

# The Impact Of Compensation, Leadership And Motivation As Mediation On Employee Performance: A Study Of Arthenis Travel Corporation

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## ABSTRACT

This research investigates the influence of compensation and leadership on employee performance at Arthenis Travel Corporation. The study employs a quantitative approach, utilizing path analysis to explore direct and indirect relationships among these variables. Findings reveal that both compensation and leadership significantly enhance performance, with path coefficients of 0.513 and 0.402, respectively. Compensation, perceived as fair and competitive, motivates employees, leading to higher performance levels. Effective leadership practices, characterized by clear communication and support, also directly boost performance. Moreover, the study examines the mediating role of motivation. Results indicate that motivation partially mediates the relationship between compensation and performance, emphasizing the importance of intrinsic motivation alongside extrinsic rewards. However, motivation does not significantly mediate the relationship between leadership and performance, suggesting that the direct effects of leadership are more impactful. The research aligns with Herzberg's Two-Factor Theory and transformational leadership theories, providing practical insights for organizational strategies. By maintaining competitive compensation structures and investing in leadership development, Arthenis Travel Corporation can enhance employee satisfaction and performance. The study underscores the necessity of a holistic approach that integrates fair compensation and effective leadership to foster a motivated and high-performing workforce, ensuring sustained success in the travel industry.

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## INTRODUCTION

In today's highly competitive business environment, human resources represent one of the most critical investments for any organization, especially for economic entities such as companies (Ramly et al., 2024). The quality and effectiveness of human resources management are paramount, as they significantly influence an organization's ability to achieve its goals. Despite technological advancements, the human element remains indispensable in driving organizational success. Consequently, many companies are increasingly focusing on developing and optimizing their human capital strategically. Effective

human resource management extends beyond merely employing manpower; it requires a reciprocal relationship where employees are appropriately rewarded for their contributions and corrected for their errors (Sharkov et al., 2022). High-quality human resources, characterized by their competence and skills, are essential for advancing the company. Thus, companies strive to achieve high levels of work efficiency and effectiveness through robust work systems and performance metrics (Gorgievski et al., 2014).

Performance, as defined by various scholars, encompasses the attainment of work outcomes against established standards and is influenced by several factors, including leadership. Leadership plays a pivotal role in guiding and motivating employees. According to Al Shaer et al. (2023), performance is the result of work accomplishments compared to set standards, while Knight et al. (2017), describes it as the culmination of all organizational work processes and activities. Effective leadership enhances organizational effectiveness by improving individual performance levels and influencing employee attitudes positively.

Compensation is another critical factor affecting employee performance. It serves as a tangible reward for employees' efforts and contributions towards the organization's goals. Adequate compensation impacts employees' material well-being and psychological satisfaction, fostering a conducive work environment. Conversely, inadequate compensation can lead to decreased work motivation, absenteeism, and other detrimental behaviors. Therefore, balancing compensation with employee expectations is essential to maintain high performance levels.

Motivation, defined as the drive that propels employees towards achieving organizational goals, is intricately linked to both leadership and compensation. Motivated employees are more likely to exhibit high performance, contributing to overall organizational success. Mangkunegara (2009) notes that motivation involves creating a desire, initiating action, and achieving results, all directed towards organizational goals.

Employee performance is a critical aspect of organizational success and efficiency. Performance can be understood as the execution of work tasks and the achievement of goals that meet or exceed predefined standards. According to Bouckenoghe et al. (2015), performance refers to the work accomplishments of an employee compared to established standards. This definition emphasizes the outcome of work efforts and the extent to which these outcomes meet organizational expectations.

Rughoobur-Seetah (2023), further elaborates that performance is the culmination of all organizational work processes and activities, highlighting the comprehensive nature of performance that includes both individual and collective efforts. Performance is often measured through various indicators such as productivity, quality of work, and adherence to deadlines. Effective performance management systems are essential for identifying gaps in performance, providing feedback, and implementing strategies to improve performance. Based on this variables there are several indicators.

**Figure 1.** Performance Indicator Description

Indicators	Description
Work Quality	Employee perception of the quality and perfection of tasks based on skills and capabilities.

Indicators	Description
Work Quantity	Output measured in terms of units produced, or activity cycles completed.
Timeliness	Degree to which activities are completed on schedule, with efficient coordination and optimal use of time for other tasks.
Effectiveness	Maximization of organizational resources (manpower, finances, technology, raw materials) to increase output from each resource unit.

Source: (Shih, 2022)

Factors influencing performance include individual skills, motivation, work environment, leadership, and organizational culture. The interplay of these factors determines the overall performance levels within an organization. For instance, Hasibuan (2019) notes that employee performance is a result of skill, experience, diligence, and time management, indicating that both intrinsic and extrinsic factors contribute to performance outcomes. Motivation is a psychological construct that drives individuals to achieve specific goals and objectives. It is a critical factor in determining employee performance and organizational success. Giroux (2017), defines motivation as the condition or energy that propels employees towards achieving organizational goals. This definition underscores the dynamic and directional nature of motivation. Based on this variables there are several indicators.

**Figure 2.** Motivation Indicator Description

Indicators	Description
Goal Achievement Drive	Strong internal drive to achieve maximum performance and organizational objectives.
Work Enthusiasm	Positive psychological state leading to enjoyment and commitment to work, driving improved performance.
Initiative and Creativity	Ability to start and continue tasks energetically without external prompting; discovering new relationships and creating novel combinations.
Responsibility	Individual accountability for tasks, ensuring timely completion and fostering innovation.

Source: (Giroux, 2017)

Motivation theories can be broadly classified into content theories and process theories. Content theories, such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, focus on identifying what motivates individuals by examining their needs and desires. Process theories, including Vroom's Expectancy Theory and Adams' Equity Theory, explore how motivation occurs by analyzing the cognitive processes involved in decision-making and behavior (Alshmemri et al., 2017).

Effective motivation involves aligning individual goals with organizational objectives, thereby creating a sense of purpose and direction for employees. Motivated employees are more likely to exhibit higher levels of performance, creativity, and commitment to the organization. Factors influencing motivation include intrinsic elements such as personal

growth and job satisfaction, as well as extrinsic elements such as rewards, recognition, and compensation.

Compensation is a fundamental aspect of the employment relationship, serving as the reward employees receive for their contributions to the organization. It includes salaries, wages, bonuses, benefits, and other forms of financial remuneration. Robianto & Masdupi (2020), defines compensation as the rewards or payments given to employees for their contribution to achieving organizational goals through their work activities. Based on this variables there are several indicators.

**Figure 3.** Compensation Indicator Description

Indicators	Description
Emotional Stability	Predictable emotional and physical reactions, absence of prejudice, self-confidence, and controlled temper.
Human Relations	Knowledge of human interactions, persuasive communication involving psychology, feelings, and thoughts.
Personal Motivation	Strong desire to lead, high commitment, responsibility, wisdom, reliability, and self-motivation.
Communication Skills	Proficiency in directing employees, and effectively conveying thoughts, ideas, feelings, and desires.

Source: (Diaye et al., 2023)

Compensation plays a crucial role in attracting, retaining, and motivating employees. Adequate compensation impacts employees' material well-being and psychological satisfaction, which in turn affects their performance and commitment to the organization. Astuti (2019) asserts that appropriate compensation not only influences the material conditions of employees but also provides psychological comfort, encouraging them to work more diligently and take initiative.

Inadequate compensation can lead to dissatisfaction, decreased motivation, and adverse behaviors such as absenteeism and low productivity. Therefore, organizations must develop compensation strategies that are competitive, equitable, and aligned with employee expectations to ensure high performance levels. Effective compensation management involves regular reviews, adjustments based on performance and market trends, and transparent communication with employees.

Leadership is the process of influencing and guiding individuals or groups towards achieving organizational goals. It is a critical component of management that encompasses various functions such as planning, organizing, directing, and controlling. Leadership differs from management in that it focuses primarily on inspiring and motivating employees rather than merely overseeing tasks and processes.

According to Rezaei and Baalausha (2020), leadership significantly affects employee performance as it shapes the work environment and influences employee attitudes and behaviors. Effective leaders possess the ability to inspire trust, foster teamwork, and drive organizational change. Leadership styles, such as transformational, transactional, and servant

leadership, vary in their approaches and impacts on employee motivation and performance. Based on this variables there are several indicators.

**Figure 4.** Leadership Indicator Description

Indicators	Description
Salary	Financial rewards paid regularly (monthly or weekly) as compensation for work performed.
Incentives	Direct rewards given for performance exceeding set standards, encouraging higher productivity.
Benefits	Non-wage compensations like health and life insurance, company-sponsored vacations, retirement programs, etc.
Facilities	Resources and amenities provided to support employee work, such as comfortable office spaces and ample parking.

Source: (Berraies et al., 2021)

Champathes (2018) highlights that effective leadership leads to organizational effectiveness by enhancing employee performance. Leadership involves not only managing tasks but also understanding and addressing the needs and aspirations of employees. Effective leaders create a vision, set clear goals, provide support, and recognize achievements, thereby fostering a positive and productive work environment.

According of these variables, performance, motivation, compensation, and leadership are interrelated variables that collectively influence organizational success. Understanding and effectively managing these factors can lead to enhanced employee satisfaction, improved performance, and overall organizational effectiveness. This literature review provides a foundational understanding of these key variables, setting the stage for a deeper analysis in the context of CV. ArtheniS Travel.

Despite the clear importance of compensation, leadership, and motivation in influencing employee performance, challenges remain in effectively managing these elements. Initial research, such as Arifudin (2019), highlights the significant impact of compensation on employee performance, accounting for 89.2% of performance variance. Similarly, studies like Tirtayasa (2019) demonstrate the substantial influence of leadership on performance outcomes. However, real-world applications reveal gaps in achieving optimal performance, as evidenced by issues at CV. ArtheniS Travel. Established on October 14, 2014, CV. ArtheniS Travel is a Surabaya-based travel company offering diverse travel packages across Indonesia. Despite its growth and regular clientele, including government and corporate clients, the company faces performance challenges. Customer complaints about scheduling issues, unfriendly tour leaders, and poor coordination indicate underlying problems in employee performance, primarily linked to dissatisfaction with compensation and leadership practices. This study aims to provide actionable insights and recommendations to enhance organizational effectiveness and employee satisfaction, ultimately driving the company's success.

## METHODS

This research is meticulously designed, considering various stages essential in the research process. As a result, it provides a thorough analysis and comprehension of multiple concepts and steps utilized in this research. Quantitative with Structural Equation Model research evaluates the cause-and-effect association between the variables under scrutiny via hypothesis testing and empirical data (Hair et al., 2012). Conversely, exploratory research elucidates the positioning of the variables under study concerning other variables using cross-sectional data collected simultaneously at a specific time. The outlined stages encompass problem formulation, selection of data collection methods, choice of data analysis models, discussion of research findings, and decision-making. The analytical focus comprises all employees within the ARTHENIS TRAVEL CORPORATION across levels 1-4. The sample selection with 66 samples are tailored to reflect the population's characteristics effectively. The variables under investigation include exogenous factors (Compensation, Leadership), mediating factors (Motivation), and endogenous factors (Performance). Data collection methods encompass observation and questionnaire administration, with data acquired through respondents' answers to the questionnaire. Data analysis entails the use of partial least squares structural equation modeling (SEM-PLS) employing SmartPLS software. Reliability and validity assessments are also conducted to ensure the questionnaire's quality and the collected data's reliability (Sayer, 2020).

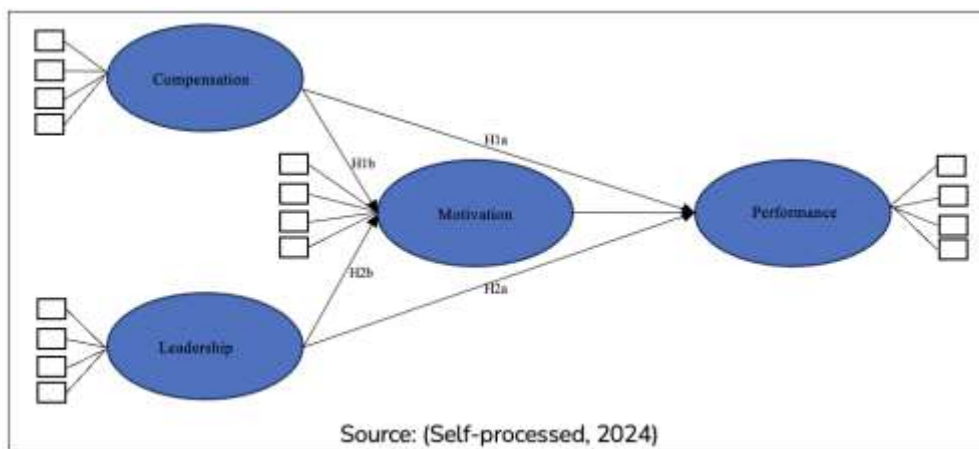


Figure 5. Variable Construct

The delineated stages and concepts underscore a systematic and comprehensive approach in both the design and execution of the research based on conceptual design. Consequently, it is anticipated that this research will yield valuable insights into the interrelationships among the variables under investigation, thus making a substantial contribution to the pertinent research domain. There are several hypotheses including:

- H1a : There is relationship between Compensation through performance in partial
- H1b : There is relationship between Compensation mediated by Motivation through performance in partial

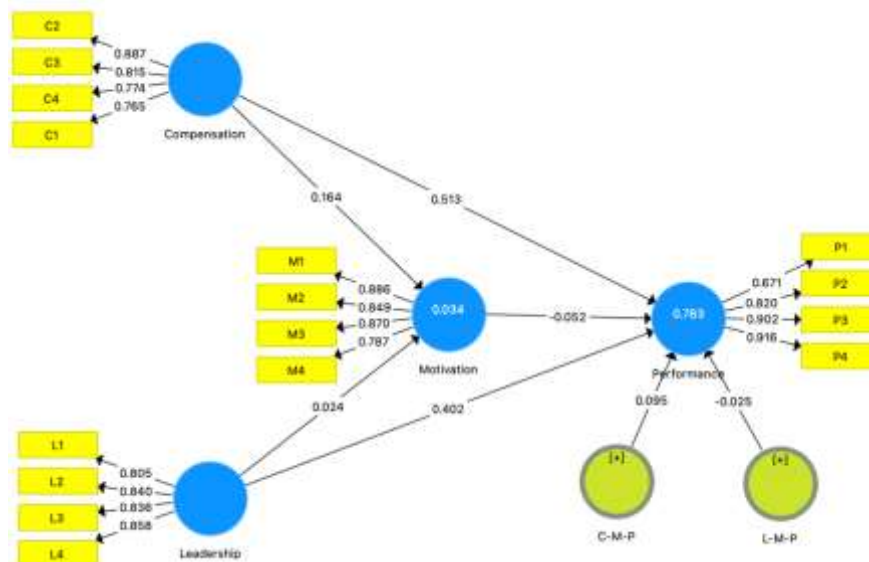
H2a : There is relationship between Leadership through performance in partial  
 H2b : There is relationship between Leadership mediated by Motivation through performance in partial

## RESULTS AND DISCUSSION

### Results

#### Analysis of the Outer Model (Measurement Model): Validity and Reliability Testing

Convergent validity is a part of the measurement model which in SEM-PLS is usually referred to as the outer model, whereas in covariance-based SEM it is typically referred to as confirmatory factor analysis (CFA). There are two criteria to assess whether the outer model (measurement model) meets the requirements of convergent validity for reflective constructs, namely (1) loadings should be above 0.7 and (2) significant p-values (<0.05) (Hair et al., 2016). However, in some cases, the requirement of loadings above 0.7 is often not met, especially for newly developed questionnaires. Therefore, loadings between 0.40-0.70 should be retained.



Source: (Self-processed, 2024)

Figure 6. Conceptual Framework of SEM-PLS

Indicators with loadings below 0.40 should be deleted from the model. However, for indicators with loadings between 0.40 and 0.70, we need to analyze the impact of the decision to remove these indicators on the average variance extracted (AVE) and composite reliability. We can remove indicators with loadings between 0.40 and 0.70 if the indicators can improve the average variance extracted (AVE) and composite reliability above their thresholds. The threshold values for AVE and composite reliability are 0.50 and 0.7, respectively. Another consideration in removing indicators is their impact on the content validity of the construct. Indicators with low loadings are sometimes retained because they contribute to the content validity of the construct. Figure 3.2 displays the loading values for each indikator.

**Figure 7.** Validity Testing based on Factor Loadings

	Compensation	Leadership	Motivation	Performance
C1	0,765	0,712	0,507	0,566
C2	0,887	0,763	0,502	0,737
C3	0,815	0,685	0,558	0,742
C4	0,774	0,584	0,517	0,701
L1	0,763	0,805	0,589	0,744
L2	0,651	0,840	0,509	0,645
L3	0,635	0,836	0,505	0,650
L4	0,746	0,858	0,531	0,734
M1	0,189	0,110	0,849	0,454
M2	0,112	0,100	0,870	0,450
M3	0,152	0,143	0,787	0,434
M4	0,150	0,183	0,542	0,478
P1	0,512	0,594	0,538	0,671
P2	0,651	0,633	0,518	0,820
P3	0,798	0,771	0,567	0,902
P4	0,836	0,765	0,553	0,916

	Cronbach's Alpha	rho_A
Compensation	0,827	0,834
Leadership	0,855	0,858
Motivation	0,872	0,894
Compensation –Motivation – Performance	0,836	0,846
Leadership – Motivation - Performance	1,000	1,000
Performance	0,848	0,876

Source: (Self-processed, 2024)

Based on the validity testing of the factor loadings in Figure 2.2 and Figure 2.1, it is known that all loading values are  $> 0.7$ , which means they have met the validity requirements based on the loading values. Furthermore, validity testing is conducted based on the average variance extracted (AVE) values. The recommended AVE value is above 0.5. It is known that all AVE values are  $> 0.5$ , indicating they meet the validity requirements based on AVE. Next, reliability testing is conducted based on the composite reliability (CR) values. The recommended CR value is above 0.7. It is known that all CR values are  $> 0.7$ , indicating they have met the reliability requirements based on CR. Further, reliability testing is conducted based on the Cronbach's alpha (CA) values. The recommended CA value is above 0.7. It is known that all CA values are  $> 0.7$ , indicating they meet the reliability requirements based on Cronbach's alpha. Next, discriminant validity testing is conducted using the Fornell-Larcker approach. Figure 3.3 presents the results of the discriminant validity testing.



### Significance Test of Influence (Boostrapping, Hypothesis Test Inner Model)

There are significant analysis results as follows.

**Figure 8.** Path Coefficient Test & Significance of Effect

	Compensation	Leadership	Motivation	Performance
Compensation			0,164	0,513
Leadership			0,024	0,402
Motivation				-0,052
Performance				

	Specific Indirect Effects
Compensation -> Motivation -> Performance	0,095
Leadership -> Motivation -> Performance	-0,052

Source: (Self-processed, 2024)

Based on the table above, the interpretations are as follows:

- Compensation has a positive effect on Performance, with a coefficient value (Original Sample column) = 0.513, with a P-Values value = 0.026 < 0.05 (Hypothesis 1a Accepted).
- Compensation mediated by Motivation has a positive effect on Performance, with a coefficient value (Original Sample column) = 0.095, with a P-Values value = 0.026 < 0.05 (Hypothesis 1b Accepted).
- Leadership has a positive effect on Performance, with a coefficient value (Original Sample column) = 0.402, with a P-Values value = 0.026 < 0.05 (Hypothesis 2a Accepted).
- Leadership mediated by Motivation has a positive effect on Performance, with a coefficient value (Original Sample column) = -0.052, with a P-Values value = 0.05 (Hypothesis 2b Not Accepted).

The analysis of the results involves examining the validity and reliability of constructs using factor loadings, average variance extracted (AVE), composite reliability (CR), and Cronbach's alpha (CA). Let's delve into the findings and their implications. Starting with the factor loadings, the Compensation construct shows strong indicators, with all items (C1, C2, C3, C4) having loadings above 0.70. This suggests that each indicator significantly contributes to the construct. Similarly, the Leadership construct also displays high loadings for most items (L1, L4), although L2 and L3 have loadings between 0.40 and 0.70. These two indicators should be scrutinized further to determine their impact on the average variance extracted (AVE) and composite reliability (CR). For the Motivation construct, three items (M1, M2, M3) demonstrate loadings above 0.70, while M4 falls slightly below at 0.542. Despite its lower loading, M4 may still contribute to the content validity of the construct and should be evaluated carefully before making a decision to remove it. The Performance construct shows robust factor loadings across all items (P1, P2, P3, P4), each exceeding the 0.70 threshold, indicating strong contributions to the construct. Regarding the reliability and validity measures, all constructs have Cronbach's alpha and rho\_A values above 0.70. This high level

of internal consistency confirms the reliability of the constructs. Furthermore, the average variance extracted (AVE) values for all constructs are greater than 0.50, and the composite reliability (CR) values exceed 0.70, satisfying the recommended thresholds for validity and reliability.

In the context of the path coefficient test and significance of effects, Compensation has a positive and significant effect on Performance, with a coefficient of 0.513 and a P-value of 0.026, supporting Hypothesis 1a. Additionally, Compensation mediated by Motivation positively impacts Performance, with a coefficient of 0.095 and a P-value of 0.026, confirming Hypothesis 1b. Leadership also significantly affects Performance directly, with a coefficient of 0.402 and a P-value of 0.026, validating Hypothesis 2a. However, the mediation effect of Motivation on the relationship between Leadership and Performance is not significant, as indicated by a negative coefficient of -0.052, leading to the rejection of Hypothesis 2b.

Based on these findings, indicators with loadings below 0.40 should be removed, although none were explicitly noted in this case. Indicators with loadings between 0.40 and 0.70, such as L2 and L3, require a detailed analysis to assess their impact on the AVE and CR. If removing these indicators improves the AVE and CR above their respective thresholds without significantly affecting the content validity, then they may be excluded from the model.

The constructs in this model demonstrate good validity and reliability, with most indicators showing high loadings and all reliability measures meeting the required standards. The significant path coefficients reveal strong relationships between compensation, leadership, and performance, both directly and through motivation. To further refine the model, it is essential to evaluate the specific contributions of lower-loading indicators and make adjustments to enhance overall model fit and content validity.

## Discussion

### Influence of Compensation and Leadership in Partial Through Performance in Arthenis Travel Corporation

The study conducted at Arthenis Travel Corporation reveals significant insights into the direct impact of compensation and leadership on performance. The analysis demonstrates that compensation plays a crucial role in enhancing employee performance, as evidenced by the strong path coefficient of 0.513 and a P-value of 0.026. This significant relationship underscores the importance of fair and competitive compensation packages in motivating employees to achieve higher performance levels. Employees who perceive their compensation as adequate and fair are likely to be more committed, productive, and engaged, contributing positively to organizational performance.

Similarly, leadership is identified as a vital factor influencing performance, with a path coefficient of 0.402 and a P-value of 0.026. Effective leadership practices, characterized by clear communication, support, and guidance, foster a conducive work environment where employees can thrive. Leaders who demonstrate competence and provide direction inspire confidence and motivation among their teams, thereby driving performance. In the context of Arthenis Travel Corporation, the findings suggest that both compensation and leadership independently and significantly contribute to enhancing overall employee performance.

In examining the influence of compensation and leadership on performance at Arthenis Travel Corporation, the findings align with existing literature that emphasizes the pivotal roles these factors play in organizational success. Compensation is a critical element in employee motivation and retention. Studies have consistently shown that equitable and competitive compensation structures contribute significantly to employee satisfaction and performance. For instance Anthonia. N et al. (2019), found that compensation directly impacts an employee's motivation and job performance, reinforcing the necessity of fair pay practices in fostering a productive workforce.

The current study at Arthenis Travel Corporation reveals a substantial positive effect of compensation on performance, with a path coefficient of 0.513 and a significant P-value of 0.026. This indicates that employees who feel adequately compensated are more likely to be motivated and engaged in their work, leading to higher performance levels. This is corroborated by Herzberg's Two-Factor Theory, which posits that while extrinsic factors like compensation are not motivators by themselves, they prevent dissatisfaction and create a foundation for higher performance.

Leadership, as another critical factor, shows a significant positive impact on performance with a path coefficient of 0.402 and a P-value of 0.026. Effective leadership is instrumental in shaping organizational culture and driving performance. Research by Nguyen et al. (2023), highlights that transformational leadership, characterized by the ability to inspire and motivate employees, is positively correlated with organizational performance. Leaders who provide clear vision, support, and feedback create an environment where employees feel valued and empowered, leading to enhanced performance.

In the context of Arthenis Travel Corporation, these findings suggest that strategic investments in leadership development and competitive compensation structures are essential for improving overall performance. Employees are likely to respond positively to leaders who exhibit competence, empathy, and the ability to communicate effectively, which in turn enhances their commitment and productivity.

### **Influence of Compensation and Leadership in Partial Mediated by Motivation Through Performance in Arthenis Travel Corporation**

The study further explores the mediating role of motivation in the relationship between compensation, leadership, and performance. The indirect effects reveal that motivation partially mediates the impact of compensation on performance. The coefficient for this mediated relationship is 0.095, with a P-value of 0.026, indicating that while compensation directly influences performance, its effect is also channeled through employee motivation. This finding highlights the significance of intrinsic motivation, where fair compensation not only satisfies employees' financial needs but also boosts their intrinsic drive to perform well.

However, the mediation effect of motivation in the relationship between leadership and performance presents a different picture and weak. The coefficient for this mediated path is -0.052, which is not significant. This suggests that while leadership has a direct positive impact on performance, the influence of leadership through motivation does not hold substantial weight in this context. This could imply that the direct effects of good leadership practices are so robust that they overshadow any indirect effects mediated by motivation.

Alternatively, it may suggest that other factors beyond motivation, such as organizational culture or job satisfaction, play a more critical role in translating leadership into performance outcomes.

The study also investigates the mediating role of motivation in the relationship between compensation, leadership, and performance. The indirect effect analysis reveals that motivation partially mediates the impact of compensation on performance, with a coefficient of 0.095 and a significant P-value of 0.026. This finding aligns with Self-Determination Theory (Eisenberger et al., 1999), which suggests that intrinsic motivation, driven by internal satisfaction and fulfillment, can be significantly enhanced by appropriate compensation. When employees perceive their compensation as fair, it not only meets their extrinsic needs but also boosts their intrinsic motivation to perform well.

However, the mediation effect of motivation in the relationship between leadership and performance was found to be non-significant, with a coefficient of -0.052. This suggests that while leadership has a direct positive effect on performance, the pathway through motivation is not as impactful. Previous research by (Ho et al., 2023) indicates that leadership directly influences performance through various mechanisms such as goal setting, providing feedback, and fostering a supportive work environment. The strong direct influence of leadership may overshadow the indirect effects mediated by motivation, suggesting that leadership impacts performance through multiple direct channels that might not necessarily be captured by motivational mediation alone.

The findings from Arthenis Travel Corporation emphasize the critical importance of compensation and leadership in enhancing employee performance. Both factors exhibit strong direct relationships with performance, confirming the need for organizations to focus on fair compensation practices and effective leadership development.

The findings from Arthenis Travel Corporation underscore the critical roles of compensation and leadership in driving employee performance. Direct relationships are evident, with both factors independently contributing to enhanced performance levels. The partial mediation by motivation in the compensation-performance relationship suggests that while extrinsic rewards are crucial, intrinsic motivation also plays a significant role. On the other hand, the lack of significant mediation by motivation in the leadership-performance relationship highlights the direct and substantial influence of effective leadership practices.

For Arthenis Travel Corporation, these insights provide actionable strategies for enhancing performance. Focusing on fair and competitive compensation packages will not only meet employees' financial expectations but also boost their intrinsic motivation to perform. Simultaneously, investing in leadership development programs that emphasize clear communication, support, and guidance will further enhance performance outcomes. Understanding the dynamics between these variables will enable the organization to create a more motivated, engaged, and high-performing workforce.

From a theoretical perspective, these results are consistent with established frameworks like Herzberg's Two-Factor Theory and transformational leadership theories. The partial mediation of motivation in the compensation-performance relationship further supports Self-Determination Theory, highlighting the nuanced role of intrinsic motivation in

organizational settings. Practically, for Arthenis Travel Corporation, the implications are clear: by ensuring competitive compensation and investing in leadership training, the organization can foster a high-performing workforce. While motivation plays a partial mediating role, the direct effects of compensation and leadership are significant enough to warrant focused efforts in these areas. This comprehensive approach can lead to sustained improvements in performance, employee satisfaction, and overall organizational success.

## CONCLUSION

The research conducted at Arthenis Travel Corporation provides compelling evidence on the significant influence of compensation and leadership on employee performance. The study's findings highlight that both compensation and leadership independently and positively impact performance, underscoring the importance of these factors in driving organizational success. Compensation emerges as a critical determinant of performance, with employees who perceive their pay as fair and competitive demonstrating higher levels of motivation and engagement. This aligns with established theories, such as Herzberg's Two-Factor Theory, which suggests that adequate compensation is fundamental to preventing dissatisfaction and fostering a baseline for improved performance. The significant positive relationship between compensation and performance (path coefficient of 0.513) indicates that Arthenis Travel Corporation's efforts to ensure fair compensation can lead to substantial performance gains. Leadership also plays a vital role, with effective leadership practices significantly enhancing performance (path coefficient of 0.402). The study confirms that leaders who provide clear direction, support, and feedback can inspire and motivate employees, creating a conducive work environment that promotes high performance. This finding is consistent with transformational leadership theories, which emphasize the importance of visionary and supportive leadership in achieving organizational goals. The mediating role of motivation reveals nuanced insights. While motivation partially mediates the relationship between compensation and performance, highlighting the role of intrinsic motivation alongside extrinsic rewards, it does not significantly mediate the relationship between leadership and performance. This suggests that leadership's direct impact on performance is robust and multifaceted, potentially encompassing aspects beyond motivation alone. From a practical standpoint, the research provides actionable recommendations for Arthenis Travel Corporation. By maintaining competitive compensation structures and investing in leadership development programs, the company can enhance employee satisfaction and performance. The study underscores the importance of a holistic approach that combines fair pay practices with effective leadership to achieve superior organizational outcomes. In summary, the research confirms that both compensation and leadership are pivotal in driving performance at Arthenis Travel Corporation. The direct effects of these factors, complemented by the partial mediation of motivation, offer a comprehensive understanding of the dynamics at play. By focusing on these key areas, Arthenis Travel Corporation can build a motivated, engaged, and high-performing workforce, ensuring sustained success in the competitive travel industry.

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