but also in incentives, interpersonal relations and leadership.

Such a performance model involves perception and accuracy in describing the direction and importance of business direction and level of effort in bringing about changes in employees' behaviour to work better in the future. However, it is difficult for the organisation to realise its goals; which does not only involve incentives or leadership, but also motivation which is later known to have both a direct and an indirect influence on improving employees' performance.

Motivation of employees can drive them to work more effectively as they tend to be affected by incentives, interpersonal relationships and leadership. Motivation is a stimulant, or driving force, that stimulates and encourages employees to work as actively as possible, despite the drive being different from one employee to another (Gorman, 2004; Kressler, 2003).

Leadership greatly relates to interpersonal communication, yet motivation and incentives are considered as one sided in regard to the work result desired by the organisation. Through the four elements above, the effective model of leadership that could be applied by the leaders of the company or organisation could be revealed. This is why role of leaders in the organisation is important and needed to continuously encourage employees' morale in relation to performance.

Employees could develop themselves positively in order to enhance their performance. Performance enhancement cannot be separated from the system carried out by the organisation. Likewise, awareness of work performance, efficiency and productiveness, and work effectiveness can be carried out through various activities related to work within the organisation in the hope of producing quality work that is well-directed, integrated and comprehensive.



From several studies that have been stated, it can be seen that the problems that have occurred should be understood in order for the employees and leadership to be able to perform in accordance with the wishes of the institution of the Indonesian Footwear Industry Development Centre. Therefore there are several considerations taken from the results of previous studies put forward (Pradana, 2014), incentives and work motivation have a significant effect on employees' performance, and Tucunan et al. (2014) that there is a positive influence of leadership on employees' motivation (Tucunan, Supartha, & Riana, 2014). Therefore, this study focuses on the concept above by examining the effect of incentives and leadership on employees' performance on the support and motivation of the employees of the Indonesian Footwear Industry Development Centre.

## **Literature Review**

### ***Incentive***

Incentive is the giving of remuneration to stimulate employees, motivating them to enhance their performance from the standards set by the organisation. Giving incentives to employees is expected to be able to maintain their good work. Aside from the provision of incentives in return for services for achievement, such as the higher the employee's achievement, the company also gives more rewards to employees. Incentives are a form of compensation that link salaries to productivity. It is expressed as aspects of rewards in the form of money given to employees who can work beyond the standards (Milne, 2007).

Based on several theoretical studies, it was concluded that incentives are a material or non-material award provided by the organisation's leadership to employees, the goal is to get employees' willingness to work with high levels of motivation and achievement in supporting the company's goals, in other words giving incentives is giving money beyond the salary received by employees for the company's recognition of work performance and contributions.

### ***Leadership***

Leadership is the process of influencing activities organised in a group in an effort to achieve a goal that has been set (Mitchell & Scott, 1987). Felix. A. Nigro (1965) argues that leadership is influencing the activities of others (Nigro & Nigro, 1970).

Leadership is a part of teamwork and collaboration. Leadership actually is a result of influence from one direction, because leaders have certain qualities that distinguish themselves from their followers. Voluntary theorists (compliance induction theorist) tend to look at leadership as coercion or indirect influence and as a means to drive groups to act in accordance with the wishes of the leader (Stone, Russell, & Patterson, 2004).



## **Motivation**

Some opinions from management experts regarding motivation are used as a basis in determining problems, as revealed by Gibson et al. (2005: 94) in which motivation is a concept that describes the forces that exist within employees who initiate and direct behaviour (Gibson, Ivancevich, & Donnely, 2005). Whereas according to Ranupandojo and Husnan (2002: 197), motivation is an influence upon someone to want to do something the motivator desires.

According to Widagdo et al (2018: 26), motivation is the giving of motives, showing motive or things that encourages someone. It can also be said that motivation is a factor that encourages people to act in certain ways (Widagdo, Widodo, & Samosir, 2018).

## **Performance**

The concept of work performance contains complex elements concerning many factors, both seen from the concept and approach, as well as the method of measurement. From this complexity, it can be seen that there are various kinds of interpretations and understandings towards the concept of achievement and how to measure it.

For some people, showing an achievement is associated with productivity or total production (Lawler & Mohrman, 2003), as is often found in agriculture. Economists identify the word with *capital output ratio*, an industrial engineer associates it with labour productivity and machine utility, and for a manager it is associated with profitability (Locke & Latham, 2013)

## **Methods**

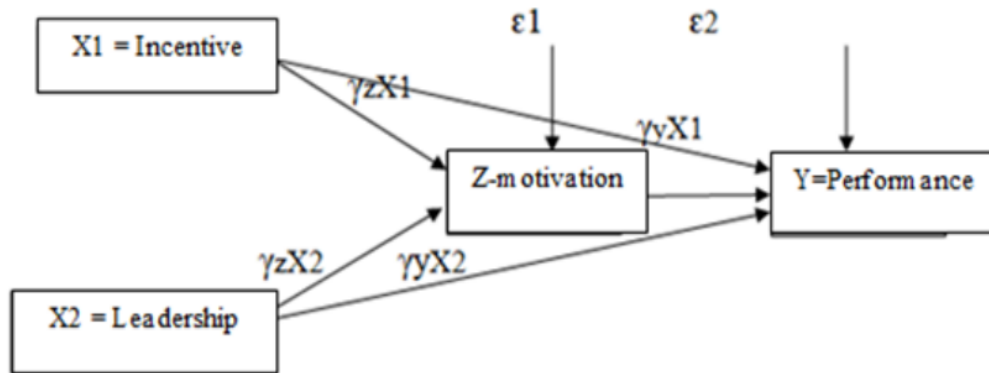
This quantitative research applied causal research to understand the independent and dependent variables and determine the properties between the independent variables and the effects that are estimated indirectly. Data collection was conducted using questionnaires to determine the relationship and influence of incentives and leadership on the motivation and performance of employees of the Indonesian Footwear Industry Development Centre.

The population sample is 35 employees of the Indonesian Footwear Industry Development Centre. The research was conducted at the office of the Indonesian Industrial Development Centre in Sidoarjo, in Komplek Pasar Wisata (Tourism Market Complex), Kendensari, Tanggulangin, Sidoarjo.

The data was analysed using analysis models that are formed through equation models by relating the dependent or endogenous variables (Y and Z) to the independent or exogenous variables (X). The relationship between these variables can be described as follows:



**Figure 1.** Relationship Variables of All Variables



**Findings**

**Path Analysis**

The results of research as analysed with path analysis are shown in Table 1 below:

**Table 1:** Results of Path Analysis

Model	Path Coefficient	t	Sig.	Partial (r)	r <sup>2</sup>
Substructure 1 (X <sub>1</sub> and X <sub>2</sub> to Y)					
Constant = -2,479					
Incentive (X <sub>1</sub> )	0,510	4,295	0,000	0,564	0,318
Leadership (X <sub>2</sub> )	0,489	4,120	0,000	0,546	0,298
Substructure 2 (X <sub>1</sub> , X <sub>2</sub> to Z)					
Constant = -2,955					
Incentive (X <sub>1</sub> )	0,535	4,465	0,000	0,586	0,343
Leadership (X <sub>1</sub> )	0,453	3,780	0,001	0,513	0,263
Substructure 3 (Z to Y)					
Constant = 0,676					
Motivation (Z)	0,911	12,724	0,000	0,911	0,830

**Source:** Results of primary data that had been processed

Based on the results of calculations or the results of path analysis in Table 1, the following structural equation model can be made as follows:

$$Y = 0.510 X_1 + 0.489 X_2 \dots\dots\dots (1)$$





$$Z = 0.535 X_1 + 0.453 X_2 \dots\dots\dots (2)$$

$$Y = 0.911Z \dots\dots\dots (3)$$

1. The path coefficient of  $X_2$  is 0.453 with a significance of 0.001, indicating that leadership ( $X_2$ ) has a significant effect on the motivation of employees of the Indonesian Footwear Industry Development Centre. This means that if the leadership variables carried out by the organisation increases by 1 unit then the performance of the employees of the Indonesian Footwear Industry Development Centre will increase by 0.453, with the assumption that the other independent variables, the incentive variable, is constant
2. The path coefficient of  $X_2$  is 0.453 with a significance of 0.001 indicating that leadership ( $X_2$ ) has a significant effect on the work motivation of the Indonesian Footwear Industry Development Centre.
3. The Z path coefficient of 0.911 with a significance of 0.000 indicates that the motivation variable (Z) has a significant effect on the performance of employees of the Indonesian Footwear Industry Development Centre.

**Hypothesis Test Results**

The results of the analysis on the influence between variables in this study are shown in Table 2 as follows:

**Table 2: Path Regression Coefficient Data**

Variable	Path Regression Coefficient	Significance (Sig.)	Category (Sig. < 0.05)
1. Incentive ( $X_1$ ) → Motivation (Z)	0.535	0,000	Significant
2. Leadership ( $X_2$ ) → Motivation (Z)	0.453	0,001	Significant
3. Incentive ( $X_1$ ) → Performance (Y)	0.510	0,000	Significant
4. Leadership ( $X_2$ ) → Performance (Y)	0.489	0,000	Significant
5. Motivation (Z) → Performance (Y)	0.911	0,000	Significant

**Sources:** Processed primary data. The hypothesis testing was done by comparing values significance (Sig.). Each variable is significant (Sig. <0.05) which is said to be significant if the significance of the research variable is smaller than 0.05 (Sig. 0.044 <0.05).

**Discussion**

Incentives have a significant effect on the motivation of the employees working at the Indonesian Footwear Industry Development Centre. The better the respondents' (employee)



assessment of the incentives provided by the head of the Indonesian Footwear Industry Development Centre, the higher their work motivation is (Fauziah, 2012). Previous studies concluded that companies could be more consistent in providing incentives, and could also add other forms of incentives other than finance, such as of vacations in order to refresh and motivate the employees to be better at work (Firmandari, 2014)

Leadership has a significant effect on employees' motivation at the Indonesian Footwear Industry Development Centre, empirically supporting the results of the study Tucunan et al., (2014) which states that: (1) there is a positive and significant influence between transformational leadership and employees' performance; (2) there is a positive and significant influence between transformational leadership and employees' motivation; (3) there is a significant positive influence between employees' motivation and employees' performance. In line with other studies, it can be concluded that leadership has a significant effect on motivation (Potu, 2013).

Incentives have a significant effect on the motivation of employees working at the Indonesian Footwear Industry Development Centre. This is in accordance with the results of the study of Anggriawan et al (2017) which concluded that independent variables have a significant effect on employees' performance simultaneously and partially (Anggriawan, 2017; Meilawati, Rawi, Lewenusu, & Bintari, 2019). From this it can be seen that among the two independent variables, the most dominant influence on employees' performance is incentive due to it having the highest t value and beta coefficient. This means that incentives have a significant effect on employees' performance.

The next results show that leadership variables influence the performance of employees of the Indonesian Footwear Industry Development Centre. This is supported by the research of Robbins and Judge (2008: 66) which explains that leaders need to pay attention to the leadership methods they use in encouraging and directing their subordinates in order to improve their performance and produce higher quality products and employees (Robbins, Judge, Millett, & Waters-Marsh, 2008). Previous research explains that leadership has a significant effect, both partially and simultaneously on employees' performance (Sundi, 2013). This means that the better the implementation of leadership, the more optimal the performance of the employees of Southeast Sulawesi banking will be as can be seen from the previous research.

The last analysis proved that the motivation variable had a significant effect on employees' performance at the Indonesian Footwear Industry Development Centre. This conclusion is not theoretically in line with the opinion of Shepperd (1993: 67) that a person's productivity or performance depends on the person's motivation to do the work (Shepperd, 1993). The higher the motivation of a person to do a job, the higher their performance, and vice versa; the lower the motivation of a person to do a job, then performance will also be lacking (Locke & Latham,





2004). However, this study goes in accordance with previous studies which state that motivation has a significant positive effect on workers' performance (Husniyawati & Wulandari, 2016; Komalasari, Nasih, & Prasetyo, 2009).

<sup>2</sup> Empirically, the results of this study are supported by the opinion of Theodora (2015) that: (a) *relatedness* and *growth* as one partially have significant effect on employees' performance, (b) *existence* partially has a significant effect on employees' performance, (c) relatedness becomes the dominant motivation on employees' performance at PT. Sejahtera Motor Gemilang Surabaya (Theodora, 2015).

### Conclusion

This study was conducted to determine which independent variables have an influence on the dependent variable. In this study, the independent variables used were incentive (X1) and leadership (X2) while the dependent variables used were performance (Y) and motivation (Z). In accordance with the data analysis, it can be concluded that all variables influence each other significantly and positively. Independent variables (incentives and leadership) have a significant effect on performance. Independent variables (incentives and leadership) have a significant effect on motivation. Motivation is the most dominant variable that influences the performance of the Indonesian Footwear Industry Development Centre employees.

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