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The Influence of Leadership Style on Employee Performance at PT Pegadaian Regional Office Region III and Palembang Branch

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Abstract---*This study aims to analyze the influence of leadership style on employee performance at PT Pegadaian Regional Office III and Palembang Branch. Leadership style plays an important role in improving employee performance which has a direct impact on achieving company goals. This study uses a quantitative method with a total sampling of all employees at PT Pegadaian Regional Office III and Palembang Branch. The results of the analysis show that leadership style has a positive and significant influence on employee performance, especially in the decision-making process, by providing employees with the opportunity to provide input. However, there are still some employees who feel less listened to, which can hinder performance improvement. The findings provide implications for the development of a more inclusive and responsive leadership strategy at PT Pegadaian.*

Keywords---*company, employee performance, leadership style, products service.*

Introduction

One factor that greatly influences the success of a company is optimal employee performance. Employee performance can be achieved if employees have motivation, an understanding of company goals, and a conducive work environment. Effective leadership can create a conducive work atmosphere and encourage employees to give their best performance. In this case, the role of leadership style is very important because leaders not only function as directors, but also as motivators and inspirers who can influence employee attitudes and performance (Leonardo et al., 2021). At PT Pegadaian Regional Office III and Palembang Branch, achieving company targets is influenced by various factors, including leadership effectiveness. As a state-owned company engaged in financial services and pawning, PT Pegadaian must be able to face increasingly fierce competition with other financial institutions. For this reason, a leadership style that suits the needs of employees and the work situation in the company is crucial so that the company can achieve targets and maintain high performance (Gençer & Samur, 2016; Wang et al., 2005; Nauman et al., 2010).

PT Pegadaian, established on April 1, 1901, in Sukabumi, West Java, is a subsidiary of Bank Rakyat Indonesia and focuses on the pawn business. To support its operations, by the end of 2022, the company will have a network that includes 12 regional offices, 61 area offices, 642 branch offices, and 3,444 service units throughout Indonesia.

PT Pegadaian also has several subsidiaries, namely PT Pegadaian Galeri Dua Empat, PT Pesonna Indonesia Jaya, PT Pesonna Optima Jasa, and PT Balai Lelang Artha Gasia, which operate in the financial sector in three main business lines: financing, gold, and other services. The company provides various service products, such as Kredit Cepat Aman (KCA), Krasida, Kreasi, precious metal sales, gold savings, Arrum Haji, and vehicle financing loans. In addition, PT Pegadaian also offers payment services for electricity, telephone, water, subscription TV, credit top-up, domestic and international remittances, and train tickets. KCA itself is a pawn-based credit service that can be accessed by all groups for consumptive and productive purposes (Annarelli et al., 2016; Beuren et al., 2013).

PT Pegadaian Regional Office III and Palembang Branch applies a special mechanism in assessing the performance of its employees. This assessment is carried out by each manager following the functions of each employee, and then the results of the assessment are collected by the human capital (HC) section. This assessment data serves as the basis for making decisions regarding employee policies. Performance evaluation at PT Pegadaian Regional Office III and Palembang Branch is conducted annually, using a rating scale of 3 to 7, called the Performance Management System (SMK). This scale means that the lower the score obtained by the employee, the lower the performance. Conversely, higher scores indicate good performance. This evaluation is held at the end of each year to ensure optimal performance from all employees.

Performance has a very important role in the organization because it is proven to provide significant benefits. Therefore, efforts to improve employee performance are one of the main challenges in management, because the success of achieving goals and the sustainability of the company are highly dependent on the quality of the performance of the human resources (Dopas et al., 2020). Performance can be defined as the results achieved by employees in their work based on certain criteria that apply to a particular task (Robbins & Judge, 2019). Optimal performance is the first step to achieving organizational goals, so improving employee performance is important as an effort to achieve organizational goals.

Table 1
Performance Target Data in 2019-2023

Year	OSL Target IDR Trillion	OSL Realisasi Rp Trillion	Achievement Presentation (%)
2019	50	48	96
2020	55	53	96,36
2021	60	58	96,46
2022	65	64	98,46
2023	70	68	97,14

Source: PT Pegadaian Internal Data, processed 2024

The data in Table 1. shows that based on the table above, it can be seen that there is in 2019-2020. The percentage of achievement slightly increased from 96% in 2019 to 96.36% in 2020. Even though the target increased by IDR 5 trillion, the company still managed to increase achievement, showing a positive response to growth challenges. Whereas in 2021-2022, the achievement percentage increased more significantly, especially in 2022 which reached 98.46%. This indicates effectiveness including improvements in service or operational efficiency. In 2023, the achievement percentage dropped slightly to 97.14% from 98.46% in 2022, although it remained above 97%. This small drop may reflect such as macroeconomic conditions or regulatory changes, but is still within very positive limits.

Based on Decree No. 012/KPI00000/2022-S0 stipulated in August 2022 by the HR Department of PT Pegadaian in question, information was obtained that employees with low performance will be prepared to take part in the *performance improvement program* (PIP) which is implemented as part of the *performance management system* (PMS). The Decree explains that PIP is a company policy to regulate the *development* of *low-performing* employees in a clear, objective, and transparent manner following applicable rules and norms, either through optimizing *development tools* or termination of employment at their request or termination of employment at the request of the company. Based on the PIP minutes of understanding, employees who obtain high-performance scores will receive appreciation which is taken into consideration in compensation allowances and bonuses (Håkansson & Ford, 2002; Huemann et al., 2007).

The acquisition of performance scores will also be a record for each employee to be evaluated by the *human capital* (HC) function and affect the process of promotion and position, where employees with a good track record in the 2020-2022 period tend to be easier and faster to advance in rank and position. Conversely, employees with a

track record of low performance (having received a score of 3) in the 2020-2022 period tend to find it more difficult to advance in rank and position.

Based on other research about 70% of the variation in employee engagement and performance is directly related to leadership quality. The study revealed that employees led by managers with participative and transformational leadership styles had higher engagement levels, reaching 73%, compared to those under managers with authoritarian leadership styles, who only achieved 33% engagement. This data suggests that leadership styles that empower employees have the potential to significantly improve employee performance and engagement. This confirms that a more participative and inspirational leadership style can be key in building engagement and improving employee performance (Trang, 2013).

Some leadership styles, such as transformational and transactional leadership, have different influences on aspects of employee performance. Transformational leadership style, which emphasizes motivation and inspiration, is often considered to increase employee morale and loyalty. Meanwhile, transactional leadership, which focuses more on reward and punishment systems, can have an impact on short-term target achievement (Priya & Raman, 2021). This research seeks to understand which leadership styles are most effective in improving employee performance at PT Pegadaian Regional Office III and Palembang Branch, and how these styles can be implemented to support company performance.

By examining the relationship between leadership style and employee performance at PT Pegadaian, it is hoped that the results of this study can make practical and theoretical contributions to companies in developing effective leadership strategies, as well as provide insight for managers and leaders to optimize their leadership style to improve employee performance (Eliyana, & Ma'arif, 2019; GÜNGÖR, 2011; Sadikoglu & Zehir, 2010).

Research Method

The population in this study were all employees at PT Pegadaian Regional Office III and Palembang Branch as many as 95 employees in 2024. The sampling technique in this study was to use the total sampling technique because in this study the authors took all employees at PT Pegadaian Regional Office III and Palembang Branch as many as 94 employees. In this study, the results obtained from the answers to the questionnaire using the Likert scale are ordinal data as a sample.

In this study, the results obtained from the answers to the questionnaire using the Likert scale are ordinal data so that the data can be analyzed statistically, the data must be converted into intervals. The *method* used is the *method of successive* (MSI), which is a scaling method to raise the ordinal measurement scale to an interval measurement scale. (Sedarmayanti, 2017).

Result and Discussion

Table 2
Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		93
Normal Parameters	Mean	.0000000
	Std. Deviation	.61074339
Most Extreme Difference	Absolute	.086
	Positive	.062
	Negative	-.086
Kolmogrov-Smirnov Z		.086
Asymp. Sig. (2-tailed)		.089

Data Source: Processed from Questionnaire, 2024

Based on the normality test results in the table, shows that the data is normally distributed. This is indicated by the *Kolmogorov-Smirnov* test which shows results that have a significance level of 0.089 which is above 0.05.

Multicollinearity Test Results

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. To find out whether multicollinearity occurs, it can be seen from the VIF and *tolerance* values contained in each variable as in the table below:

Table 3
Multicollinearity Test Results

Test Of Multicollinearity	VIF	Cutt Off	Description
Leadership Style	1,457	< 10	No Multicollinearity
Work Motivation	1,722	< 10	No Multicollinearity

Data Source: Processed from Questionnaire, 2024

Based on the results from the table, shows that there is no multicollinearity between the independent variables because it shows the VIF value is less than 10. Thus, in this model, there is no multicollinearity problem.

Multiple Linear Regression Analysis Results

Multiple linear regression analysis was conducted to determine the effect of leadership style variables (X) and employee performance (Y). Based on the test results obtained as follows:

Table 4
Multiple Linear Regression Analysis Results

Model	Coefficients			
	Unstandardized Coefficients	Std. Error	Standardized Coefficients	
1	B		Beta	
	Constant	.632	.254	
	Leadership Style	.360	.079	.355
	Motivation	.540	.078	.537

Data Source: Processed from Questionnaire, 2024

Based on the table, the results of multiple linear regression analysis can be expressed with the following equation:

$$Y = 0,632 + 0,360X_1 + 0,540X_2 + e$$

- 1) The constant value of 0.632 indicates the amount of employee performance is 0.632. If the leadership style variable is 0 (zero).
- 2) The regression coefficient value of the leadership style variable of 0.360 means that if the leadership style is better, it will further improve employee performance at PT Pegadaian Regional Office III and Palembang Branch. With this value and the regression coefficient value of 0.360, this shows that there is a positive influence between leadership style on employee performance at PT Pegadaian Regional Office III and Palembang Branch.

Results of Correlation Coefficient (r) and Coefficient of Determination (R²)

Based on the research that has been done, the results of the correlation coefficient (r) and the coefficient of determination (R²) in this study can be seen in the table as follows:

Table 5
Correlation Coefficient Test Results (r) and Coefficient of Determination (R²)

Model Summary ^b				
Model	r	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792	.627	.619	.617492

Data Source: Processed from Questionnaire, 2024

Based on the table, it can be seen that the correlation coefficient (r) between the independent variable and the dependent variable is 0.792 or 79.2%. The coefficient of determination (R²) of 0.626 indicates that the independent variable, namely leadership style, can explain the dependent variable, namely employee performance (Y) by 62.7%, while the remaining 37.3% is explained by other factors that are not included in this study.

F Test Results

The F test in this study was conducted to identify whether the regression equation model was feasible or not feasible to use to explain the effect of the independent variables on the dependent variable. Based on the test results and data processing, the test results are as follows:

Table 6
F Test Results

ANNOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.652	2	28.826	75.600	.000
	Residuals	34.317	90	.381		
Total		91.968	92			

Data Source: Processed from Questionnaire, 2024

Based on the results in the table, a significance value of 0.000 is obtained because the significance value of 0.000 < 0.05, it can be said that the linear regression model obtained is feasible to be used to explain the effect of leadership style on employee performance at PT Pegadaian Regional Office III and Palembang Branch.

Results of the t-test

The t-test aims to determine how far the influence of the independent variables individually on the dependent variable. This study with a significance of 5% or $\alpha = 0.05$. The t-test results can be seen in Table 4.14 as follows:

Table 7
t-test results

Model	Variables	Coefficients			Sig.
		B	t _{tabel}	t _{hitung}	
1	Leadership Style	.360	1.986	4.564	.000

Data Source: Processed from Questionnaire, 2024

Based on the table, the value of the *degree of freedom* (df) = n-k = 94-3 = 91 and 0.05, the value obtained is 1.986. t_{table} for this research data is 1.986. The analysis results can be explained as follows, Value t_{count} The leadership style variable is 4.564 and the significance value is 0.000, so the value is 1.986. t_{count} > t_{table} namely (4.564 > 1.986) or the value (Sig.) 0.000 < 0.05. This means that leadership style has a significant effect on employee performance at PT Pegadaian Regional Office III and Palembang Branch. This proves that the first hypothesis of leadership style has a positive and significant effect can be accepted.

The Effect of Leadership Style on Employee Performance at PT Pegadaian Region III Office and Palembang Branch

The results of the analysis obtained in this study indicate that leadership style has a positive and significant effect on employee performance so the first hypothesis can be accepted. Based on respondents' responses to the indicator my leader listens to and respects the opinions of team members shows the lowest value. It is suspected that some employees at PT Pegadaian Regional Office III and Palembang Branch still consider the role of superiors as leaders in providing opportunities for employees to provide feedback not by expectations. Some respondents who are employees of PT Pegadaian Regional Office III and Palembang Branch said that some of their superiors who act as leaders do not respect the opinions of employees. Where this will give employees, a little less appreciation given by the leadership to them.

Respondents' responses to the indicators of my leader who creates a positive and supportive work environment showed the highest value. This shows that the role of leadership in creating a positive work environment has been implemented well at PT Pegadaian Regional Office III and the Palembang Branch. Where leaders do not provide support, such as difficulty accepting input, lack of motivation needed for subordinates, and lack of control and supervision. This can result in decreased performance because it can hinder employee development and reduce their sense of responsibility for their work (Tahir & Darman, 2023).

Conclusion

Based on the results of research and analysis that has been carried out, it can be concluded that leadership style has a positive and significant effect on employee performance at PT Pegadaian Regional Office III and Palembang Branch.

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