

FACTORS INFLUENCING ON EMPLOYEE PERFORMANCE OF PRODUCTION DEPARTMENT ON THE MANUFACTURING FOOD INDUSTRY IN INDONESIA

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Abstract: The success of the manufacturing industry becomes a problem for the manufacturing companies concerned with how to maintain the performance of the organization. The research design used is descriptive research and causality research. Using simple random sampling, the sample of this study were 127 productions of employees on a manufacturing company in the food industry in Indonesia. Data for this study comes from primary source by distributing questionnaires. The data is analysed by using regression. The findings reveal that leadership style has no impact on employee performance and only compensation and work environment influence on employee performance. This study suggests that leadership styles do not affect employee performance that may be due to the characteristics of their work in the production department.

Key words: Employee performance, Leadership Style, Compensation, Work Environment

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Introduction

Preamble Central Bureau of Statistic (BPS) Indonesia stated that the production of manufacturing industry in the food industry rose 8.20 percent and has contributed the most in shaping the National Gross Domestic Product (GDP) Indonesia throughout 2011 until now. The success of the manufacturing industry becomes a problem for the manufacturing companies concerned with how to maintain the performance of the organization that has actually contributed to the nation and state. Another problem faced by the company's management is preserving the competitive ability that can be demonstrated by the success of the organization to achieve high performance, because not a few large-scale manufacturing companies in the food and beverage industry in Indonesia go public and succeed, such as PT Indofood CBP Sukses Makmur Tbk, PT Mayora Indah Tbk, PT Ultrajaya Milk Industry and Trading Company Tbk, and others.

Organizational performance refers to employee performance. Employee performance as what employees should do best to achieve goals. The problem of enterprise management is how to manage high employee performance to achieve high organizational performance. Management is responsible in carrying out the task of managing the company in the right way. This task involves human

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resources and all managers are involve in human resource management (Daft, 2012). It becomes important for managers to view people as assets and strive to manage human appropriately.

Knowing and discussing human aspects related to their performances is still interesting and relevant. The problem of managing employee performance becomes interesting to be examined related to what factors can affect employee performance. Employee performance is someone who performs his work efficiently and effectively. Managers need to know whether their employees are performing their jobs efficiently and effectively or wether there is need for improvement (Robbins and Coulter, 2009). Many factors can affect employee performance. The study of performance has been done in the field of science as leadership, human resource management and organizational behavior. This study remains interesting because what is the factor causing employee performance exceeds the standard or otherwise not the same among companies (Johari et al., 2012).

The leading function is concerned with an organization's human resource, specifically, leading is the process of influence people to work toward a common goal (Pride et al., 2017). Research on leadership has been less successful because no one has discovered a general set of personal traits that make a good leader (Pride et al., 2017). However, research on leadership still needs to be done, especially regarding the leadership style associated with employee performance. The style of leadership is the way leaders direct, implement strategies and motivate subordinates to achieve the goals set (Khan and Nawaz, 2016). Many leadership styles have been advanced by experts for organizational leaders as task oriented, relationship oriented, transactional, transformational, charismatic, democratic, servant, autocratic etc and the style of a leader has a major influence on the performance of their organization (Opoku et al., 2015). Nevertheless, researchers and leadership experts agree that there is no leadership style that works best for all situations. Pride in this case states that although hundreds research studies have been conduct to prove which leadership style is best, there are no definite conclusions (Pride et al., 2017).

Research has found that effective human resource management has a positif impact on performance (Daft, 2012). Managing human resource effectively becomes a complex challenge and one of the interesting issues in this regard is related to the company's decision in setting compensation policy. Employee compensation is all form of payment to employees as a result of their work (Dessler, 2013). Provide attractive compensation to the employees of the company for their contribution needs to be done. As long as employees think that companies provide good compensation, they are driven to work better which then impact on improving their work performance (Khan and Jabbar, 2013).

Another current issue is the changing work environment that emphasizes the importance of the human side. The company strives to build a comfortable and friendly work environment to create a better workforce. In the study conducted

Bushiri, it was concluded that the work environment of the organization has an effect on the employee performance. The study also revealed that employee performance improved as management corrected problems identified during the study, such as handling workplace flexibility, noise, interruption, interpersonal relationships with subordinates, and the availability of work facilities adequate (Bushiri, 2014).

The company's management is expected to lead with the right leadership style, provide appropriate compensation and create a good working environment that will lead to the achievement of expected employee performance. Analyzing whether leadership styles, compensation, and work environment affect the performance of production employees at a large manufacturing company becomes attractive.

These findings are expected to be useful materials for companies, especially manufacturing companies in the food and beverage industry in Indonesia in making policies related to leadership styles, compensation and work environment that will be applied to employees of production, and also can contribute to the development of management science in general.

Literature Riview

Leadership Style

Leadership arises from the use of influence among the people involved to achieve the goal. Leadership occur among people involve the use of influence to attain goals, influence means that the relationship among people is not pasive (Daft, 2012). This study is based on a leadership behavioral approach that examines leadership styles. According to Daft, the four main leader behavior studies are summarized as concern for people and concern for production style by managerial grid, employee oriented and production oriented style by University of Michigan, consideration and initiating structure style by Ohio State, and democratic style, authocratic style, laissez faire style by University of Iowa (Daft, 2015). Leadership styles are replicated in attitudes and behaviors but these in turn are the outcome of complex interactions between the way individuals think and feel (Khan and Nawaz, 2016). It is generally acknowledged that leaders' behavior can influence subordinate attitudes and impact on the organization. Study found that the leadership styles have effect upon the salespeople performance (Domingues et al., 2017). as well as similar results in the study of employees of public institutions which state that the leadership behaviour plays an important part in determining subordinate performance (Ciobanu and Androniceanu, 2015).

H1: Leadership style has a positive influence on employee performance.

Compensation

Compensation defined as all the rewards employees get for their work (Mondy and Martocchio, 2015). Compensation can include many different types of rewards and benefits such as based wages and salaries, incentive payment, other benefits and services (Robbins and Coulter, 2009). The finding states that compensation have a positif and significant impact on employee performance (Saleem and Khurshid,

2014). Other findings also state that compensation and benefits have a significant effect on the effectiveness of employee performance (Feraro and Shaikh, 2017). Employee behavior is often guided by an organizational reward system, meaning it is important to design a reward system that directs behavior toward the most desired by the organization, that is, improving performance that benefits the organization (Samnani and Singh, 2014).

H1: Compensation has a positive influence on employee performance.

Work Environment

In general a good working environment refers to a work environment where people enjoy what they do, feel like they have a purpose, have pride in what they do, and can reach their potential (Bushiri, 2014). Workplace environment refers to the relationship between work, workplace and work tools, where the workplace becomes an integral part of the work itself. It is the quality of the employee's workplace environment that impacts on their level of performance. Work environment including workstation, furniture, ventilation, lighting, noise, security and personal protective equipment (Chandrasekar, 2011). Environment, equipment and physical facilities made staffs have better performance (Babalhavaeji et al., 2009). Work should not cause physical discomfort so that it will form a good quality of work life in the work environment that will affect employee performance (Chanana and Gupta, 2016). It is important to make good work environment in organization. Indoor environment quality like indoor air and comfort can give a contribution to the level of performance and productivity (Awang et al., 2015). Result study said that comfortable workplace environment affecting employee work performance (Shah et al., 2015). The other findings of the study revealed that improvements in the organization's work environment had an impact on improving employee performance (Bushiri, 2014).

H1: Work environment has a positive influence on employee performance.

Employee Performance

Performance can be defined very simply as behaviors that lead to results or purposeful work. Sonnentag et. al. said that employee performance as the outcome aspect in turn refers to the result of the individual's behavior (Sonnentag et al., 2008). Employee performance means employee productivity and efficiency as a result of employee growth (Khan and Jabbar, 2013). It means the specific outcomes a person wants to achieve in his job and because the organization wants to achieve that outcome.

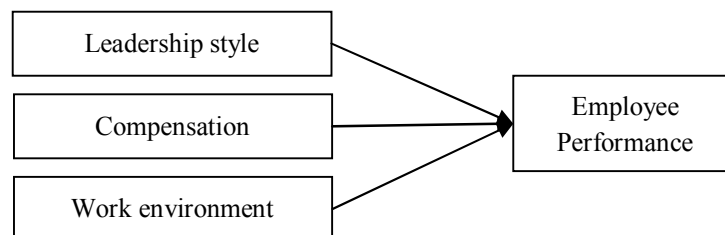


Figure 1. Research Framework

Research Methodology

The population of this study is all employees of production division of a manufacturing company in Indonesia. This study used simple random sampling with the assumption that all elements of the population are homogeneous because they are in one category of production division. The questionnaires are distributed directly to a large, publicly manufacturing company that has previously given permission to spread the questionnaire to their employees. In the end, there are only 127 employees to be the respondents for this study according to the number of returned questionnaires as the sample size.

The questionnaires are using Likert-typed scale, which is designed to examine how strongly subjects agree or disagree with statements on a four-point scale: 1 indicates strongly disagree, 2 disagree, 3 agree, and 4 strongly agree. This study defined leadership styles as subordinate perceptions of their immediate supervisors with respect to the two leadership dimensions: supportive and directive, and their interaction (Yeh and Quey-Jen, 1995), compensation is defined as employee perceptions of rewards and benefits such as wages and salaries, incentive payments, benefits and other services they receive from companies (Robbins and Coulter, 2009). Work environment is defined as employee perceptions of workstation, furniture, ventilation, lighting, noise, security and personal protective equipment (Chandrasekar, 2011). Employee performance was measured by their most recent actual performance evaluation in their current assignment (Black and Porter, 1990).

Table 1. Indicators

Variables	Indicators
Leadership style	<ul style="list-style-type: none"> - Supervisor often gives direction. - Supervisors usually discuss in the execution of tasks - Supervisors let's me decide on work methods. - Supervisor often emphasizes efficiency. - Supervisor says that it's important to get the job done. - Supervisor always says the importance of maintaining relationships with certain people.
Compensation	<ul style="list-style-type: none"> - Companies pay salaries on time. - The Company provides adequate allowances - Companies provide incentives that drive work performance - The company provides a fair bonus based on the achievements achieved - The company gives rewards that match the work performance
Work environment	<ul style="list-style-type: none"> - The lighting in my workspace was adequate. - The air circulation in my workspace is good. - Employee facilities are adequate. - The working environment conditions support smooth

	implementation of the task – Workplace security is assured
Employee performance	– My overall work ability – My ability to cooperate with others – My ability to complete tasks on time – My ability to reach the goal of work

Results Discussion

Respondent consists of 52 % or 66 respondents are male, whereas 48% or 61 respondents are female. Most of respondents has working period less than three years, about 99,2%, while the 0.8 % who have more than three years working period. The result of the instrument test for each variables in this research is valid. Validity test is done by comparing Pearson Correlation of questionnaire and correlation value obtained from table. If calculated Pearson Correlation exceeds a critical value, the instrument is considered valid. Reliability test is conducted using Cronbach's Alpha. An instrument is considered reliable enough if the Cronbach's Alpha exceeds 0,7. The results are all instrument is considered reliable and capable to generate consistent answers.

The quality of the data is measured by using graphical test which is Normal P-P Plot and also non-graphical test called Kolmogorov-Smirnov test. Both method shows the data is normally distributed. There are some assumptions that need to be fulfilled in order to know if the data is proper to use or not, which are about multicollinearity, autocorrelation, and heteroscedasticity. The results are whether multicollinearity, autocorrelation, or heteroscedasticity do not occur in this study, which means the regression model is good for the analysis.

Table 2. ANOVA (Questionnaires that have been analysed with SPSS program)

Model	F	Sig.
1	13,335	0,000

Table 3. t Test (Questionnaires that have been analysed with SPSS program)

Variable	B	t	Sig.
Leadership style	0,015	0,265	0,791
Compensation	0,198	3,279	0,001
Work environment	0,207	3,068	0,003

Based on F-Test with significant 0,000 this research has a goodness of fit of the model regression. T-test is used to test the influence of leadership style, compensation and work environment on employee performance. The result show ρ value on H1 is greater than alpha, that is $0,791 > 0,05$, so it can be concluded that H1 is rejected. While ρ value on H2 and H3 shows 0,001 and 0,003 less than 0,05 meaning are H2 and H3 are accepted. It means that compensation and work environment have an impact on the employee performance.

Follow that results, rejected H1 means there is no positive influence between leadership style with employee performance. These findings are not in line with the results of the studies by Domingues et al., (2017) on salespeople at retail work in Brazil, they said that if the actions of salespeople are monitored, evaluated, and directed properly then their performance will be better. While Ciobanu and Androniceanu (2016) studies on employees of public institutions in Romania, it is concluded that line managers' ability to motivate, commit and engage subordinates will encourage them to achieve high performance levels. But this study found different results. It is assumed that the absence of influence of leadership style on employee performance in production division can be conditioned by situational variable that is job characteristic exist in their work environment. This can be analyzed based on a situational leadership style approach, where situational variables can become so powerful that they actually substitute for or neutralize leadership needs (Daft, 2012). According to Daft a substitute for leadership make the leadership style unnecessary or redundant and neutralize counteracts the leadership style and prevent the leader from displaying certain behavior (Daft, 2012). It can be employees know to do their task. the situational variable in this is indicated by the work characteristics of the standardized and specialized employees supported by the technology equipment as part of the work process of the production employee.

The results indicating accept H2 are supported by Feraro and Shaikh (2017) study at the auditor company in Bahrain that good salaries and incentives with transparent criteria will improve their performance, Saleem and Khursid (2014) with the object of banking employees in Pakistan that performance based compensation are most influential factors in determining performance of Pakistani Bankers. While accepted Ha2 on this study means that the company is able to set appropriate reward rules and an adequate compensation policy that leads to performance and is based on internal justice employees will strive to deliver the best performance.

The results indicating accept H3 are supported by Chanana and Gupta (2016) study of banking professional in India that high quality of work life provided by the bank increases the employee's efforts in work well, Bushiri (2014) study of the public institutions in Tanzania that better outcome is to be the result of better workplace environment and Shah et al., (2015) study at the Department of Development and Estate Maintenance in Malaysia that an uncomfortable work environment leads to health problems and increases absenteeism thereby decreasing employee productivity and performance. Accepted Ha3 on this study means that they feel that their work environment is comfortable and secure, both physical environments such as lighting and circulation as well as social environments such as a sense of security interact between co-workers and supervisors, they will show good performance.

Managerial Implication

These findings indicate that employee performance improvements can be explained by compensation and work environment, the implication is that the performance of production employees can be well managed if the company's management can provide some form of appropriate rewards and encourage performance and consider internal justice, and also create a working environment well, where they enjoy what they do, feel safe, comfortable and tend to be positive about their environment and work. While the style of leadership does not affect their performance, meaning that management does not need to consider the right leadership style for production employees because they have the characteristics of standardized and clearly structured work with the support of automation technology so that leadership style functions are replaced by the characteristics of their work.

Conclusion

This study explains the effect of leadership style, compensation, and work environment on employee performance of production department in a manufacturing company in Indonesia. Only compensation and work environment have a influence on the employee performance. This research provides useful information for the manufacturing company especially on the food industry that can be used to maintain the employees performance, by paying more attention to the compensation and work environment that the employees get, in order to achieve business objectives and then raise competitive advantages in manufacturing food industry.

There is the constraints and recommendation for future researchers. This study only use small respondents as the sample, future researchers would do well to have a bigger number of samples, so that the result would be more generalizable to the population. Due to time and budget limitations, this study only done in a big manufacturing company in Indonesia and future researchers would do well to use more than one company and expand the area of observation outside Indonesia. There are only three independent variables that are analyzed for their influences to employee performance as the dependent variables: leadership style, compensation and work environment. Future researchers would do well to observe other variables that might affect employee performance.

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CZYNNIKI WPŁYWAJĄCE NA WYNIKI PRACOWNIKÓW DZIAŁU PRODUKCYJNEGO PRZEMYSŁE SPOŻYWCZY W INDONEZJI

Streszczenie: Sukces przemysłu wytwórczego staje się problemem dla firm produkcyjnych, dbających o utrzymanie wydajności organizacji. Zastosowany wzór badań to badania opisowe i badania przyczynowości. Wybór próby badawczej był losowy, a jego liczebność to 127 pracowników produkcyjnych przedsiębiorstw branży spożywczej w Indonezji. Dane do tego badania zebrano poprzez zastosowanie kwestionariuszy badawczych i analizowano za pomocą regresji statystycznej. Rezultaty pokazują, że styl przywództwa nie ma wpływu na wydajność pracownika i jedynie wpływ na wydajność pracownika, wynagrodzenie oraz środowisko pracy. Badanie to sugeruje, że style przywództwa nie wpływają na wydajność pracowników, która może wynikać z cech ich pracy w dziale produkcji.

Słowa kluczowe: wydajność pracowników, styl przywództwa, nagrody, środowisko pracy

影響印度尼西亞製造業食品行業生產部門員工績效的因素

摘要: 製造業的成功成為製造業企業如何維持組織績效的一個難題。所採用的研究設計是描述性研究和因果關係研究。本研究採用簡單的隨機抽樣方法，對印度尼西亞食品工業製造公司的127名員工進行了抽樣調查。這項研究的數據來自主要來源通過分發問卷。數據通過回歸進行分析。研究結果表明，領導風格對員工績效沒有影響，只有薪酬和工作環境對員工績效有影響。這項研究表明，領導風格不影響員工的表現，這可能是由於他們在生產部門工作的特點。

關鍵詞: 員工績效，領導風格，薪酬，工作環境。