

THE ROLE OF JOB SATISFACTION IN MEDIATING THE EFFECT OF COMPENSATION AND LEADERSHIP ON EMPLOYEE PERFORMANCE AT THE FACULTY OF AGRICULTURE, METHODIST UNIVERSITY OF INDONESIA

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Abstract

This study aims to analyze the role of job satisfaction as a mediating variable in the relationship between compensation and leadership on employee performance at the Faculty of Agriculture, Indonesian Methodist University. The research uses a quantitative approach with a survey method, where the entire population of employees is selected as the sample through a census technique. Data were collected using structured questionnaires and analyzed using multiple regression analysis along with mediation testing through the Sobel test. The results indicate that compensation has a positive and significant effect on employee performance, and leadership also shows a positive and significant influence on employee performance. In addition, both compensation and leadership significantly affect job satisfaction. The mediation test results reveal that job satisfaction is able to mediate the relationship between compensation and employee performance as well as between leadership and employee performance. Furthermore, job satisfaction itself has a positive and significant effect on employee performance. These findings imply that improving employee performance can be effectively achieved through the provision of fair compensation, the implementation of effective leadership, and the enhancement of job satisfaction. Therefore, organizations are expected to manage these three factors simultaneously in order to create optimal employee performance and organizational outcomes.

Keywords : compensation, employee performance, job satisfaction, leadership, mediation

INTRODUCTION

Higher education institutions are strategic institutions for producing superior, professional, and competitive human resources (HR). The institution's success in achieving its vision and mission is largely determined by the performance of its faculty and educational staff, who optimally carry out their educational, research, and administrative functions. Therefore, improving HR performance is a top priority in higher education management. Universitas Methodist Indonesia (UMI), one of the private universities in Medan, has demonstrated strong performance in human resource management, as evidenced by awards for best institutional and best human resource categories at the regional level. However, there are issues that require serious attention, particularly regarding employee compensation, which remains below the Medan City Minimum Wage (UMK) of Rp4,014,072 in 2025. This situation has the potential to lead to job dissatisfaction, which can ultimately impact employee performance.

Theoretically, compensation is a crucial factor in determining job satisfaction. According to the two-factor theory, compensation is considered a hygiene factor, and if unmet, it can reduce motivation and work productivity (Lestari & Saputra, 2021). However, the phenomenon at the Faculty of Agriculture, University of Muhammadiyah Malang (UMI), shows a different situation, with employee performance tending to improve, absenteeism rates low, and employee turnover relatively low despite inadequate compensation. This suggests the presence of other factors, such as leadership and job satisfaction, at play. Leadership, particularly transformational leadership, plays a crucial role in increasing employee motivation, loyalty, and performance by creating a supportive work environment (Rahman, 2020). On the other hand, there are still indications of job dissatisfaction, demonstrated by complaints related to workload, task allocation, and a lack of recognition for employee performance.

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In addition to these empirical phenomena, there is also a research gap showing inconsistent results regarding the effect of compensation on performance. Several studies have found that compensation and leadership significantly influence performance (Arviadi *et al.*, 2022; Widyastuti & Riana, 2019; Sazly *et al.*, 2024). However, other studies show that compensation does not directly influence performance, but rather through job satisfaction as a mediating variable (Arifin, 2017; Ansori & Caroline, 2017; Winaningsih, 2024). In fact, several studies indicate that the effect of job satisfaction on performance is partial and contextual (Aufa *et al.*, 2023; Azwar *et al.*, 2020; Budiwati *et al.*, 2020). This suggests that the relationship between these variables still requires further study in specific organizational contexts.

Based on these conditions, this study urgently needs to re-examine the relationship between compensation, leadership, job satisfaction, and employee performance in the context of the Faculty of Agriculture, University of Muhammadiyah Malang (UMI). The purpose of this study is to analyze the influence of compensation and leadership on employee performance, with job satisfaction as a mediating variable. As a problem-solving effort, this study proposes a conceptual model that positions job satisfaction as an intervening variable to explain the relationship between compensation and leadership on employee performance. Therefore, the results of this study are expected to provide theoretical contributions to the development of human resource management science and provide practical recommendations for institutions to improve employee performance through integrated management of compensation, leadership, and job satisfaction.

LITERATURE REVIEW

Extensive research has been conducted on employee performance in the context of human resource management, emphasizing the importance of compensation, leadership, and job satisfaction. Conceptually, management is the process of planning, organizing, implementing, and controlling resources to achieve organizational goals effectively and efficiently (Martono, 2018). Within this framework, employee performance is viewed as the result of the interaction between individual and organizational factors that need to be systematically managed.

Several key theories are used to explain the relationships between variables in this study. Expectancy Theory states that work motivation is influenced by an individual's belief that effort will result in valuable performance and rewards (Vroom, 1964; Lunenburg, 2011). Meanwhile, Herzberg's Two-Factor Theory distinguishes between hygiene factors and motivators, where compensation serves to prevent dissatisfaction, while intrinsic factors such as recognition and achievement promote job satisfaction (Herzberg *et al.*, 1959; Luthans, 2011). Furthermore, the AMO model asserts that optimal performance can only be achieved when ability, motivation, and opportunity are simultaneously present (Bailey, 1993). Locke's (1976) Job Satisfaction Theory also explains that job satisfaction is the result of an individual's evaluation of the match between expectations and work outcomes.

Several empirical studies have examined the relationship between compensation, leadership, job satisfaction, and employee performance. Studies by Arviadi *et al.* (2022), Widyastuti and Riana (2019), and Sazly *et al.* (2024) found that compensation and leadership have a positive and significant effect on employee performance. These studies indicate that improved well-being and effective leadership can boost work productivity. However, several other studies have yielded conflicting results. Arifin (2017) and Ansori and Caroline (2017) found that compensation does not directly affect performance, but rather through job satisfaction. A similar finding was also found by Winaningsih (2024), who showed that compensation has a greater effect on job satisfaction than performance.

Furthermore, findings regarding the role of job satisfaction vary. Aufa *et al.* (2023) showed that not all aspects of job satisfaction significantly influence performance, while Azwar *et al.* (2020) and Budiwati *et al.* (2020) emphasized that other factors, such as organizational culture and leadership style, also influence this relationship. These differing results demonstrate inconsistencies in the literature and indicate that the relationship between variables is highly contextual, depending on the characteristics of the organization and the work environment.

Critically, previous studies have the strength of identifying direct relationships between variables, but are limited in explaining the indirect mechanisms that occur between them. Furthermore, most studies were conducted in different organizational contexts, such as government agencies or the industrial sector, so their relevance to higher education environments still requires further study. Based on the above description, there is a research gap in the form of inconsistent results regarding the effect of compensation on performance and limitations of studies that place job satisfaction as a mediating variable in the context of higher education. Therefore, this study aims to

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fill this gap by analyzing the role of job satisfaction in mediating the influence of compensation and leadership on employee performance, specifically within the Faculty of Agriculture, Methodist University of Indonesia. This research is expected to provide theoretical and empirical contributions to the development of human resource management science, particularly in the higher education sector.

RESEARCH METHODS

This study used a quantitative approach with a descriptive design to examine the relationship between variables through hypothesis testing. The study was conducted at the Faculty of Agriculture, Methodist University of Indonesia, from August to December 2025. The population in this study was all 44 lecturers and educational staff, with the sampling technique using saturated sampling (total sampling) so that the entire population became respondents.

The research variables consisted of compensation and leadership as independent variables, job satisfaction as a mediating variable, and employee performance as a dependent variable. The variables were measured using a Likert scale with five levels of assessment, ranging from strongly disagree to strongly agree. The research instrument was developed based on indicators for each variable, such as salary, bonuses, and allowances for compensation; charisma and motivation for leadership; and quality and quantity for employee performance.

The data used in this study consisted of primary and secondary data. Primary data was obtained through questionnaires and direct interviews with respondents, while secondary data was obtained from relevant organizational documents, books, and journals. Data collection techniques included questionnaires, interviews, and literature review.

Prior to analysis, validity and reliability tests were conducted to ensure the quality of the research instrument. The test results showed that all statement items were valid, with correlation values above the table's r value, and reliable, with Cronbach's Alpha values above 0.70 for all variables.

The data analysis technique used SPSS software version 26. The analysis included descriptive analysis, classical assumption tests (normality, multicollinearity, and heteroscedasticity), and path analysis to examine the direct relationship between variables. Furthermore, the Sobel test was used to determine the significance of the indirect influence of the independent variable on the dependent variable through the mediating variable. The coefficient of determination (R^2) was used to measure the model's ability to explain variations in employee performance.

RESULTS AND DISCUSSION

Classical Assumptions

Normality

The normality test aims to determine whether the data in a regression model is normally distributed. A good regression model is data that is normally distributed or nearly so (Umar, 2008). Normality testing can be performed through graphical analysis, such as histograms and normal probability plots, as well as the Kolmogorov-Smirnov (KS) statistical test. The criteria for graphical testing are that if the data is spread along a diagonal line or follows a normal distribution pattern, then the assumption of normality is met.

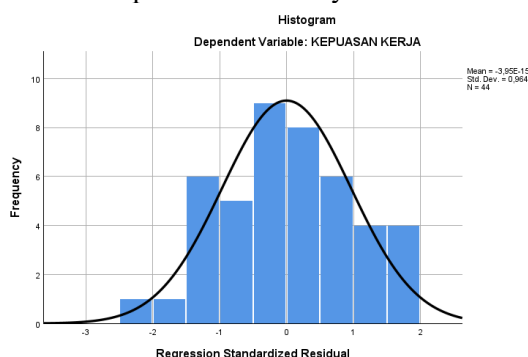


Figure 1. Histogram Normality Test Results

Based on Figure 1, it can be concluded that the data are normally distributed. This is indicated by the histogram graph, which forms a normal distribution pattern and does not deviate to the left or right. Therefore, the residual data meets the assumption of normality, and the regression model used is considered appropriate.

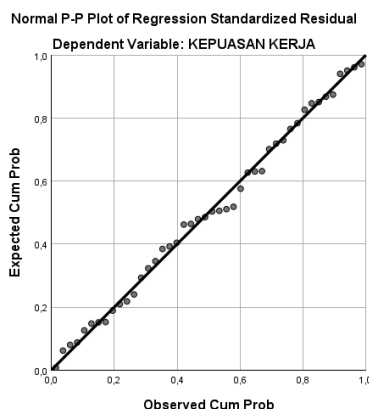


Figure 2. Results of PP Plot Normality Test

Based on Figure 2, the PP plot shows that the points are spread around the diagonal line and tend to follow the direction of the diagonal line. This indicates that the data used in this study meets the assumption of normality and is therefore suitable for testing with a regression model.

Although the normality test graphically shows a normal distribution pattern, these results do not necessarily reflect the same condition statistically. Therefore, further testing is needed using the nonparametric Kolmogorov-Smirnov (KS) statistical test to confirm the data distribution. In this test, if the significance value (sig.) is greater than 0.05, then the data is declared normally distributed. Conversely, if the significance value is less than 0.05, then the data is not normally distributed. The following presents the results of the normality test using the Kolmogorov-Smirnov (KS) method.

Table 1. Results of the Kolmogorov Smirnov Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		44
Normal Parameters ^{a,b}	Mean	,0000000
	Standard Deviation	1.11516746
Most Extreme Differences	Absolute	,072
	Positive	,072
	Negative	-,051
Test Statistics		,072
Asymp. Sig. (2-tailed)		,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

value or Asymp. Sig (2-tailed) is 0.200. Because the probability value p, which is 0.200, is greater than the required significance level, which is 0.05. This means that the normality assumption is met .

Multicollinearity

The multicollinearity test aims to determine whether there is a correlation between the independent variables in a regression model. A good regression model should not contain multicollinearity. The test is performed by examining the Tolerance and Variance Inflation Factor (VIF) values . If the Tolerance value is <0.10 or the VIF is >10, multicollinearity is present. Conversely, if the Tolerance value is >0.10 or the VIF is <10, multicollinearity is not present.

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Table 2. Multicollinearity Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3,510	1,359		2,583	,014		
	Compensation	,309	,092	,284	3,380	,002	,113	8,839
	Leadership	,320	,089	,293	3,617	,001	,122	8,216
	Job satisfaction	,466	,094	,432	4,948	,000	,105	9,502

a. Dependent Variable: EMPLOYEE PERFORMANCE

values of each independent variable are 8.839, 8.216 , and 9.502 , so it can be concluded that there are no symptoms of multicollinearity because the VIF value is less than 10.

Heteroscedasticity

The heteroscedasticity test aims to determine whether there are differences in residual variance between observations in a regression model. A good model is one that does not experience heteroscedasticity (homoscedasticity), that is, when the residual variance remains constant.

Table 3. Heteroscedasticity Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,959	,791		1,212	,233
	KOMPENSASI	-,092	,053	-,779	-1,731	,091
	KEPEMIMPINAN	,022	,052	,186	,429	,670
	KEPUASAN KERJA	,051	,055	,437	,937	,354

a. Dependent Variable: ABS_RES

value (significance) of the regression coefficient of each independent variable is 0.091, 0.670 and 0.354 and is greater than 0.05, thus indicating that in this study there are no symptoms of heteroscedasticity .

Sub-Structural Hypothesis Test I

F Test (Simultaneous) Sub-Structural I

The decision-making criteria are:

H_0 is accepted if $F_{count} < F_{table}$ at $\alpha = 5\%$

H_0 is rejected if $F_{count} > F_{table}$ at $\alpha = 5\%$

So that it produces the following hypothesis formulation:

H_0 : Compensation & Leadership, simultaneously do not have a significant influence on Job Satisfaction.

H_a : Compensation & Leadership simultaneously have a significant influence on Job Satisfaction.

From the hypothesis formulation above, it is known that the sub-structural equation I, the value of the influence of P from the independent variable on the dependent variable is obtained from the beta value in the regression analysis carried out, thus forming the sub-structural equation I:

$$Y = p_{YX1} X1 + p_{YX2} X2 + p_{YX3} X3 + \epsilon1$$

Based on the equation formula above, the form of the sub-structure I path coefficient diagram is known, namely:

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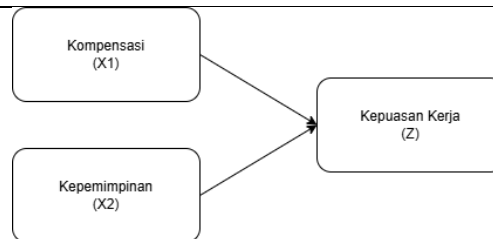


Figure 3. Sub-Structural Path Diagram I

Before conducting a path analysis on the Compensation and Leadership variables on Job Satisfaction, the linear relationship between the four variables must first be tested. The following are the results of the simultaneous sub-structural test I:

Table 4. Results of Simultaneous Sub-Structural Test I

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1284,124	2	642,062	174,294	,000 ^b
	Residual	151,035	41	3,684		
	Total	1435,159	43			
a. Dependent Variable: JOB SATISFACTION						
b. Predictors: (Constant), LEADERSHIP, COMPENSATION						

Based on Table 4, it can be seen that the significance value of F is $0.000 < 0.05$, so it can be concluded that Compensation & Leadership have a significant influence on Job Satisfaction simultaneously.

Coefficient of Determination (R^2) Sub-Structural I

The coefficient of determination (R^2) is used to measure the ability of an independent variable to explain a dependent variable. R^2 values range from 0 to 1. The closer to 1, the stronger the independent variable's ability to explain the dependent variable, while the closer to 0 indicates a weaker explanatory power.

Table 5. Results of the Determination Coefficient (R^2) of Substructural II

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	,946 ^a	,895	,890	1,919
a. Predictors: (Constant), LEADERSHIP, COMPENSATION				

Based on Table 5 it can be seen that:

1. adj. R Square value of 0.890 means that 89.0% of the Job Satisfaction variable can be explained by Compensation and Leadership, while the remaining 11.5% can be explained by other variables not examined in this study. Meanwhile, the magnitude of the path coefficient value on other variables outside this study that influence the value of the employee performance variable is $p(Y) = \sqrt{1 - R \text{ Square}} = \sqrt{1 - 89,5}$
2. Standard Error of Estimated (Standard Deviation) measures the variation in the predicted value. In this study, the standard deviation was 1.919. A smaller standard deviation means a better model.

Sub-Structural t-Test (Partial) I

The decision-making criteria are:

H_0 is accepted if $t_{\text{count}} < t_{\text{table}}$ at $\alpha = 5\%$

H_0 is rejected if $t_{\text{count}} > t_{\text{table}}$ at $\alpha = 5\%$

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Table 6. Results of Partial Sub-Structural Test I

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,106	1,612		6,268	,000
	COMPENSATION	,521	,128	,517	4,065	,000
	LEADERSHIP	,455	,129	,449	3,532	,001

a. Dependent Variable: JOB SATISFACTION

Based on the results of Table 6:

1. Based on the table above, it can be seen that the Compensation variable on Job Satisfaction has a significant value of $0.000 < 0.05$, so it can be concluded that Compensation has a positive and significant effect on Job Satisfaction or H3 is accepted. This shows that the better the Compensation, the better the level of Job Satisfaction will be.
2. Based on the table above, it can be seen that the Leadership variable on Job Satisfaction has a significant value of $0.001 < 0.05$, so it can be concluded that Leadership has a positive and significant effect on Job Satisfaction or H4 is accepted. This means that the more effective the leadership is perceived, the higher the level of Job Satisfaction.

Based on the partial test results, a structural path model I was obtained that describes the direct influence of compensation and leadership on job satisfaction. The path coefficient values were compiled based on the results of the regression analysis using SPSS 26.0, as shown in the following diagram:

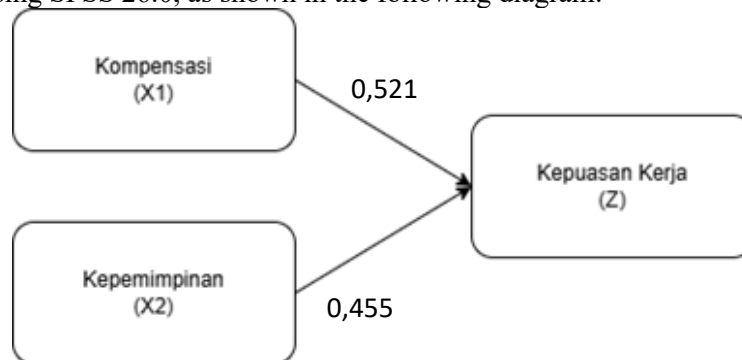


Figure 4. Sub-Structural Path Diagram I

F Test (Simultaneous) Sub-Structural II

the hypothesis formulation is as follows:

H0. Compensation (X1), Leadership (X2), and Job Satisfaction (Z) simultaneously do not have a significant effect on Employee Performance (Y).

Ha. Compensation (X1), Leadership (X2), and Job Satisfaction (Z) simultaneously have a significant effect on Employee Performance (Y).

From the hypothesis formulation above, it is known that the sub-structural equation II, the value of the influence of P from the independent variable on the dependent variable is obtained from the beta value in the regression analysis carried out, thus forming the sub-structural equation II:

$$Y = p_{YX1} X1 + p_{YX2} X2 + p_Z Y + \epsilon_2$$

Based on the equation formula above, the form of the sub-structure II path coefficient diagram is known, namely:

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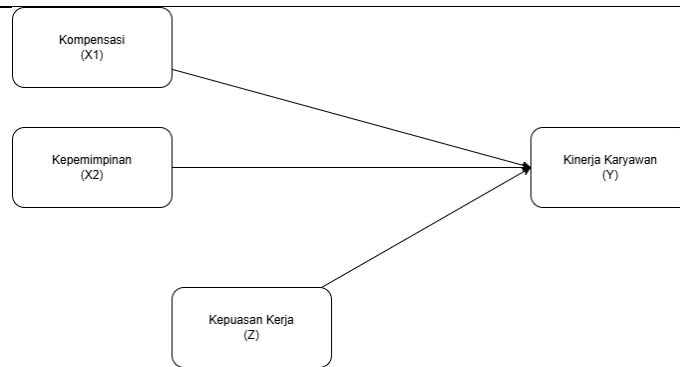


Figure 5. Sub-Structural Path Diagram II

Before conducting a path analysis on the variables of Compensation, Leadership, and Job Satisfaction on employee performance, the linear relationship between the four variables must first be tested. The following are the results of the simultaneous sub-structural test II:

Table 6. Results of Simultaneous Sub-Structural Test II

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1616,162	3	538,721	402,972	,000 ^b
	Residual	53,475	40	1,337		
	Total	1669,636	43			
a. Dependent Variable: EMPLOYEE PERFORMANCE						
b. Predictors: (Constant), JOB SATISFACTION, LEADERSHIP, COMPENSATION						

Based on Table 6, it can be seen that the significance value of F is $0.000 < 0.05$, so it can be concluded that Compensation (X1), Leadership (X2), and Job Satisfaction (Z) simultaneously have a significant effect on Employee Performance (Y).

Coefficient of Determination (R²) Sub-Structural II

The coefficient of determination (R^2) is used to measure how much the independent variable contributes to the dependent variable.

Table 7. Results of the Determination Coefficient (R^2) of Sub-Structural II

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	,984 ^a	,968	,966	1,156
a. Predictors: (Constant), JOB SATISFACTION, LEADERSHIP, COMPENSATION				

Based on Table 7, the adj. R square value is 0.966 or 96.6% of the influence of Compensation, Leadership, and Job Satisfaction on job satisfaction. Standard Error of Estimated (Standard Deviation) measures the variation in the predicted value. In this study, the standard deviation was 1.156. A smaller standard deviation means a better model.

Sub-Structural t-Test (Partial) II

To test the partial influence of the variables Leadership, Compensation and Job Satisfaction on employee performance using regression analysis of the SPSS 26 program.

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Table 8. Results of Partial Sub-Structural Test II

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,510	1,359		2,583	,014
	COMPENSATION	,309	,092	,284	3,380	,002
	LEADERSHIP	,320	,089	,293	3,617	,001
	JOB SATISFACTION	,466	,094	,432	4,948	,000

a. Dependent Variable: EMPLOYEE PERFORMANCE

Table 8 shows that:

- Based on the table above, it can be seen that the Compensation variable on Employee Performance has a significance value of $0.002 < 0.05$, so it can be concluded that Compensation has a positive and significant effect on Employee Performance or H1 is accepted.
- Furthermore, the Leadership variable on Employee Performance has a significance value of $0.001 < 0.05$, so it can be concluded that compensation has a positive and significant effect on Employee Performance so that H2 is accepted.
- In addition, the variable Job Satisfaction on Employee Performance has a significance value of $0.000 < 0.05$, so it can be concluded that Job Satisfaction has a positive and significant effect on Employee Performance. This means that the higher the Job Satisfaction felt by employees, the higher the level of Employee Performance will be. Therefore, hypothesis H7 is accepted.

After the partial test, the Sub Structure II path diagram was obtained, but it was presented with the path coefficient values that had been obtained through data with SPSS 26 so that the Sub Structure II model looked as follows:

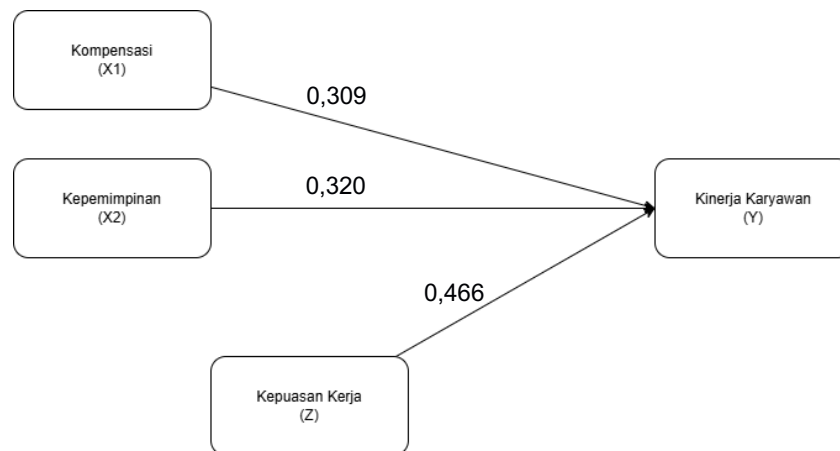


Figure 6. Sub-Structural Path Diagram II

From the equation image 6 of the path diagram, structural equation II can be obtained, namely:

$$Y = a + p_{YX1} X1 + p_{YX2} X2 + p_Z Z + \epsilon_2$$

$$Y = 3.510 + 0.309X1 + 0.320X2 + 0.466 + e$$

To calculate the mediating variables, the Sobel test is used to analyze the results and determine the direct and indirect influences through the mediating variables with the results that can be seen in Table 9.

Table 9. Summary of the Relationship between Compensation Variables (X1), Leadership (X2), and Job Satisfaction (Z) and Employee Performance (Y)

Influence of Variables	Direct Causal Influence	Indirect Causal Effect (a×b)	Total	SE	Sobel Test
Compensation → Job Satisfaction	0.521		0.521	0.128	
Leadership → Job Satisfaction	0.455		0.455	0.129	
Compensation → Employee Performance	0.309	0.243 (via Job Satisfaction)	0.552	0.092	3.14
Leadership → Employee Performance	0.320	0.212 (via Job Satisfaction)	0.465	0.089	2.87
Job Satisfaction → Employee Performance	0.466		0.466	0.094	

- The analysis results show that compensation has a direct effect on employee performance of 0.309. Furthermore, compensation also has an indirect effect through job satisfaction of 0.243, bringing the total effect to 0.552. The Sobel value of 3.14 (>1.96) indicates that job satisfaction significantly mediates the relationship between compensation and employee performance. Thus, H3 is accepted.
- Leadership has a direct influence on employee performance of 0.320. Furthermore, there is an indirect influence through job satisfaction of 0.212, bringing the total influence to 0.532. The Sobel value of 2.87 (>1.96) proves that job satisfaction also acts as a significant mediator in the relationship between leadership and employee performance. Thus, H4 is accepted.

Overall, job satisfaction has been shown to strengthen the influence of compensation and leadership on employee performance, both directly and indirectly.

CONCLUSION

Based on the results of the research analysis, it can be concluded that compensation and leadership have a positive and significant influence on employee performance at the Faculty of Agriculture, Methodist University of Indonesia. Fair and appropriate compensation can increase work motivation, while effective leadership can encourage employees to work more optimally. Furthermore, compensation and leadership have also been shown to have a positive influence on job satisfaction, where a good reward system and a supportive leadership style can create a sense of satisfaction and comfort at work. Job satisfaction itself acts as a mediating variable that strengthens the relationship between compensation and leadership on employee performance. This means that in addition to their direct influence, these two variables also improve performance indirectly through increased job satisfaction. Thus, job satisfaction is an important factor that encourages employees to have a positive attitude, commitment, and better performance.

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