The Influence of Leadership Styles and Incentive on Employee’s Work Satisfaction in the Production Department of PT Toarco Jaya Toraja

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ABSTRACT

This study aims to determine the effect of leadership style and incentives on employee’s job satisfaction in PT Toarco Jaya Toraja’s production department. This study made use of survey, while the data were collected by questionnaires to capture the leadership styles, incentives, and job satisfaction, as well as interviews to fulfill the data on incentives. The questionnaires were distributed to 33 employees of the production department. The data were processed and analyzed using multiple linear regression analysis. The analysis resulted an equation Y = 4.963 + 0.490X₁ + 0.620X₂ + e. The correlation coefficient (R) is 0.900. Adjusted R square or R² was 0.810. The F test shows that the F_value ≥ F_table (63,762≥3.32) or sig 0.000 ≤ 0.05. Hypothesis testing indicates that the leadership style and incentives have a positive and significant effect on employee’s job satisfaction. Partially, job satisfaction is influenced by the leadership style, and employee’s job satisfaction is influenced by incentives.

Keywords: Incentives, Job Satisfaction, Leadership Style

INTRODUCTION

Job satisfaction is an individual issue because each person possesses a different level of satisfaction in accordance with the values, he/she has. When a person feels happy in doing a job, he/she will be productive. The more occupational aspects suitable with individual desires, the higher the level of satisfaction. Job satisfaction can provide a pleasant and joyful sense of doing work. In addition, maintaining job satisfaction will encourage employees to work vigorously which in turn assist the company in achieving the desired goals (Anas in Nugraha et al, 2016: 60).

PT. Toarco Jaya is a Japanese company established in 1970 with 530 hectares, located in Pedamaran, Bokin, North Toraja. The company has 250 permanent employees and 120 temporary employees. In the current era of globalization, the ability of human resources contributes to either the company's success or failure.

The company is expected to provide both sufficient salaries and job satisfaction for its employees. It must able to provide freedom for its employees in giving suggestions or opinions to their leaders, in addition to pensions, as a guarantee for employees in carrying out their job. Job satisfaction at this company is under the expectation, particularly in the production department.
This is attributable to several factors. For instance, the provision of incentives is considered unfair since it is out of proportion to their jobs. Furthermore, job placement is inconsistent with what an employee is good at. Obviously, it is one of the factors driving job satisfaction for an employee. In addition, work equipments are inadequate. Some of them are perishable due to their age. Workload is another factor. The employees feel unable to accomplish the given assignments since they are complicated and need to be completed without help from others.

Similarly, the work condition and environment are not ideal since good cooperation between employees is non-existent. Comfort and happiness bring a positive impact at work. Leader attitude is the other important factor in job satisfaction. The company’s leadership is considered underwhelmed for the leaders fail to set a fine example in leadership.

Formulation of the problem

1. Is employee’s job satisfaction influenced by leadership styles?
2. Is employee’s job satisfaction affected by the provision of incentives?
3. Is employee job satisfaction influenced by leadership styles and incentives?

The objectives of this research are:

1. To determine the effect of leadership style and incentives on employee’s job satisfaction in PT Toarco Jaya Toraja's production department,
2. To determine the effect of incentives on employee’s job satisfaction in PT. Toarco Jaya Toraja’s production department,
3. To determine the influence of leadership style and incentives on employee's job satisfaction in PT. Toarco Jaya Toraja’s production department.

Job Satisfaction

According to Robbins and Judge in Wibowo (2013: 131), job satisfaction is a positive feeling about work as a result of evaluating its characteristics. Positive feelings will come to exist, in addition to environmental factors, when employees realize that their jobs satisfy their expectations.

Dole and Schroeder in Koesmono (2005: 169) stated that job satisfaction is an individual's feelings and reactions to her/his work environment. Happiness determines the results of one's work.

Meanwhile, according to Smith and Kendall in Ruvendi (2005: 18) stated that job satisfaction is an employee's feelings about his/her job. Someone's feelings about his/her job could be either positive or emotional.

Those opinions lead to a conclusion that job satisfaction is a feeling of either pleasure or displeasure, either a positive or negative attitude toward a work environment, as well as a performance driving factor that arises from a person in carrying out their duties and assuming responsibilities in the organization.

According to Hasibuan in Sari (2015: 5), job satisfaction indicators include:

1. Loving the Job
2. Work Morale
3. Discipline
4. Work performance.

According to Eid & Larsen, in Ariati (2010: 118), the factors that affect job satisfaction are as follows:
1. Rewards
2. Promotion
3. Colleagues
4. Supervision
5. Jobs.

**Leadership Style**

According to Stoner in Antou (2013: 153), leadership style is a variety of behavioral patterns favored by leaders in the process of directing and influencing their workers. Leaders’ behavior is a role model for their subordinates, for leaders not only give direction or orders but also set a good example. Nawawi in Junaedi et al, (2013: 128) argued that leadership style is the behavior that leaders use to influence others through the thoughts, feelings, attitudes, and behavior of their organizations. Exhibiting those behaviors, leaders are expected to be able to encourage their subordinates accomplish their jobs.

Rivai & Mulyadi in Sariadi (2013: 33), said that style means attitude, behavior, positive attitude, good gestures, strength and ability to do good. Leadership style is not only an attitude someone has in carrying out their duties, but also an ability to move others to put their job together.

These opinions draw a conclusion that the leadership style is a way, attitudes, behavior, and norms to influence others to do work, to achieve the goals of the organization.

According to Astuti in Satiawaty (2014: 20), indicators of the leadership style are:
1. Paying attention to the subordinates’ needs
2. Sympathetic to their subordinates
3. Building mutual trust
4. Having a friendly attitude and fostering subordinate participation in decision making

According to Tannebaum & Warren H. Schmidt in Kadarman (2001: 145), various factors that affect a manager's leadership style are:
1. Management Characteristics
2. Subordinate Characteristics
3. Organizational Characteristics

**Incentives**

Dessler in Rumandar et al, (2014: 3) stated “Incentives are financial rewards given to employees whose production levels exceed predetermined standards. When someone is able to increase productivity, it will bring benefits to the company.” Meanwhile, according to Moekijat in Rumandar et al, (2014: 3), "Incentives are, for simple examples, prizes, bonuses, or other standards as rewards for services to enhance work performance."
Simamora in Ratnasari et al, (2013: 183) stated that incentives are additional compensations outside the salary or wages provided by the organization. The additional compensation is given to someone for his/her achievements. Hasibuan in Ratnasari (2013: 183) explained that "Incentives are extras given to employees whose performance exceeds the target. Incentives will affect other employees to be enthusiastic to work and be motivated to achieve more for the company.”

These conclude that incentives are additional compensations beyond salary or wages, remuneration and the appreciation given to someone for certain achievements or targets. According to Hasibuan in Paradise (2017: 315) indicators of incentives are: social security, bonus, awards, advancement, and promotion.

Suwatno (2011: 175) explained the factors that influence the amount of incentive including:
1. Position
2. Work Performance
3. Company’s Profits

The hypotheses to be tested in this study are:
H1: Employee’s job satisfaction is positively and significantly influenced by the leadership style
H2: Employee’s job satisfaction is positively and significantly influenced by incentives
H3: Employees’ job satisfaction is influenced by leadership styles and incentives

RESEARCH METHOD

The research method used in this study is a quantitative approach with surveys. The population is all employees in the production department of PT. Toarco Jaya Toraja, with 33 employees. Samples were taken using the saturated sampling technique.

For data collection, the researchers used the following techniques:
1. Questionnaire, with Likert Scale
2. Strongly Agree
   Agree
   Doubted
   Disagree
   Strongly Disagree
3. Interview
   It is to capture data unavailable through a questionnaire. It was conducted with the manager of the production department.
The data were analyzed through:
a. Multiple Regression Test
   The formula for multiple linear regression equation is \[ Y = a + b_1X_1 + b_2X_2 + e \]
   Where:
   - \( Y \) = Job satisfaction
   - \( a \) = Constant (intercept value)
   - \( b_1 \) and \( b_2 \) = partial regression coefficient
   - \( e \) = Epsilon / Estimator Error
   - \( X_1 \) = Leadership Style
   - \( X_2 \) = Incentives
b. Data Requirement Test
   1. Normality Test
      Normality test is to see whether the data were normally distributed or not.
   2. Linearity Test
      Data linearity test is to determine the linearity of relationship between variable \( X \) and variable \( Y \).
c. Hypothesis Test
   Hypothesis test proposed by using statistics, F test and T test. F test is to examine the effect of simultaneous independent variables, while the T test is to examine the effect of independent variables on a partial or individual basis.
   1. Statistical Test
      By using the correlation formula according to Sudjana in Wijayanto (2014: 67)
      \[ r_{xy} = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{n(\sum X^2) - (\sum X)^2}(n\sum y^2 - (\sum y)^2)} \]
      Note:
      - \( r_{xy} \) : Correlation coefficient
      - \( n \) : Number of Respondents
      - \( x \) : The values of each item
      - \( y \) : Value of all items
   2. Significance Test
      By using the t value test
      \[ t = \frac{r\sqrt{(n - 2)}}{\sqrt{1 - r^2}} \]
      Note:
      - \( t \) : t Test Value
      - \( r \) : Correlation Coefficient
      - \( r^2 \) : Coefficient of determination
      - \( n \) : Number of Samples
RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

| Models       | Unstandardized Coefficients | Standardized Coefficients | T  | Sig. |
|--------------|-----------------------------|---------------------------|----|------|
| (Constant)   | 4.963                       | 5.437                     | .913 | .369 |
| Leadership Style | .490                       | .120                      | .387 | 4.070 | .000 |
| Incentives   | .620                        | .094                      | .628 | 6.613 | .000 |

Based on the table above, the constant value is 0.913 which implies that, assuming the independent variable is zero, the employee's performance is 0.913. Leadership style (X1) is 4.070, and Incentives (X2) is 6.613, thus the multiple linear regression equation can be formulated as follows:

\[ Y = 4.963 + 0.490X1 + 0.620X2 + e \]

Where:
- \( Y \) = Job satisfaction
- \( a \) = Constant
- \( b1 \) and \( b2 \) = Partial regression coefficient
- \( X1 \) = Leadership Style
- \( X2 \) = Incentives.
- \( e \) = epsilon / estimator error.

Correlation Coefficient (R) and Determination (R2)

Model Summary

| Models | R   | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | F Change | df1 | df2 | Sig. F Change |
|--------|-----|----------|-------------------|---------------------------|-----------------|----------|-----|-----|---------------|
| 1      | .900a | .810     | .797              | 2.161                     | .810            | 63.762   | 2   | 30  | .000          |

a. Predictors: (Constant), Incentives, Leadership Styles
a. Dependent Variable: Job Satisfaction

Table 4.18 shows an R value of 0.900 which means there is a strong relationship between the leadership style, incentives and job satisfaction. The magnitude of the determination coefficient (R2) is 0.810 or 81%, implying that 81% of the job satisfaction variable can be explained by the leadership style and incentive variables, while 19% is explained by other factors unavailable in this study.
Hypothesis Test Results

1. F Test (Simultaneously)

| Models  | Sum of Squares | df | Mean Square | F   | Sig. |
|---------|----------------|----|-------------|-----|------|
| Regression | 595.439        | 2  | 297.720     | 63.762 | .000 |
| Residual  | 140.076        | 30 | 4.669       |      |      |
| Total    | 735.515        | 32 |             |      |      |

a. Dependent Variable: Job Satisfaction
a. Predictors: (Constant), Incentives, Leadership Styles

The table above shows the $F_{\text{value}}$ is 63.762 with a significance value by 0.000. The significance value is lower than 0.05. It concludes that the independent variable is the leadership style ($X_1$) and incentives ($X_2$) simultaneously affect satisfaction ($Y$) on the employees of PT Toarco Jaya Toraja. The proposed hypothesis is accepted. The F test is to compare $F_{\text{value}}$ with $F_{\text{table}}$.

$$F_{\text{table}} = F (dk \text{ numerator} = k), (d \text{ denominator} = nk-1)$$

$$F_{\text{table}} = \text{Numerator 2, Denominator 33} - 2 - 1 = 30$$

$$F_{\text{table}} = 3.32$$

Significance Rule:

If $F_{\text{value}} \geq F_{\text{table}}$, rejecting $H_0$ means significance and If $F_{\text{value}} \leq F_{\text{table}}$, accepting $H_0$ means it is not significant with a significant level ($\alpha$) = 0.05.

Apparently, 63.762 $\geq$ 3.32, receiving $H_3$ and rejecting $H_0$ means that there is a significant influence between the leadership style ($X_1$) and incentives ($X_2$) on the Employees' Satisfaction of PT Toarco Jaya Toraja.

2. T Test (Partially)

| Correlations |
|--------------|
| **Leadership Style** | **Incentives** | **Job Satisfaction** |
| Leadership Style | Pearson Correlation | .545* | .729** |
| Sig. (2-tailed) | | .001 | .000 |
| N | 33 | 33 | 33 |
| Incentives | Pearson Correlation | .545* | 1 | .839** |
| Sig. (2-tailed) | | .001 | | .000 |
| N | 33 | 33 | 33 |
| Job satisfaction | Pearson Correlation | .729** | .839** | 1 |
| Sig. (2-tailed) | | .000 | | .000 |
| N | 33 | 33 | 33 |

**. Correlation is significant at the 0.01 level (2-tailed).

1) Leadership Style ($X_1$) with Satisfaction ($Y$)

The value obtained is 0.729 implying level of a strong relationship between the variables of leadership style and satisfaction. To prove the hypothesis "Is there
a significant relationship between variable X₁ and Y?”, refer the significance value.
2) Incentives (X₂) towards Satisfaction (Y)
The value obtained is 0.839 signifying a fairly strong relationship between Incentive and Satisfaction variables. To prove the hypothesis "Is there a significant relationship between variable X₁ and Y?”, refer the significance value.

The table below show the coefficient of leadership style variables and incentives for satisfaction.

| Models        | Unstandardized Coefficients | Standardized Coefficients | T  | Sig  |
|---------------|-----------------------------|---------------------------|----|------|
|               | B | Std. Error | Beta |      |      |
| (Constant)    | 4.963 | 5.437 |   | .913 | .369 |
| Leadership Style | .490 | .120 | .387 | 4.070 | .000 |
| Incentive     | .620 | .094 | .628 | 6.613 | .000 |

a. Dependent Variable: Job Satisfaction

Based on table 4.20, the results of the t test can be concluded as follows:
1. $T_{\text{value}}$ on leadership style variables is greater than $t_{\text{table}}$ that is 4.070 ≥ 1.697, with a significance value of 0.000 ≤ 0.05, which means $H_a$ is received and $H_0$ is rejected. It can be concluded that the leadership style has a significant effect on job satisfaction of PT Toarco Jaya Toraja employees.
2. $T_{\text{value}}$ on the Incentive variable is greater than $t_{\text{table}}$ that is 6.613 ≥ 1.697, with a significance value of 0.000 ≤ 0.05, which means $H_a$ is accepted, that incentives have a significant effect on job satisfaction for employees

Discussions
1. The Effect of Leadership Style on Employee’s Job Satisfaction
Partial hypothesis testing shows that the leadership style has a positive and significant effect on job satisfaction based on the calculation of $t$ in which the $t_{\text{value}}$ is 4.070 ≥ $t_{\text{table}}$ by 1.697 with a significance value of 0.000 ≤ 0.05. This implies the leadership style in the company PT. Toarco Jaya Toraja already excellent although it remains a long way to go. The leaders must pay more attention and show more support to make the employees more enthusiastic in doing their jobs since leadership style is one factor affecting their success.

This argument is consistent with the findings of Ruvendi (2005) stating that there is a significant relationship and influence between leadership style variables and job satisfaction of BBIHP employees.

2. The Effect of Incentives on Employee’s Job Satisfaction
Partial hypothesis testing shows that incentives have a positive and significant effect on job satisfaction. The calculation of the t test demonstrates the value of $t_{\text{value}}$ is 6.613 ≥ $t_{\text{table}}$ 1.697 with a significance value of 0.000 ≤ 0.05 suggesting that the higher the incentives given to employees, the deeper the job satisfaction is.
The company must equitably provide incentives to employees in such a way that there is no jealousy among employees. Fair incentives will encourage other employees to be more spirited in working.

This is consistent with the findings of Febrianto (2016) stating that incentives have a positive and significant effect on job satisfaction in C.V. Ambassadors in Semarang.

3. The Effect of Leadership Style on Employee’s Job Satisfaction
The f test data processing implies that the leadership style and incentive variables simultaneously have a positive and significant effect on employee’s job satisfaction where the value of $f_{value}$ is $63.762 \geq f_{table}$ by $3.32$ with a significance value of $0.000 \leq 0.05$. This indicates that the leadership style and incentives simultaneously have a positive and significant effect on job satisfaction. This means that the company (1) adopts good leadership style and provides good motivation or support for the employees, for example, by motivating those who have problems; which is then able to (2) increase employees' job satisfaction. For instance, they feel happy doing the tasks responsibly; (3) foster mutual trust between superiors and subordinates. As an illustration, leaders give errands to run outside the office and the employees accomplish them well and on time; (4) create a conducive working environment. As for an example, leaders create a good working atmosphere as well as paying attention to employees in carrying out their tasks. This is to ensure togetherness exist at work; (5) provide security and comfort. As an illustration, the company provides security equipments such as hats in accordance with the existing safety standards at the company; (6) and provide fair incentives. By way of example, leaders give incentives to employees who have achieved certain targets.

CONCLUSIONS

1. There is an influence of leadership style on the job satisfaction of PT Toarco Jaya Toraja's employees.
2. Incentives have a positive and significant effect on job satisfaction of employees of PT Toarco Jaya Toraja.
3. There is a positive and significant influence of the leadership style and incentives to employee’s job satisfaction at PT Toarco Jaya Toraja.

This research is limited to the production part. Hopefully, further research will diversify the samples and variables.

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