

## THE ROLE OF LEADERSHIP STYLE, WORK ENVIRONMENT, AND COMPENSATION ON EMPLOYEE PERFORMANCE AT PT. PDAM TIRTA MOEDAL SEMARANG CITY

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### ABSTRACT

*In the development of the business world, high-quality and professional human resources are crucial for companies. This study aims to determine how leadership style, work environment, and compensation affect employee performance at PT. PDAM Tirta Moedal, Semarang City. The data collection technique used in this research is a quantitative approach through the distribution of questionnaires. The sampling method applied is purposive sampling, with a total of 100 respondents. Data analysis was conducted using Smart PLS version 4 software, employing both outer model and inner model analysis. The results of the study indicate that the work environment and compensation have a significant influence on employee performance, while leadership style has a positive but not significant effect. By establishing clear and measurable standard operating procedures as a reference for employee performance, this study identifies high-quality human resources capable of improving overall employee performance.*

**Keywords:** *leadership style; work environment; compensation; employee performance.*

### ABSTRAK

Pada perkembangan dunia bisnis, sumber daya berkualitas tinggi dan profesional sangat penting bagi perusahaan. Studi ini bertujuan untuk menguji pengaruh gaya kepemimpinan, lingkungan kerja, dan kompensasi terhadap kinerja karyawan di PT. PDAM Tirta Moedal Kota Semarang. Teknik pengumpulan data pada penelitian ini adalah pendekatan kuantitatif dengan menggunakan kuesioner. Metode dalam pengambilan sampel menggunakan *purposive sampling* dengan 100 responden. Teknik analisis menggunakan *software* Smart PLS versi 4.0 dengan analisis *outer model* dan *inner model*. Hasil studi menyatakan lingkungan kerja serta kompensasi berpengaruh signifikan terhadap kinerja karyawan, sedangkan gaya kepemimpinan berpengaruh positif namun tidak signifikan. Dengan membuat standar operasional yang jelas dan dapat diukur sebagai acuan kinerja karyawan, sumber daya berkualitas tinggi yang dapat meningkatkan kinerja karyawan dapat ditemukan melalui studi ini.

**Kata kunci:** gaya kepemimpinan; lingkungan kerja; kompensasi; kinerja karyawan.

## 1. INTRODUCTION

Business competition is getting tighter in the modern world, high quality and professional human resources are very important for companies. Because almost all business operations are carried out by humans, one of the important components is human resources to support business success (Febbyani & Masman, 2020). In order for employees to work well, a worker needs a leadership style, work environment, and compensation that is commensurate with the employee's performance (Kasih & Pandita, 2023). In achieving organizational goals, human contribution in the role of planner, implementer, and controller is very important for its success. Organizational performance shows whether the goals have been achieved or not. So the performance-based contribution of human resources is important for the company's ability to meet its goals. PT PDAM Tirta Moedal Kota Semarang achieved an optimal level of performance, employees were able to work together in completing their tasks but in completing their tasks were less thorough and accurate, this could affect the company's goals in achieving its goals. Performance evaluation is a way to maintain employee performance and improve employee quality so that the business can grow and compete.

Leadership is one of the components that affect employee performance. To achieve certain goals, leadership acts as a coordinator and dynamicator of human resources. One aspect of management in organizational life is leadership, because leaders are responsible for organizing organizational cooperation (Febbyani & Masman, 2020). The leader at PT PDAM Tirta Moedal Kota Semarang is a leader who can provide a good example to employees in every action, but the working relationship that is built is less open. Lack of transparency often leads to confusion about the vision and goals of the organization, employees do not understand what is expected, this can result in decreased work efficiency. In addition to leadership style, performance is influenced by the work environment (Ahmad et al., 2022). PT PDAM Tirta Moedal Kota Semarang has a good working environment, employees have the opportunity to improve employee skills through professional training and development. Employees tend to be more confident in completing employee tasks when employees feel they have the necessary skills. In addition, the organizational structure is made clear and supports autonomy, employees will feel more authorized to complete tasks without having to wait for continuous approval. Compensation is an additional component that affects employee performance. Compensation is a very useful stimulus that can encourage employees to work harder and more productively. When compensation is given, it benefits both the company and the recipient (Kenelak et al., 2020). This issue is important to study because the three variables—leadership style, work environment, and compensation—have a close relationship with employee motivation, satisfaction, and performance. Several previous studies have shown inconsistent results regarding the influence of each variable on performance, depending on the organizational context and employee characteristics. Therefore, a more in-depth and contextual study is needed to understand how the three factors play a role in the work environment of PT PDAM Tirta Moedal, Semarang City. PT PDAM Tirta Moedal receives compensation in accordance with the UMR and health benefits, holidays, and others. Businesses can increase employee loyalty and reduce turnover and productivity by providing adequate compensation. Previous research by Akbar et al. (2022) stated that leadership style has a significant influence on performance. This is in line with

research by Nurdianah and Ali (2023), which stated that leadership style has an effect on employee performance. However, another study by Jufri and Marimin (2022) stated that leadership style does not have a significant effect on employee performance. Previous research by Saputra and Fernos (2023) stated that the work environment has a significant influence on employee performance; this finding is the same as in the study. Agustriani et al. (2022) put forward the work environment has a significant influence on employee performance. However, Akhiriani and Risal (2023) stated that the work environment does not significantly affect employee performance. Previous research by Ramli et al. (2023) stated that compensation significantly affects employee performance. This is in line with researchers. Nguyen et al. (2020) found that compensation significantly affects employee performance. However, another study by Febriani and Setia (2023) stated that compensation does not affect employee performance.

PT PDAM Tirta Moedal Kota Semarang has 374 employees and is located at Jl. Kelud Raya No.60, Petompon, Gajahmungkur District, Semarang City. The leadership at PT PDAM Tirta Moedal provides a good example, but less open and transparent working relationships can lead to confusion about the organization's vision and goals. According to Akbar et al. (2022) which state that organizational values, culture, tolerance for change, and employee motivation are directly influenced by leadership. In addition, PT PDAM Tirta Moedal has a good working environment and also provides opportunities for employees to develop employee skills through training and professional development. This is in line with Febbyani and Masman (2020) which stated that employees feel satisfied with what employees do and leave a deep impression on employees who will make good performance if the work environment is comfortable. The compensation given to PT PDAM Tirta Moedal is in accordance with the UMR, and has various allowances such as holidays, health benefits, etc. The company can increase employee loyalty by providing adequate compensation, thereby reducing turnover and improving employee performance. This is in line with Ramli et al. (2023) that anything that is considered a reward or equivalent given to an employee is considered compensation

## **2. RESEARCH PROBLEMS**

This study aims to determine the effect of leadership style, work environment, and compensation on employee performance at PT. PDAM Tirta Moedal, Semarang City. So the purpose of this study is to determine the effect of leadership style, work environment, and compensation on employee performance at PT. PDAM Tirta Moedal, Semarang City.

The benefits of this study are explained as follows: This study provides significant contributions both theoretically and practically. Theoretically, this study enriches the literature review on the effect of leadership style, work environment, and compensation on employee performance, especially in the context of public service provider organizations such as PT PDAM Tirta Moedal, Semarang City. Practically, this study is useful for the management of PT PDAM Tirta Moedal in developing a more focused and data-based human resource development strategy.

## **3. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

## **Leadership Theory**

Siagian (1999) stated that leadership is the core of management, because leadership is the "motor" of all sources and tools (resources) available to an organization. Furthermore, that "Leadership is defined as the skill or ability to influence others who are subordinates to someone in such a way that the behavior becomes a strong driver for positive behavior as a political interest as a whole. To explain how leadership style, work environment, and compensation affect employee performance, leadership theory provides a conceptual framework. Good leadership can improve communication and relationships in the workplace, create a good work environment that encourages productivity, and provide appropriate compensation to motivate employees. Overall, these three components improve employee performance in the company.

## **Leadership Style**

Motivating, inspiring and encouraging others to perform one or more actions to fulfill organizational goals is known as leadership style (Iskandar, 2021). A good leader has the ability to influence others to help the organization achieve its goals. This is in line with research by Candra (2024). Various leadership theories are used in leadership styles. Leadership theories provide a basis for understanding the characteristics, behaviors, and situations that influence leadership, while leadership style is how leaders implement these theories in interactions with subordinates to achieve organizational goals. This shows that understanding leadership theories is essential to creating an appropriate and successful leadership style in various environments.

## **Work Environment**

The work environment is what happens around the worker when the employee is doing the employee's job, and it is very important for the employee to do the employee's job well and efficiently. The work environment also affects the company's operations (Marisyah, 2022). This is in line with the study by Purwaganda and Elmi (2020). The work environment plays an important role in leadership theory because it determines the context in which leadership styles are applied. Contingency and situational leadership theories specifically emphasize that leadership effectiveness depends on the leader's ability to adapt leadership style to the conditions of the work environment. Uncomfortable work environment conditions can hinder effective leadership and reduce organizational performance; conversely, good work environment conditions can and do increase employee performance motivation.

## **Compensation**

It is important to remember that compensation funds must be adjusted to the labor market conditions outside the company. Compensation is compensation given by the company to its employees, either in the form of money or non-money (Mutia et al., 2021). This is in line with research by Bunawan and Turangan (2021). Compensation and leadership theories are interrelated in the context of employee motivation and performance improvement. Good and fair compensation is an important tool used by leaders to motivate subordinates, increase job satisfaction, and encourage optimal performance. Leadership

theories, especially those emphasizing leadership style adaptation and transformational leadership, integrate compensation as part of an effective leadership strategy.

### **Employee Performance**

Performance is the level of motivation and ability of a person to complete a task (Ramli et al., 2023). Performance is what workers do to achieve optimal results by considering quality and quantity, so that effectiveness and efficiency are achieved in all operations and can help the company's progress. Khairizah et al. (2020) state that effective leadership increases employee motivation, commitment, and productivity, thus contributing to the achievement of organizational goals. Employee performance reflects the employee's ability to achieve organizational goals and objectives, so it can be concluded that leadership style has a significant role in improving employee performance.

### **Research Hypotheses**

#### **The Influence of Leadership Style on Employee Performance**

A leader uses his leadership style to inspire his staff to follow his behavior (Citra et al., 2014). If a leader does not set a good example for his employees, it will have a negative impact on employee performance. On the contrary, if a leader can set a good example for his subordinates, employees will grow in spirit and enthusiasm to perform well. An interesting arrangement of challenging teamwork directions, increasing team member morale, and creating strong collective motivation to perform well is an important part of leadership (Setyawan & Bagasworo, 2022).

**H<sub>1</sub>:** Leadership style has a significant effect on employee performance at PT. PDAM Tirta Moedal, Semarang City.

#### **The Influence of Work Environment on Employee Performance**

According to Febriani and Setia (2023), employee performance is influenced by the work environment, which means a good work environment will produce better performance. It is very important to have a good work environment because the work environment can directly affect employee performance, as well as organizational performance. Therefore, the development of the above hypothesis is as follows:

**H<sub>2</sub>:** The work environment has a significant effect on the performance of PT. PDAM Tirta Moedal Semarang City employees.

#### **The Impact of Compensation on Employee Performance**

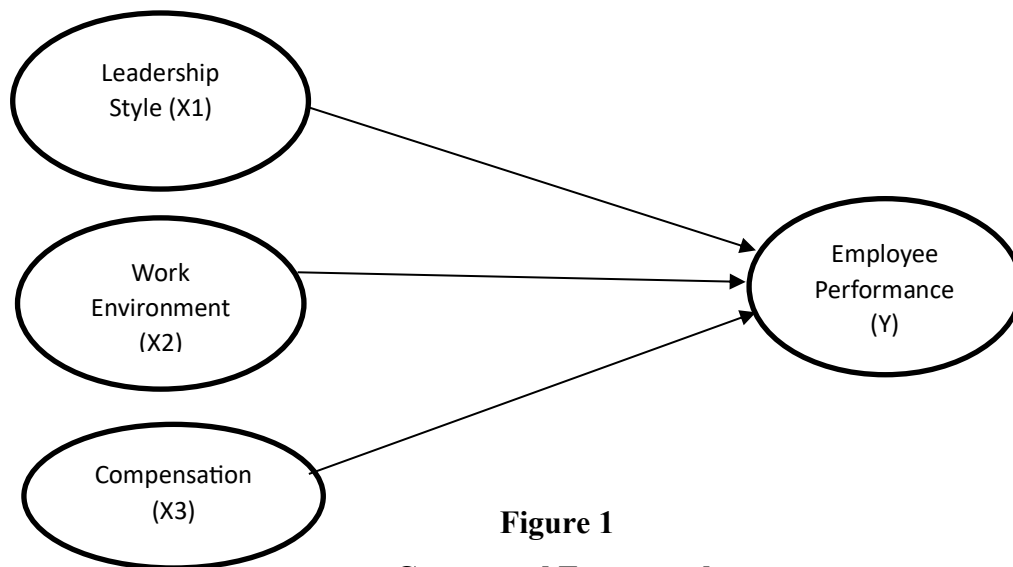
Compensation according to Dwianto et al. (2019) is a reward given by a company to its employees as an award for helping to achieve organizational goals. Compensation given must be satisfying, provide enthusiasm and passion for work and according to employee needs. Appropriate compensation will have a number of positive effects on the company or organization, including obtaining employees with good attitudes, triggering employees to complete their work more diligently and achieving brilliant achievements. A good

compensation system is able to create a proper and fair compensation system for the company and employees so that workers have a work spirit and are motivated to do their best for the company.

**H<sub>3</sub>:** Compensation has a significant effect on employee performance of PT. PDAM Tirta Moedal, Semarang City.

### Research Model

Below is Figure 1 of the conceptual framework consisting of three exogenous variables, namely: leadership style (X1), work environment (X2) and competence (X3). In addition, there is one endogenous variable of employee performance.



**Figure 1**  
**Conceptual Framework**

## 4. RESEARCH METHODOLOGY

This study uses a quantitative approach with a cross-sectional design. The four main variables used in this study are leadership style, work environment, and compensation as independent variables, and employee performance as the dependent variable. The study population consisted of 374 employees of PT PDAM Tirta Moedal, Semarang City. The sampling technique used was purposive sampling, with the criteria for respondents being employees who work in certain divisions in the company. The selection of the purposive sampling technique in this study was based on the consideration that not all employees at PT PDAM Tirta Moedal, Semarang City have direct relevance to the variables studied, namely leadership style, work environment, compensation, and employee performance. Therefore, the researcher selected respondents intentionally (purposively) based on certain criteria that were considered capable of providing relevant and in-depth data to answer the problem formulation. From this population, 100 respondents met the criteria and were used as research samples. This study was conducted from September to November 2024. So, based on a very large population, the sample that must be used must be representative and accurate. In quantitative research, one of the most widely used sampling theories is the Slovin formula. The number of representative samples needed to generalize research findings is often

determined using the Slovin formula. A sample size table is also not needed for this calculation, (Tunru et al., 2020). The following is the Slovin formula used in this study to obtain the exact population size:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{374}{1 + 374 (0,1)^2}$$

$$n = 78,903 \sim 100$$

Where:

$n$  = Number of sample

$N$  = Population size

$e$  = Error rate 10% or 0.1

Primary data were collected through an online questionnaire distributed using Google Form. The research instrument consisted of 20 statement indicators adapted from previous studies. Each indicator was measured using a 5-point Likert scale, from 1 (Strongly Disagree) to 5 (Strongly Agree). This study used Smart PLS 4.0 to analyze the data. The reason this study used SEM-PLS was because the purpose of this study had a limited number of respondents and was an exploratory study aimed at a high level of prediction of a construct against its endogenous construct. Therefore, the PLS-SEM analysis was carried out in two stages in accordance with current guidelines. First, the validity and reliability of the reflective construct were evaluated through testing the measurement model. The second stage focused on evaluating the structural model, which included assessing  $R^2$ ,  $f^2$ ,  $Q^2$ , and path coefficients (Hair, 2019). Below is Table 1 measuring instruments for measuring constructs in this study as in the table below:

**Table 1. Variables and Indicators**

VARIABLE	INDICATOR	SOURCE
LEADERSHIP STYLE (X1)	Good Communication Decision Maker Influence and Motivation Conflict Management Innovation and Creativity	Asri & Hartono (2023)
WORK ENVIRONMENT (X2)	Physical Condition of the Work Workload Social Support Role Clarity Organizational Justice	Susanti & Mardika (2021)

COMPENSATION (X3)	Basic Salary Allowances Incentives Welfare Programs Career	Rahmat et al. (2024)
EMPLOYEE PERFORMANCE (Y)	Quality of Work Quantity of Work Punctuality Effectiveness Cooperation	Susanti & Mardika (2021)

## 5. RESULTS

**Table 2. Summary of Respondents' Demographic Profiles**

No.	Description	Characteristics	Total	Percent
1	Gender	Female	52	51.50
		Male	48	48.50
2	Age	> 20 - 30 Years	69	68.30
		> 30 - 40 Years	23	22.80
		> 40 - 50 Years	7	6.90
		> 50 - 60 Years	2	2
3	Work Division	Transmission and Distribution	43	43
		Secretariat	19	19
		Program Development Section	18	18
		Staffing	13	13
		Internal Monitoring Unit	7	7

The demographic profile of respondents in this study provides an overview of the basic characteristics of the participants involved. Based on the results of a survey of 100 respondents, the majority were female at 51.5%, while male at 48.5%. In terms of age, most respondents were in the productive age group, namely >20–30 years (68.3%), followed by the age group >30–40 years (22.8%). Furthermore, the distribution of respondents based on work division shows that the highest participation came from the Transmission and Distribution Division at 43%, which is the company's main operational unit. Followed by the Secretariat Division (19%), Program Development Division (18%), Personnel (13%), and Internal Audit Unit (7%). This demographic profile shows that respondents represent diverse organizational backgrounds and are relevant to the focus of the study.

### Full Structural Model Analysis of Employee Performance

To determine the effect of each independent variable on the dependent variable, a structural model analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This analysis aims to test the strength of the relationship between leadership style, work environment, and compensation on employee performance

simultaneously. The results of data processing using SmartPLS 4.0 software show the path coefficient and outer loading values of each indicator on the construct it represents. In addition, it can be seen that the  $R^2$  value on the Employee Performance construct is 0.765, which indicates that the three independent variables are able to explain 76.5% of the variance in employee performance.

### Convergent Validity

Convergent validity is tested by using each outer loading value of each construct indicator. The outer loading value is considered to have good reliability if its value is more than 0.70 (Hair et al., 2019). To evaluate the convergent validity of the indicator, here is the explanation:

**Table 3. Convergent Validity**

Indicator	Leadership Style	Work		Employee Performance
		Environment	Compensation	
X1.1	0.848			
X1.2	0.872			
X1.3	0.840			
X1.4	0.813			
X1.5	0.829			
X2.1		0.810		
X2.2		0.830		
X2.3		0.836		
X2.4		0.887		
X2.5		0.903		
X3.1			0.868	
X3.2			0.825	
X3.3			0.867	
X3.4			0.841	
X3.5			0.836	
Y1.1				0.801
Y1.2				0.871
Y1.3				0.837
Y1.4				0.883
Y1.5				0.860

Source: Processed Data (2025)

By considering the loading factor value of each indicator variable, it can be concluded that the convergent validity test value has a value  $> 0.70$ , as shown in the table above.

### Discriminant Validity

This test uses the cross loading value. Discriminant validity is considered fulfilled if the cross loading value for the indicator is the highest compared to other variables. The cross loading value for each indicator is presented in Table 4 below:

**Table 4. Discriminant Validity**

Indicator	Leadership Style	Work Environment	Compensation	Employee Performance
X1.1	0.848	0.684	0.721	0.682
X1.2	0.872	0.762	0.730	0.772
X1.3	0.840	0.585	0.695	0.705
X1.4	0.813	0.645	0.634	0.590
X1.5	0.829	0.621	0.756	0.628
X2.1	0.683	0.810	0.722	0.651
X2.2	0.622	0.830	0.565	0.656
X2.3	0.651	0.836	0.614	0.706
X2.4	0.687	0.887	0.631	0.706
X2.5	0.715	0.903	0.746	0.758
X3.1	0.732	0.658	0.868	0.650
X3.2	0.704	0.612	0.825	0.736
X3.3	0.763	0.679	0.867	0.692
X3.4	0.672	0.639	0.841	0.708
X3.5	0.694	0.671	0.836	0.656
Y1.1	0.705	0.668	0.676	0.801
Y1.2	0.764	0.705	0.747	0.871
Y1.3	0.619	0.675	0.652	0.837
Y1.4	0.732	0.747	0.746	0.883
Y1.5	0.606	0.671	0.633	0.860

Source: Processed Data (2025)

Based on the discriminant validity test using cross loading measurement, the value of each indicator in the construct was found to be higher compared to the indicators of other constructs, which indicates that the discriminant validity of the model is high.

### Construct Reliability and Validity

**Tabel 5. Construct Reliability and Validity**

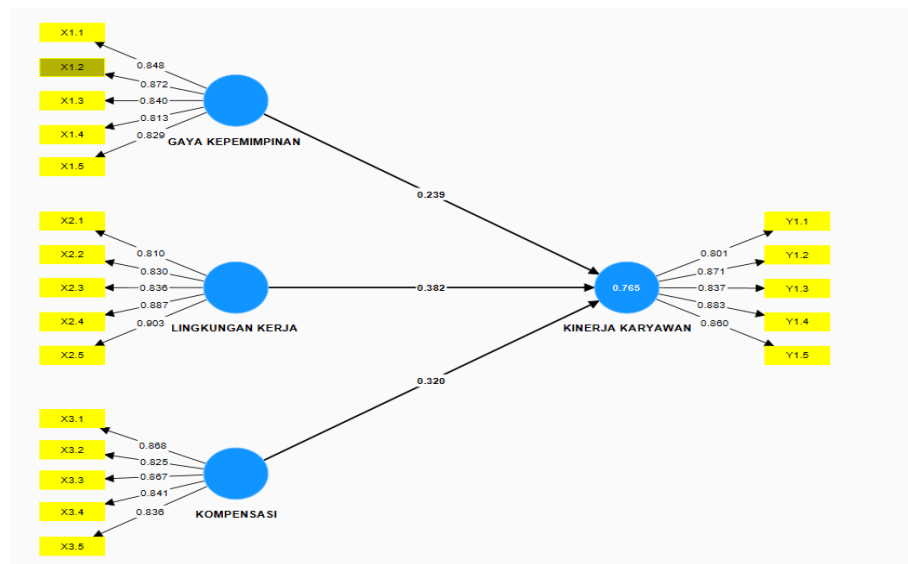
Information	Cronbach Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Leadership Style	0.896	0.902	0.923	0.707
Work Environment	0.906	0.910	0.931	0.729
Compensation	0.902	0.903	0.927	0.718
Employee Performance	0.905	0.907	0.929	0.724

Source: Processed Data (2025)

According to the table above, the average AVE for, Leadership Style, Work Environment, Compensation, on Employee Performance is greater than 0.50. This proves that each building is reliable. Therefore, each variable has a high level of discrimination validity. All indicators in this study have a high level of discrimination, such as the construct value data in the Cronbach alpha table if  $> 0.70$ , it states that each variable in the study meets the Cronbach alpha requirements. It can be concluded that all indicators in this study have a high level of discrimination (Ghozali & Latan, 2018).

### Inner Model Analysis

Testing the inner model or structural model is done by looking at the relationship or influence between constructs, significance values and R-Square ( $R^2$ ) of the research model. Measurement analysis using SmartPLS 4.0 shows the following formed image:



Source: Processed Data (2025)

**Figure 2**  
**Structural Model Analysis Results**

In this process, in order to explain the strength of the relationship or influence of the independent latent variable on the dependent latent variable, the measurement standard is 0.75, which is stated as strong, 0.50 is stated as moderate, and 0.25 is stated as weak (Hair et al., 2019).

### Coefficient of Determination (R-Square) and Adjusted R-Square

To find out how much the independent variable is able to explain the dependent variable, the coefficient of determination (R-square) value is used. The R-square value indicates the proportion of variance of the dependent variable that can be explained by the model built. In this study, the R-square and adjusted R-square values for employee performance variables were obtained from the results of the structural model analysis using SmartPLS. The results are shown in Table 6 below:

**Tabel 6. Coefficient of Determination**

Information	R-Square	Adjusted R-Square
Employee Performance	0.765	0.758

Data source: Processed Data (2025)

As seen in the table, the calculation result of the coefficient of determination (R-Square) of 0.765 states that, Leadership Style, Work Environment, and Compensation contribute 76.5% to Employee Performance; additional factors unrelated to this study contribute 23.5%.

### Goodness of Fit Assessment

Goodness of fit assessment model may be seen from the values of  $NFI \geq 0.776$ , which indicates that the model is considered fit (Hair et al., 2019). The results are summarized in the following table:

**Table 7. Goodness of Fit**

Description	Saturated Model	Estimated Model
SRMR	0.068	0.068
d_ ULS	0.970	0.970
d_ G	1.067	1.067
Chi-square	527.628	527.628
NFI	0.739	0.739

Source: Processed Data (2025)

### Hypothesis Testing

Hypothesis testing is conducted to determine the three relationships between constructs from the hypothesis above. So the results of the hypothesis test can be shown in the table below:

**Table 8. Hypothesis Testing Results**

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Results
Leadership	0.239	0.255	0.132	1.805	0.071	Rejected

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Style -> Employee Performance							
Work Environment -> Employee Performance	0.382	0.390	0.122	3.130	0.002	Accepted	
Compensation -> Employee Performance	0.320	0.300	0.129	2.486	0.012	Accepted	

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Source: Processed Data (2025)

From the results of the hypothesis test in the table above, the following conclusions can be drawn. Leadership Style (X1) does not significantly affect Employee Performance (Y). Because it has an Original Sample of 0.239 and a t-statistic of 1.805 which is less than 1.96 (T-table  $Z_{\alpha} = 0.05$ ), this variable is considered insignificant. Leadership style does not affect Employee Performance, because the t statistic  $< 1.96$  and is said to be insignificant if the P value is  $0.071 > 0.050$  or 5%. Work Environment (X2) has a significant effect on Employee Performance (Y). Because it has an Original Sample of 0.382 and a t-statistic of 3.130 which is more than 1.96 (t-table  $Z_{\alpha} = 0.05$ ), this variable is considered significant. Work environment affects Employee Performance, because the t statistic  $> 1.96$  and is said to be significant if the P values are  $0.002 < 0.050$  or 5%. Compensation (X3) has a significant effect on Employee Performance (Y). Because it has an Original Sample of 0.320 and a t-statistic of 2.486 which is more than 1.96 (t-table of  $Z_{\alpha} = 0.05$ ), this variable is considered significant. Compensation affects Employee Performance, because t statistic  $> 1.96$  and is said to be significant if the P value is  $0.012 < 0.050$  or 5%.

## Discussion

### The Role of Leadership Style on Employee Performance

The results of the study showed that the leadership style variable did not have a significant effect on Employee Performance at PT. PDAM Tirta Moedal, Semarang City. These results indicate that leadership style does not have a very important role in influencing employee performance. Based on the outer loading of this study, fast decision making by leaders (X1.2) apparently affects the quantity of employee performance but not significantly (Y.2). This means that if decisions are taken too quickly without considering a mature analysis, the quantity of work produced may not increase significantly due to decision errors or less than optimal decisions. This finding is supported by Harrison and Rainer (2019) and Panjaitan (2021) which state that leadership style does not have a significant effect on employee performance. This is in line with the results of hypothesis testing where  $H_1$  is not accepted. The t-statistic value of  $1.805 < 1.96$  and p-value  $0.071 > 0.05$ , indicates that statistically the relationship between leadership style and employee performance is not significant. Although leadership style shows a positive direction of influence, the influence is

not strong enough to have a real impact on performance. Therefore, the hypothesis  $H_1$  is rejected.

### **The Role of Work Environment on Employee Performance**

The results of the study indicate that the Work Environment variable has a significant effect on Employee Performance at PT. PDAM Tirta Moedal, Semarang City. This shows that the work environment has an important role in influencing employee performance. Based on the outer loading of this study, the more fair and effective the organization will create a positive work environment (X2.5), the higher the sense of security, comfort, and appreciation felt by employees (Y.2). This means that a fair work environment encourages employees to be more motivated in completing employee tasks, so that the quantity of performance increases. Employees will feel that employee efforts are recognized equally and appropriately, which ultimately increases loyalty and work productivity. This finding is supported by Agustriani et al. (2022) and Deswita (2018) which state that the work environment has a significant effect on employee performance. The results of the analysis also show that  $H_2$  is accepted, with a T-statistic value of  $3.130 > 1.96$  and a p-value of  $0.002 < 0.05$ . This proves that the work environment has a significant effect on employee performance. Work environment conditions that support role clarity, organizational justice, and social support have been shown to significantly increase employee motivation and productivity.

### **The Role of Compensation on Employee Performance**

The results of the study indicate that Compensation has a significant effect on Employee Performance at PT. PDAM Tirta Moedal, Semarang City. Based on outer loading, the higher the basic salary that employees receive (X3.1), the higher the employee's motivation to work harder (Y.2). This means that a large basic salary creates a sense of financial security and increases job satisfaction, which ultimately encourages employees to increase the quantity of performance, namely the number of tasks or jobs that are successfully completed in a certain period. This finding is supported by Ramli et al. (2023) and Sudiarditha et al. (2019) which state that compensation has a significant effect on employee performance. This study also shows that  $H_3$  is accepted, with a T-statistic value of  $2.486 > 1.96$  and a p-value of  $0.012 < 0.05$ . This means that compensation has a significant effect on employee performance. Adequate compensation, such as basic salary, benefits, and career opportunities, provides a positive boost in increasing work enthusiasm and productivity.

## **6. CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

This study shows that among the three variables studied, compensation has the strongest influence on employee performance at PT PDAM Tirta Moedal, Semarang City. Although leadership style shows a positive influence, it is not statistically significant. Meanwhile, to develop a conceptual model that is obtained by identifying relevant factors that can improve employee performance. Based on the results of the study and discussion related to the role of leadership style, work environment, and compensation on employee performance at PT. PDAM Tirta Moedal, Semarang City, it can be concluded as follows: The role of leadership style on employee performance at PT. PDAM Tirta Moedal, Semarang

City. This means that if decisions are taken too quickly without considering a mature analysis, the quantity of work produced does not increase significantly due to incorrect decisions or less than optimal decisions. The role of the work environment on employee performance at PT. PDAM Tirta Moedal, Semarang City, means that a fair work environment encourages employees to be more motivated in completing employee tasks, so that the quantity of performance increases. The role of compensation on employee performance at PT. PDAM Tirta Moedal Semarang City means that a large basic salary creates a sense of financial security and increases job satisfaction, which ultimately encourages employees to increase the quantity of performance, namely the number of tasks or jobs successfully completed in a certain period. So the brief conclusion of this study can explain that the compensation variable has the strongest positive effect among the three independent variables in this study.

This provides practical implications for management who should focus on creating a fair, comfortable, and supportive work environment for employee autonomy and self-development, a positive work environment has been proven to increase work enthusiasm and quantity, and develop a competitive and sustainable compensation system. Appropriate compensation not only increases motivation, but also employee loyalty and retention, although the influence of leadership style is not statistically significant, it still needs to be improved in terms of communication transparency and decision-making to support a more effective and participatory management strategy.

### **Recommendations**

Based on the findings that the work environment has the most significant influence on employee performance, it is recommended that the management of PT PDAM Tirta Moedal Kota Semarang prioritize improving the quality of the work environment, both physically and psychologically. The creation of a fair, comfortable, and supportive work atmosphere for employee autonomy needs to be continuously pursued in order to increase work motivation and productivity. The company is also advised to routinely evaluate employee perceptions of workload, role clarity, and organizational justice, because these factors have been proven to provide real contributions to improving performance. Furthermore, the compensation that has been given currently should be maintained and adjusted to the development of employee needs. Although not the variable with the most dominant influence, adequate compensation remains an important factor in maintaining loyalty and work enthusiasm. The development of a performance-based incentive system can also be a complement to the performance improvement strategy. Meanwhile, although leadership style did not have a significant influence in this study, company leaders are still advised to reflect and evaluate their leadership approach. Open communication, employee involvement in decision-making, and the ability of leaders to provide clear direction are still important aspects to support the creation of a productive and harmonious work environment.

These suggestions are inseparable from the importance of sharpening the managerial implications that have been conveyed in this study. Given that the findings of this study are rooted in the characteristics of a particular organization, generalization into a broader managerial context requires external validation through replication and development of the research model. Therefore, further research is expected to be able to enrich the literature and

provide a stronger empirical basis for the formulation of effective and contextual human resource management strategies. The limitations in this study are the time in data collection, this data was taken using a cross-sectional method, the number of respondents focused on the research context at PT. PDAM Tirta Moedal, Semarang City. In addition, this study is also limited to only using direct relationships between exogenous variables and endogenous variables, so that the scope of this study has not been comprehensively explained or generalized in a broader context.

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