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The Influence of Leadership and Compensation on Employee Performance at the Sidikalang Urban Village Office, Dairi Regency

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Abstract. This study aims to analyze the effect of leadership and compensation on employee performance at the Sidikalang Subdistrict Office, Dairi Regency, both partially and simultaneously. This research employed a quantitative approach using a survey method. The population consisted of employees of the Sidikalang Subdistrict Office, Dairi Regency, with a total of 70 respondents. Data were collected through questionnaires and analyzed using multiple linear regression analysis, t-test, F-test, and the coefficient of determination. The results showed that leadership had a significant effect on employee performance, with a t-value of 2.735 and a significance level of 0.008 < 0.05. Compensation also had a significant effect on employee performance, with a t-value of -2.041 and a significance level of 0.045 < 0.05. Simultaneously, leadership and compensation had a significant effect on employee performance, as indicated by an F-value of 3.766, which was greater than the F-table value of 3.13, with a significance level of 0.028 < 0.05. The R Square value of 0.101 indicates that leadership and compensation explain 10.1% of the variation in employee performance, while the remaining 89.9% is influenced by other factors outside the scope of this study. Therefore, improving leadership quality and managing compensation appropriately should receive attention as part of efforts to improve employee performance at the Sidikalang Subdistrict Office, Dairi Regency.

Keywords: Compensation; Employee Performance; Human Resource Management; Leadership; Public Sector.

1. INTRODUCTION

Employee performance is one of the main indicators used to assess the success of an organization, whether in the public or private sector. Performance reflects the extent to which employees achieve work outcomes in carrying out their assigned duties and responsibilities in accordance with organizational standards and objectives. In government organizations, employee performance is particularly crucial because it is directly related to the quality of public services provided to the community. The better the employee performance, the more optimal the services delivered, thereby increasing public trust in government institutions.

Conceptually, performance is not measured solely by work outcomes but also encompasses work processes, work behavior, and the effectiveness and efficiency with which tasks are completed. Employee performance is dynamic, meaning that it can improve or decline depending on various influencing factors. These factors may originate from within employees (internal factors), such as motivation, ability, and discipline, or from outside employees (external factors), such as leadership, compensation, the work environment, and the organizational system in place.

One external factor that significantly influences employee performance is leadership. Leadership is the process of influencing, directing, and mobilizing individuals or groups to achieve organizational goals. In government organizations, leaders serve not only as decision-makers but also as motivators, facilitators, and drivers of human resources. Effective leadership

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can create a conducive working environment, increase work enthusiasm, and encourage employees to perform optimally (Triyanti et al., 2024).

Leaders who adopt an appropriate leadership style can understand employees' needs, provide clear directions, and establish effective communication within the organization. Conversely, ineffective leadership may result in low work motivation, poor coordination, and declining employee performance. Therefore, leadership is an important factor that must be considered in efforts to improve employee performance within an institution. Leadership plays a crucial role in influencing employee performance. Effective leadership can provide clear guidance, establish good communication, and enhance employee work motivation (Dewi & Kharisma, 2023). Research conducted by Sasmita & Husainah (2025) indicates that leadership style has a positive and significant effect on employee performance. This finding suggests that the better the leadership applied, the higher the resulting employee performance.

In addition to leadership, compensation is another important factor that can influence employee performance. Compensation refers to all forms of rewards provided to employees in return for their contributions to an organization. Fair and appropriate compensation can increase work motivation and employee satisfaction (Ningrum & Haryani, 2022). Pratiwi et al. (2025) stated that compensation has a positive and significant effect on employee performance, both partially and simultaneously with leadership.

Another study conducted by Gunawan et al. (2024) also indicates that leadership and compensation jointly influence employee performance in government institutions. This finding emphasizes that these two variables are key factors in improving employee performance, particularly in the public sector, where optimal service delivery to the community is essential. Furthermore, research by Sari & Hasanuddin (2023) demonstrates that leadership and compensation have positive and significant effects on employee performance in organizations. These findings reinforce the notion that organizational success is strongly influenced by leaders' ability to manage human resources and by the compensation systems implemented. In addition, Setiawan et al. (2025) found that leadership and compensation not only have direct effects on performance but may also be associated with other factors, such as work motivation, which can strengthen these relationships (Putri et al., 2026). Thus, leadership and compensation can serve as both primary and strategic factors in improving employee performance.

Providing fair, adequate, and appropriate compensation in accordance with employees' workloads and responsibilities can increase job satisfaction and work motivation (Sakarina et al., 2026). Employees who feel valued through the compensation they receive tend to demonstrate greater work enthusiasm, loyalty to the organization, and commitment to

completing their tasks effectively. Conversely, dissatisfaction with compensation may lead to various problems, such as declining work enthusiasm, poor discipline, increased absenteeism, and an overall decline in employee performance.

The Sidikalang Urban Village Office in Dairi Regency is a government institution responsible for providing administrative services to the community and is therefore required to maintain optimal employee performance. The services provided include various aspects, such as population administration, correspondence services, and other public services directly related to the community's needs. Consequently, the quality of employee performance at the urban village office is essential for supporting the effectiveness of public service delivery.

However, based on the preliminary observations conducted by the researcher, several issues related to employee performance were identified at the Sidikalang Urban Village Office in Dairi Regency. These issues include some employees demonstrating low work enthusiasm, limited initiative in completing tasks, and failure to achieve work targets optimally within the specified timeframes. In addition, there are indications of inadequate work discipline and insufficient accountability for assigned tasks. These problems are suspected to be influenced by leadership and compensation. Ineffective leadership may reduce employee work motivation, while a compensation system that does not adequately meet employees' expectations may lower job satisfaction. Ultimately, these conditions may negatively affect overall employee performance.

These performance issues are suspected to be closely related to the leadership practices implemented within the organization. A leadership style that fails to provide sufficient motivation, direction, and effective supervision may contribute to declining employee performance. Leaders who lack firmness or effective communication skills may leave employees uncertain about how to carry out their duties, resulting in suboptimal work outcomes. On the other hand, compensation is also suspected to influence employee performance. A compensation system that does not fully meet employees' expectations may lead to low job satisfaction. This situation may reduce employees' motivation to work and ultimately result in declining performance. Employees who perceive that their compensation is not commensurate with their workloads tend to demonstrate less enthusiasm, weaker discipline, and lower levels of responsibility in performing their duties.

Previous studies have indicated that leadership and compensation significantly influence employee performance. Effective leadership can increase employee motivation and work enthusiasm, while fair and adequate compensation can improve job satisfaction and

employee productivity. Therefore, these two factors must receive serious attention from organizations seeking to improve employee performance.

Based on the problems described above, it can be concluded that employee performance at the Sidikalang Urban Village Office in Dairi Regency still needs improvement and is suspected to be influenced by leadership and compensation. Therefore, this study aims to examine the relationships between leadership, compensation, and employee performance at the Sidikalang Urban Village Office in Dairi Regency, providing contextual empirical evidence within a local government institution. Accordingly, the researcher is interested in conducting a study entitled "The Influence of Leadership and Compensation on Employee Performance at the Sidikalang Urban Village Office, Dairi Regency." This study is expected to provide both theoretical and practical contributions, particularly to efforts to improve employee performance through more effective leadership practices and a more appropriate compensation system.

2. RESEARCH METHOD

A research design is a plan that outlines the activities, duration, and objectives of a study, as well as the guidelines for data selection and the framework used to explain the relationships between variables. In general, a research design is a method employed by researchers to systematically and logically integrate the various components of a study in order to address and examine its primary research focus. This study employs a quantitative descriptive research methodology.

This study uses a descriptive observational research design with a quantitative approach. This type of research aims to describe phenomena and systematically present findings based on factual evidence rather than drawing conclusions beyond the available data. Observational research is a type of study in which researchers do not manipulate or intervene in the subjects being studied. In this study, the researcher only observes the research subjects without introducing any intervention (Munthe et al., 2023). This study was conducted at the Sidikalang Urban Village Office in Dairi Regency, which was selected as the research location.

Research Location

The research was conducted at the Sidikalang Urban Village Office in Dairi Regency, with its main office located at Jl. Pelita No. 15, Batang Beruh, Sidikalang District, Dairi Regency, North Sumatra, Indonesia. To obtain the necessary data, the researcher collected data from the urban village office.

Research Period

The type of research conducted is survey research using a quantitative approach. Survey research is a quantitative research method used to obtain data on past or present conditions, including beliefs, opinions, characteristics, and behaviors.

Population

The scope of this study focuses on employee performance at the Sidikalang Urban Village Office in Dairi Regency. The population refers to the entire group of subjects being studied (Suharsimi, 2006). The population in this study consists of all employees working at the Sidikalang Urban Village Office in Dairi Regency, with a total population of 70 employees.

Sample

The primary data in this study were collected directly from 70 employees through questionnaires. A sample is a subset of a population that represents the population's size and characteristics. Therefore, a sample is used to represent the entire population and its characteristics (Sugiyono, 2017).

The sampling technique used in this study is total sampling (census sampling)**,** which is a sampling technique in which all members of the population are included as research respondents. According to Sugiyono (2017), this technique is generally used when the population is relatively small or when researchers intend to minimize sampling error. In this study, the sample consists of all employees at the Sidikalang Urban Village Office in Dairi Regency, totaling 70 respondents**.**

Validity and Reliability Tests

In conducting research, the implementation of validity and reliability tests cannot be separated from the research process. Both concepts are crucial to the success of a study because they determine whether the research instrument is valid and reliable. Validity and reliability tests are measurement instruments used to assess the quality of research instruments.

Validity Test

The validity test is used to assess the extent to which a questionnaire is truly capable of measuring what it is intended to measure. An instrument is considered valid when the items contained in the questionnaire are able to represent and reveal the aspects or variables intended to be measured (Ghozali, 2020). In other words, each item in the questionnaire must be appropriately related to the construct that is the focus of the study.

The validity test is conducted by correlating the score of each questionnaire item with the total score of the corresponding construct or variable. The hypotheses proposed are as follows:

H_0: The score of the questionnaire item is positively correlated with the total construct score.
H_a: The score of the questionnaire item is not positively correlated with the total construct score.

Operationally, the validity test is conducted by comparing the calculated *r* value with the critical *r* value at a 5% significance level with degrees of freedom (df) = $n - 2$, where *n* represents the number of samples. A questionnaire item is declared valid if the calculated *r* value > the critical *r* value. Conversely, if the calculated *r* value < the critical *r* value, the questionnaire item is declared invalid (Ghozali, 2020).

Reliability Test

The reliability test is used to assess the consistency of a measurement instrument, namely the extent to which a questionnaire produces relatively stable responses when administered under similar conditions. A questionnaire is considered reliable when respondents' answers to the statement items demonstrate consistency over time (Ghozali, 2020). Thus, reliability indicates the degree of dependability of an instrument in measuring the same construct.

In this study, the reliability test was conducted using the one-shot method, in which measurement is performed only once, with the assistance of SPSS software through the Cronbach's Alpha (α) statistical test. A construct or variable is declared reliable if the obtained Cronbach's Alpha value is greater than 0.60 (Ghozali, 2020).

Data Analysis

Data analysis refers to the process of examining, categorizing, organizing, interpreting, and validating data in order to obtain meaningful information and draw appropriate conclusions (Dewi, 2024).

Multiple Linear Regression Analysis

Regression analysis is used to determine the influence of independent variables on a dependent variable. In this study, multiple linear regression analysis was used to examine the relationships between leadership (X_1) and compensation (X_2) as independent variables and employee performance (Y) as the dependent variable. The multiple linear regression equation used in this study is as follows:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e \quad \text{..... (i)}$$

Where:

Y = Dependent variable (employee performance)
b_0 = Constant
b_1, b_2, b_3 = Regression coefficients

X_1 = Work motivation

X_2 = Compensation

X_3 = Job satisfaction

E = Error term

Simultaneous Test (F-Test)

The F-test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. Statistical calculations are performed using SPSS with a significance level of $\alpha = 0.05$. The decision-making criteria are based on the significance probability value. If the significance probability is greater than 0.05, H_0 is accepted and H_a is rejected. Conversely, if the significance probability is less than 0.05, H_0 is rejected and H_a is accepted.

Partial Test (t-Test)

The t-test is used to determine whether each independent variable individually has a significant effect on the dependent variable. In this study, the t-test was employed to examine whether leadership (X_1) and compensation (X_2) were individually associated with employee performance (Y) at a statistically significant level. The statistical test is conducted using SPSS with a significance level of $\alpha = 0.05$. The decision-making criteria are based on the significance value. If the significance value (Sig.) is less than 0.05, H_0 is rejected and H_a is accepted. Conversely, if the significance value (Sig.) is greater than 0.05, H_0 is accepted and H_a is rejected.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) aims to measure the ability of the regression model to explain the variation in the dependent variable (Ghozali, 2020). The coefficient of determination ranges from zero to one. A value of R^2 closer to one indicates that the independent variables provide a greater proportion of the information needed to explain the variation in the dependent variable. Conversely, a value of R^2 closer to zero indicates that the ability of the independent variables to explain the variation in the dependent variable is relatively limited.

3. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to present supporting data for a study in the form of tables for each variable examined. These tables display the frequency distribution of respondents'

answers to the questionnaires that were previously distributed. The following table presents the descriptive statistical analysis conducted by the researcher.

Table 1. Frequency Distribution of Respondents' Responses to the Leadership Variable (X1).

Item	Frequency of Respondents' Answers					
	STS	TS	N	S	SS	Total
$X_{1.1}$	0	3	2	38	27	70
$X_{1.2}$	0	1	12	18	39	70
$X_{1.3}$	0	3	31	19	17	70
$X_{1.4}$	0	2	32	20	16	70
$X_{1.5}$	0	1	9	51	9	70
$X_{1.6}$	2	1	6	28	33	70
$X_{1.7}$	0	3	2	29	36	70

Based on the table above, respondents' answers regarding the leadership variable (X1) indicate varying perceptions of leadership practices. For item X1.1, which concerns the leader's prioritization of cooperation to achieve organizational goals, 0% of respondents strongly disagreed (SD), 4.3% disagreed (D), 2.9% were neutral (N), 54.3% agreed (A), and 38.5% strongly agreed (SA). For item X1.2, which addresses the leader's efforts to resolve conflicts among subordinates under any circumstances, 0% strongly disagreed, 1.4% disagreed, 17.1% were neutral, 25.7% agreed, and 55.8% strongly agreed. Regarding item X1.3, which evaluates the leader's willingness to discuss decisions with subordinates and seek their opinions in urgent situations, 0% strongly disagreed, 4.3% disagreed, 44.3% were neutral, 27.1% agreed, and 24.3% strongly agreed. For item X1.4, which measures the leader's openness to suggestions, opinions, and criticism from subordinates, 0% strongly disagreed, 2.8% disagreed, 45.7% were neutral, 27.1% agreed, and 24.3% strongly agreed.

Furthermore, for item X1.5, which concerns the leader's coordination with subordinates while emphasizing responsibility, 0% strongly disagreed, 1.4% disagreed, 12.9% were neutral, 72.8% agreed, and 12.8% strongly agreed. For item X1.6, which assesses the leader's appreciation of subordinates' potential and willingness to listen to their advice, 2.8% strongly disagreed, 1.4% disagreed, 8.8% were neutral, 40% agreed, and 47% strongly agreed. Finally, for item X1.7, which relates to fair treatment of employees and the maintenance of discipline, 0% strongly disagreed, 4.2% disagreed, 2.8% were neutral, 41.5% agreed, and 51.2% strongly agreed.

Table 2. Frequency Distribution of Respondents' Responses to the Compensation Variable (X2).

Item	Frequency of Respondents' Answers					
	STS	TS	N	S	SS	Total
$X_{2.1}$	0	2	11	25	32	70
$X_{2.2}$	0	0	20	39	11	70

$X_{2.3}$	0	6	17	33	14	70
$X_{2.4}$	0	14	26	17	13	70
$X_{2.5}$	0	0	12	28	30	70
$X_{2.6}$	0	4	18	39	9	70

Based on the table above, respondents' answers regarding the compensation variable (X2) indicate varying perceptions of the compensation provided by the organization. For item X2.1, which concerns the implementation of a fair salary system among employees, 0% of respondents strongly disagreed (SD), 2.9% disagreed (D), 15.7% were neutral (N), 35.7% agreed (A), and 45.7% strongly agreed (SA). For item X2.2, which assesses whether the salary received is commensurate with the work performed, 0% strongly disagreed, 0% disagreed, 28.6% were neutral, 55.7% agreed, and 15.7% strongly agreed.

Regarding item X2.3, which evaluates whether the incentives received are consistent with employee performance, 0% of respondents strongly disagreed, 8.6% disagreed, 24.3% were neutral, 47.1% agreed, and 20% strongly agreed. For item X2.4, which measures whether organizational incentives motivate employees to work harder, 0% strongly disagreed, 20% disagreed, 37.1% were neutral, 24.3% agreed, and 18.6% strongly agreed. These findings reflect differences in respondents' perceptions of the appropriateness and motivational role of incentives provided by the organization.

Furthermore, for item X2.5, which concerns employees' sense of security resulting from the insurance provided, 0% of respondents strongly disagreed, 0% disagreed, 17.1% were neutral, 40% agreed, and 42.9% strongly agreed. Finally, for item X2.6, which assesses whether the allowances provided are appropriate for employees' roles or positions within the organization, 0% strongly disagreed, 5.7% disagreed, 25.7% were neutral, 55.7% agreed, and 12.9% strongly agreed.

Table 3. Frequency Distribution of Respondents' Responses to the Employee Performance Variable (Y).

Item	Frequency of Respondents' Answers					
	STS	**TS**	**N**	**S**	**SS**	**Total**
Y_1	0	0	2	50	18	70
Y_2	0	0	1	44	25	70
Y_3	0	0	23	27	20	70
Y_4	0	0	1	49	20	70
Y_5	0	0	22	37	11	70
Y_6	0	0	2	48	20	70
Y_7	0	0	26	20	24	70
Y_8	0	1	26	19	24	70

Based on the table above, respondents' answers regarding the employee performance variable (Y) indicate varying perceptions of their work performance. For item Y1, which concerns employees' efforts to achieve organizational work targets, 0% of respondents strongly

disagreed (SD), 0% disagreed (D), 2.9% were neutral (N), 71.4% agreed (A), and 25.7% strongly agreed (SA). For item Y2, which assesses employees' responsibility in completing tasks to achieve optimal results, 0% strongly disagreed, 0% disagreed, 1.4% were neutral, 62.9% agreed, and 35.7% strongly agreed. Regarding item Y3, which evaluates employees' ability to complete assigned tasks within specified deadlines, 0% strongly disagreed, 0% disagreed, 32.8% were neutral, 38.6% agreed, and 28.6% strongly agreed.

For item Y4, which measures employees' ability to perform their work effectively and efficiently without requiring extensive instructions or feedback from supervisors, 0% of respondents strongly disagreed, 0% disagreed, 1.4% were neutral, 70% agreed, and 28.6% strongly agreed. For item Y5, which concerns employees' efforts to complete their work ahead of schedule before proceeding to subsequent tasks, 0% strongly disagreed, 0% disagreed, 31.4% were neutral, 52.9% agreed, and 15.7% strongly agreed. Furthermore, for item Y6, which assesses employees' ability to take responsibility for assigned work, 0% strongly disagreed, 0% disagreed, 2.9% were neutral, 68.5% agreed, and 28.6% strongly agreed.

Regarding item Y7, which evaluates employees' ability to maintain a relatively high level of work quality in performing their duties, 0% of respondents strongly disagreed, 0% disagreed, 37.1% were neutral, 28.6% agreed, and 34.3% strongly agreed. Finally, for item Y8, which concerns the organization's establishment of work targets through careful consideration and planning, 0% strongly disagreed, 1.4% disagreed, 37.1% were neutral, 27.1% agreed, and 34.4% strongly agreed.

Validity Test

Operationally, the validity test was conducted by comparing the calculated *r* value with the table *r* value at a 5% significance level with degrees of freedom (df) = $n - 2$, where n represents the number of samples. A questionnaire item is declared valid if the calculated *r* value > the table *r* value. Conversely, if the calculated *r* value < the table *r* value, the questionnaire item is declared invalid.

Table 4. Results of the Questionnaire Validity Test.

No	Variabel	Item Statement	Alpha	R count	R table	Remarks
1	X1	X1.1	0,05	0,809	0,2352	Valid
		X1.2	0,05	0,723	0,2352	Valid
		X1.3	0,05	0,715	0,2352	Valid
		X1.4	0,05	0,651	0,2352	Valid
		X1.5	0,05	0,661	0,2352	Valid
		X1.6	0,05	0,682	0,2352	Valid
		X1.7	0,05	0,638	0,2352	Valid
2	X2	X2.1	0,05	0,627	0,2352	Valid
		X2.2	0,05	0,812	0,2352	Valid
		X2.3	0,05	0,917	0,2352	Valid

		X2.4	0,05	0,686	0,2352	Valid
		X2.5	0,05	0,464	0,2352	Valid
		X2.6	0,05	0,798	0,2352	Valid
3	Y	Y1	0,05	0,552	0,2352	Valid
		Y2	0,05	0,799	0,2352	Valid
		Y3	0,05	0,900	0,2352	Valid
		Y4	0,05	0.648	0,2352	Valid
		Y5	0,05	0,833	0,2352	Valid
		Y6	0,05	0,674	0,2352	Valid
		Y7	0,05	0,797	0,2352	Valid
		Y8	0,05	0,637	0,2352	Valid

it can be concluded that all questionnaire items for variables X1 (Leadership), X2 (Compensation), and Y (Employee Performance) are valid. This is indicated by the comparison between the critical r-value and the calculated r-values. The value of 0.2352 is lower than the values, which range from 0.552 to 0.917. Therefore, all questionnaire items meet the validity criteria and are suitable for use in this study.

Reliability Test

In this study, the reliability test was conducted using the one-shot method, in which the measurement was performed only once, with the assistance of SPSS software through the Cronbach's Alpha (α) statistical test. A construct or variable is declared reliable if the obtained Cronbach's Alpha value is greater than 0.60.

Table 5. Results of the Reliability Test of Research Variables.

No	Variabel	Reliability value	R table	Remarks
1	X1	0,861	0,2352	Reliabel
2	X2	0,854	0,2352	Reliabel
3	Y	0,891	0,2352	Reliabel

Based on the results presented in the table above, the Cronbach's alpha values for each variable are 0.861 for leadership, 0.854 for compensation, and 0.891 for employee performance. All three variables have Cronbach's alpha values greater than 0.70, indicating that the research instruments have good internal consistency. Therefore, the instruments used to measure the independent variables (leadership and compensation) and the dependent variable (employee performance) can be considered reliable.

Partial Test (t-Test)

Partial hypothesis testing is intended to determine whether or not each independent variable has a partial effect on the dependent variable. The results of the hypothesis testing are presented as follows:

Table 6. Results of the t-Test.

	T	Sig
1(Constant)	8,396	,000
X1	2,735	,008
X2	-2,041	,045

Source: Processed Data (2026).

The calculated t-value for the leadership variable (X1) is 2.735, while the critical t-value (t-table) is 0.2335, with a significance value of 0.008, which is less than 0.05 (0.008 < 0.05). Since the calculated t-value is greater than the critical t-value (2.735 > 0.2335), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This indicates that leadership (X1) has a statistically significant effect on employee performance (Y). Meanwhile, the calculated t-value for the compensation variable (X2) is -2.041, with a reported critical t-value of 0.2335 and a significance value of 0.045, which is less than 0.05 (0.045 < 0.05). Therefore, H_0 is rejected and H_a is accepted, indicating that compensation (X2) has a statistically significant effect on employee performance (Y). The negative direction of the compensation coefficient indicates that an increase in compensation is associated with a decrease in employee performance, assuming other variables remain constant.

Simultaneous Test (F-Test)

The F-test is used to evaluate the significance of the simultaneous relationship between the independent variables and the dependent variable. The decision-making criterion is based on a significance level of $\alpha = 0.05$, with the calculation performed using SPSS.

Table 7. Results of the F-Test.

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	112,444	2	56,222	3,766	,028
	Residual	1000,142	67	14,927		
	Total	1112,586	69			

Source: Processed Data (2026).

Based on the results of the simultaneous F-test presented above, the significance value is 0.028, which is lower than the alpha level of 0.05. The calculated F-value is 3.766, while the critical F-value is 3.13. Since (3.766 > 3.13) and the significance value is less than 0.05, the null hypothesis ((H_0)) is rejected and the alternative hypothesis ((H_a)) is accepted. Therefore, leadership (X1) and compensation (X2) simultaneously have a statistically significant effect on employee performance (Y) at the Sidikalang Urban Village Office in Dairi Regency**.**

Results of the Multiple Linear Regression Coefficient

Multiple linear regression analysis is conducted to examine the effects of several independent variables on a single dependent variable. In this study, multiple linear regression analysis is used to test the hypotheses regarding the effects of leadership and compensation on employee performance at the Sidikalang Urban Village Office in Dairi Regency:

Table 8. Results of the Multiple Linear Regression Equation.

Model	Unstandardized Coefficients
	B
1 (constant)	28,733
X1	,427
X2	-,351

Based on the regression coefficients presented in Table 8, the multiple linear regression equation can be formulated as $Y = 28.733 + 0.427X_1 - 0.351X_2 + e$. The constant value of 28.380 indicates that when the leadership variable (X1) and the compensation variable (X2) are both equal to zero, the predicted employee performance (Y) is 28.380. The regression coefficient for leadership (X1) is 0.427, indicating a positive relationship between leadership and employee performance. This means that, assuming compensation remains constant, a one-unit increase in leadership is associated with a 0.427-unit increase in employee performance.

Meanwhile, the regression coefficient for compensation (X2) is −0.351, indicating a negative relationship between compensation and employee performance. This means that, assuming leadership remains constant, a one-unit increase in compensation is associated with a 0.351-unit decrease in employee performance. The negative coefficient indicates an inverse relationship between compensation and employee performance in the estimated regression model.

Results of the Coefficient of Determination (Adjusted R^2)

According to Ghazali (2020:97), the coefficient of determination test is used to determine the extent to which the independent variables can explain the dependent variable. Therefore, the coefficient of determination *(*Adjusted R-Square*)* needs to be examined. The results of the *Adjusted* R^2 coefficient of determination test are presented as follows:

Table 9. Results of the Coefficient of Determination (Adjusted R^2).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,318	,101	,074	3,864

Based on the table above, the adjusted R-squared value is 0.074 (7.4%). This indicates that the independent variables in this study explain 7.4% of the variation in the dependent variable, while the remaining 92.6% is explained by other factors not included as independent variables in this study.

In the preliminary interview, the researcher asked several employees at the Sidikalang Urban Village Office in Dairi Regency about employee performance and the key factors influencing employee performance at the office. Ms. Wiwit, one of the employees at the Sidikalang Urban Village Office, explained that “many employees are still not performing

optimally. This includes failure to achieve targets, a lack of punctuality and time discipline, and perhaps one of the factors that significantly influences performance is compensation."

Another employee, Ms. Ida, also explained that "there is a lack of harmony within the organization, which leads to a lack of motivation and poorly controlled employee performance. The main factor influencing this situation is leadership, because good leadership within an organization will also have a positive impact on the organization."

Based on the F-test results, leadership and compensation have a statistically significant effect on employee performance. This is demonstrated by the SPSS analysis, which shows a significance value of 0.028, less than 0.05, and a calculated F-value of 3.766, greater than the critical F-value of 3.13. Therefore, H0 is rejected and Ha is accepted. It can be concluded that leadership and compensation influence employee performance at the Sidikalang Urban Village Office in Dairi Regency. Based on this analysis and interpretation, leadership and compensation simultaneously have a significant effect on employee performance.

The combined influence of leadership and compensation on employee performance at the Sidikalang Urban Village Office in Dairi Regency is 10.1%, while the remaining 89.9% is influenced by other variables.

The Effect of Leadership on Employee Performance

Based on the data analysis, the first hypothesis, namely "the effect of leadership on employee performance," states that leadership has a statistically significant effect on employee performance. This is indicated by a leadership significance value of 0.008, which is lower than the alpha level of 0.05, and a calculated t-value of 2.735, which is greater than the reported critical t-value of 0.2335. Therefore, H0 is rejected and Ha is accepted. This means that leadership (X1) has a statistically significant effect on employee performance (Y).

This finding is also supported by previous research conducted by Rifdayanti in 2019, entitled "The Effect of Leadership Style and Compensation on Employee Performance at PT Pegadaian (Persero), Regional Office VI Makassar." The findings showed that the calculated t-value for leadership style (X1) was 9.195, greater than the critical t-value of 2.010, with a significance value of 0.000, less than 0.05. This indicates that leadership style (X1) has a positive and statistically significant effect on employee performance (Y). In other words, H0 is rejected and Ha is accepted.

Leadership is the process of directing and influencing activities related to the work of group members. Leadership is an important factor within an organization because, without a leader, the organization's direction and operations may become disorganized due to the absence of someone responsible for supervising and managing subordinates.

The Effect of Compensation on Employee Performance

Based on the data analysis, the second hypothesis, namely "the effect of compensation on employee performance," indicates that compensation has a negative and statistically significant effect on employee performance. This is demonstrated by a compensation significance value of 0.045, which is lower than the alpha level of 0.05, and a calculated t-value of −2.041. Therefore, H0 is rejected and Ha is accepted. This means that compensation (X2) has a statistically significant effect on employee performance (Y). The negative sign of the regression coefficient indicates that the relationship between compensation (X2) and employee performance is negative. In other words, an increase in compensation is associated with a decrease in employee performance, assuming that the other variables remain constant.

This finding differs from the results of Nurhawaena (2019), who reported a positive regression coefficient for compensation. In contrast, the present study found a negative coefficient, indicating an inverse statistical relationship between compensation and employee performance within the estimated regression model. The results showed a positive regression coefficient of 0.241 for compensation, with a calculated t-value of 4.723, greater than the critical t-value of 1.652251, and a significance value of 0.000, lower than 0.05. These results indicate that compensation has a statistically significant effect on employee engagement.

Compensation is a form of remuneration provided to employees in return for the services they render to an organization. Compensation is also an important organizational factor because it can influence employees' motivation and attitudes toward their work. When an organization provides compensation through a fair and appropriate system, employees may become more motivated and more responsible in carrying out their duties.

The Simultaneous Effect of Leadership and Compensation on Employee Performance

The simultaneous F-test was conducted to examine the combined effects of leadership and compensation on employee performance at the Sidikalang Urban Village Office in Dairi Regency. The results indicate that both independent variables have a statistically significant simultaneous effect on the dependent variable. As shown in the F-test results, the significance value is 0.028, which is lower than the alpha level of 0.05. The calculated F-value is 3.766, while the critical F-value is 3.13. Since the calculated F-value is greater than the critical F-value (3.766 > 3.13), H0 is rejected and Ha is accepted. In other words, leadership (X1) and compensation (X2) simultaneously have a statistically significant effect on employee performance (Y).

The coefficient of determination (R^2) is used to determine how well the research model explains the dependent variable. Based on the table above, the coefficient of determination test

shows an R-squared value of 0.101. This indicates that leadership and compensation jointly explain 10.1% of the variation in employee performance, while the remaining 89.9% is explained by other factors not included in the model.

This finding is also supported by previous research conducted by M. Sulthon, Hari Susanta N., and Sendhang Nurseto in 2018, entitled "The Effect of Leadership and Compensation on Employee Performance through Improved Work Discipline among Production Employees at PT Gentong Gotri Semarang." The findings showed that leadership, compensation, and work discipline simultaneously influenced employee performance. Partially, leadership accounted for 64.7% of the influence on performance, compensation accounted for 29.4%, and work discipline accounted for 4.2%. The simultaneous influence of leadership and compensation on performance through improved work discipline was reported to be 71.9%.

4. CONCLUSION

This study aims to determine the effect of leadership and compensation on employee performance at the Sidikalang Urban Village Office in Dairi Regency. The study involved 70 respondents, all of whom were employees working at the Sidikalang Urban Village Office in Dairi Regency. This study employed multiple linear regression analysis. Based on the data obtained and the results of the analysis, the following conclusions can be drawn: Leadership showed a positive and statistically significant relationship with employee performance (B = 0.427; p = 0.008), whereas compensation showed a negative and statistically significant relationship (B = −0.351; p = 0.045). Simultaneously, both variables were significantly associated with employee performance (F = 3.766; p = 0.028). However, the regression model explained only 10.1% of the variation in employee performance (R^2 = 0.101; Adjusted R^2 = 0.074), indicating that its explanatory power remains limited.

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