

Driving Optimal Performance: The Synergy of Paternalistic Leadership, Compensation, and Employee Motivation

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Abstract: This study aims to analyze the influence of paternalistic leadership and compensation on employee performance and examine the role of motivation as an intervening variable at CV Langgeng Dumadi, a company engaged in construction services and wooden pallet production. A quantitative approach was employed using an explanatory research design. Data were collected through questionnaires from 66 respondents and analyzed using SmartPLS software with the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. The analysis involved construct validity and reliability testing (outer model), evaluation of relationships among variables (inner model), and direct and indirect hypothesis testing. The results indicate that both paternalistic leadership and compensation have a positive and significant effect on employee performance. However, motivation was not found to be a significant intervening variable in these relationships. The implications of these findings suggest that organizations should focus directly on strengthening supportive leadership styles and implementing fair and structured compensation systems to enhance employee performance effectively. This study provides practical insights for companies in developing more effective and human-centered managerial policies.

Keywords: Paternalistic Leadership; Compensation; Motivation; Employee Performance

Abstrak: Penelitian ini bertujuan untuk menganalisis pengaruh kepemimpinan paternalistik dan kompensasi terhadap kinerja karyawan, serta menguji peran motivasi sebagai variabel intervening di CV Langgeng Dumadi, sebuah perusahaan yang bergerak di bidang jasa konstruksi dan produksi palet kayu. Pendekatan kuantitatif digunakan dengan menggunakan desain penelitian eksplanatori. Data dikumpulkan melalui kuesioner dari 66 responden, dan dianalisis menggunakan perangkat lunak SmartPLS dengan metode Structural Equation Modeling–Partial Least Squares (SEM-PLS). Analisis yang dilakukan meliputi pengujian validitas dan reliabilitas konstruk (outer model), evaluasi hubungan antar variabel (inner model), dan pengujian hipotesis langsung dan tidak langsung. Hasil penelitian menunjukkan bahwa kepemimpinan paternalistik dan kompensasi berpengaruh positif dan signifikan terhadap kinerja karyawan. Namun, motivasi tidak ditemukan sebagai variabel intervening yang signifikan dalam hubungan ini. Implikasi dari temuan ini

menunjukkan bahwa organisasi harus fokus secara langsung pada penguatan gaya kepemimpinan yang supportif dan menerapkan sistem kompensasi yang adil dan terstruktur untuk meningkatkan kinerja karyawan secara efektif. Studi ini memberikan wawasan praktis bagi perusahaan dalam mengembangkan kebijakan manajerial yang lebih efektif dan berpusat pada manusia.

Kata kunci: *Kepemimpinan Paternalistik; Kompensasi; Motivasi; Kinerja Karyawan*

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INTRODUCTION

Changes in the dynamics of the working world in the era of globalization demand that organizations quickly adapt to increasingly intense competition. Organizational success is no longer determined solely by technical or technological aspects; it also highly depends on human resources' quality and strategic management. Human Resource Management (HRM) plays a vital role in creating effective incentive systems, both explicit (e.g., wages) and implicit (e.g., recognition and autonomy), to enhance employee motivation and engagement (Ollo-López & Nuñez, 2023). Moreover, high-commitment HRM practices such as selective hiring, performance management, and employee development have significantly enhanced knowledge sharing, essential for innovation and sustained competitiveness (Matošková, 2023). These practices foster employee emotional commitment and internal motivation, strengthening organizational performance and adaptability in the face of change.

Leadership is essential for achieving individual and collective goals across various organizational contexts, including healthcare, education, and science. It goes beyond merely directing others—it involves the development of self-awareness, interpersonal effectiveness, team management, and the ability to lead change (Fattah et al., 2023). These capabilities are increasingly vital in today's complex and collaborative work environments.

One leadership style compatible with collectivist cultures such as Indonesia is paternalistic Leadership (PL), a leadership approach where leaders exert authority while demonstrating care for their subordinates. This style is typically characterized by three key dimensions: benevolence, where the leader shows individualized care and concern; morality, referring to the leader's integrity and self-discipline; and authoritarianism, which reflects the leader's control and demand for obedience. The application of PL tends to thrive in high power distance cultures, where hierarchical structures and family-like relationships are culturally embedded (Fang & Noman, 2024). PL can strengthen employee loyalty and internal motivation in such settings, especially within family-owned businesses or SMEs that value harmony and trust in interpersonal relationships.

Apart from leadership, adequate compensation is also one of the key factors in improving employee performance. Compensation refers to a combination of various pay components, including salaries, bonuses, stocks, fringe benefits, and prizes, designed to encourage individuals' collective contribution within an organization

(Bao et al., 2025)

Compensation refers to the total sum of monetary and non-monetary rewards that an organization provides to employees in return for their contributions (Aman-Ullah et al., 2023). It includes base salary, benefits, bonuses, work-related perks, and intangible incentives such as recognition and appreciation. In human resource management, compensation plays a crucial role not only as a motivational tool but also as an expression of the organization's acknowledgment of employee value.

Work motivation is an important factor that bridges the relationship between leadership and compensation for employee performance. Motivation is a driving force that leads individuals to engage in tasks they find meaningful and fulfilling. It is associated with greater resilience, higher intensity, and improved performance outcomes, enabling individuals to approach their work with energy and enthusiasm, ultimately enhancing their task efficiency (Hartnell et al., 2023). Motivation not only encourages individuals to work harder but also directs them to achieve organizational goals effectively. Previous research reveals that motivation is an intervening variable that can strengthen the impact of leadership and compensation on employee performance (Hafidzi et al., 2023).

In this context, CV Langgeng Dumadi, a construction services company located in Mojokerto, East Java, is an interesting research object. The company is known for its family-oriented leadership style. The company leader not only acts as a superior but also as a figure who cares about the welfare of employees, both inside and outside of work. This creates a comfortable working atmosphere and encourages employees to work optimally even though the company's system structure is not yet fully systematic (Imron, personal interview, 2024).

Trisnaning et al. (2022) revealed that leadership style has a significant impact on employee performance but does not significantly affect motivation. In contrast, compensation does not directly influence performance but contributes to enhancing motivation. Meanwhile, while motivation significantly affects performance, it does not serve as a mediator in the relationship between leadership style and compensation on performance. In this context, CV Langgeng Dumadi, a construction services company located in Mojokerto, East Java, presents a compelling case for study. The company is widely recognized for its family-oriented leadership style, in which the leader assumes a supervisory role and acts as a caregiver, mentor, and protector of employees' welfare—both within and beyond the workplace. This paternalistic approach has cultivated a trust-based and harmonious work environment, resulting in high employee loyalty and consistent performance despite the company's relatively informal and unsystematic organizational structure (Imron, personal interview, 2024).

CV Langgeng Dumadi is particularly interesting because of the contrast between its informal systems and strong employee outcomes, which challenge conventional assumptions that structured systems are always necessary for organizational effectiveness. Moreover, the company prioritizes fair and timely compensation to retain and motivate employees, even without sophisticated HR tools or formal performance evaluation systems. Instead of imposing disciplinary measures for mistakes, the leader prefers a mentoring-based corrective approach, which has been observed to reinforce intrinsic motivation among workers (Imron, observation, 2024).

These organizational traits are rarely studied in small-to-medium enterprises (SMEs), especially in the construction sector, where leadership is often transactional and compensation is irregular. Thus, CV Langgeng Dumadi represents a unique and underexplored case of how paternalistic leadership and fair compensation can synergize to drive employee motivation and performance—despite structural limitations.

Based on the results of previous research, paternalistic leadership is proven to have a positive influence on employee motivation and performance. For example, Nuraeni and Syukur's (2019) research shows that a paternalistic leadership style can increase employee work motivation, which improves performance. Similarly, fair compensation has also been proven to be one of the most significant factors in increasing employee motivation (Hidayat, 2017). With this background, this study aims to analyze the effect of paternalistic leadership and compensation on employee performance, with motivation as an intervening variable. This study is expected to make theoretical and practical contributions to companies, especially optimizing leadership and compensation policies to improve employee performance.

LITERATURE REVIEW

Paternalistic Leadership

One of the leadership styles commonly found in collectivistic Asian cultures is paternalistic leadership, which combines authority with father-like care for subordinates' well-being. According to Lee *et al.* (2024), paternalistic leadership consists of three core dimensions: authoritarian, benevolent, and moral leadership. The benevolent aspect significantly enhances employees' sense of work meaningfulness and engagement through the motivational pathway, while the authoritarian aspect tends to increase emotional exhaustion due to high job demands. The study emphasizes that benevolent leadership can foster a supportive work environment, boost intrinsic motivation, and reduce burnout, making it especially relevant in hierarchical cultures such as Southeast Asia.

In line with this perspective, Dhaneesh *et al.* (2025) define paternalistic leadership as combining strong authority with personal care and moral integrity. A paternalistic leader acts as a father figure who not only enforces discipline and obedience but also shows genuine concern for the well-being of employees, including their personal and family lives. These characteristics are particularly effective in cultures where leadership is expected to provide direction and emotional and moral support, strengthening trust, loyalty, and employee commitment.

Compensation

According to Ratnasari *et al.* (2020), compensation refers to all forms of income received by employees, whether in the form of money, goods, or other rewards, which are given as a reward for the services they provide to the company. Sulaiman *et al.* (2021) argued that compensation includes all forms of rewards that companies provide to employees, both directly and indirectly, which include money, goods, and other benefits. Furthermore, Aryani *et al.* (2021) state that compensation reflects the organization's efforts to maintain human resources, where financial rewards are provided as part of the employment relationship between individuals and organizations. According to Sitompul and Ratnasari (2019), compensation is a function of human resource management (HRM) related to various types of rewards

received by individuals in return for carrying out organizational tasks. Employees contribute their energy and time, and in return, the organization provides various forms of financial and non-financial rewards. Therefore, as a form of appreciation for employee performance and contributions, organizations provide various rewards, awards, and income, all of which are classified as compensation.

Employee Performance

Employee performance is a crucial element that affects organizational effectiveness. According to Otoo (2024), performance reflects an individual's ability to complete tasks based on their knowledge, skills, and job requirements. This means that employees who understand their work, possess the right competencies, and can adapt to job demands will contribute more optimally to the organization. Samani *et al.* (2025) conceptualize employee performance through two principal dimensions: task-oriented performance and context-oriented performance. The former refers to employees' capacity to effectively execute core and technical job responsibilities, which are central to their formal roles. The latter encompasses discretionary behaviors that contribute to the social and psychological functioning of the workplace, thereby fostering a supportive organizational environment.

According to Widodo & Yandi (2022), performance is the result or level of success workers achieve in their work, reflected in the output produced, both in quantity and quality. This level of performance is assessed based on predetermined criteria for the job. Motivation, compensation, and leadership are often the primary determinants influencing employee performance in various organizational contexts.

Motivation

Motivation is a key concept in both traditional and social entrepreneurship, as it is the primary driving force behind individuals' decisions to initiate and sustain ventures. According to Wanyoike and Maseno (2021), motivation in the context of social entrepreneurship is closely linked to an individual's conscious awareness to establish and manage an enterprise aimed at creating social value. This indicates that motivation in social entrepreneurship goes beyond economic or material interests and encompasses the pursuit of personal fulfillment, the desire to help society, and the intention to generate systemic change through social innovation. Their study further highlights that past life experiences significantly reinforce entrepreneurial motivation by fostering a deeper emotional connection to the social issues entrepreneurs aim to address. Abikova (2024) defines motivation as an internal drive that encourages individuals to actively engage in their work, pursue professional goals, and fulfill personal needs. Motivation is a critical determinant of employee performance, retention, and job satisfaction in humanitarian work.

Relationship between Paternalistic Leadership and Employee Performance

Leadership is important in improving employee performance by encouraging work enthusiasm and positively influencing subordinates. Leaders must apply the right leadership style to achieve optimal results (Jayanti *et al.*, 2019). According to Sitompul and Ratnasari (2019), leadership is the process of influencing followers through communication to achieve organizational goals by creating harmonious integration between leaders and subordinates. Paternalistic Leadership directs subordinates' lives in a hierarchical structure with firm control and concern for the

welfare of subordinates. This style is characterized by authoritarianism, caring, highly moral actions, and altruistic attitudes (Nabila *et al.*, 2023). Previous research shows that leadership, both simultaneously and partially, positively influences employee performance (Sari *et al.*, 2020). Hidayat (2017) also confirmed the strong influence of paternalistic leadership on employee performance.

H1: Leadership has a positive and significant effect on employee performance.

Compensation Relationship to Employee Performance

Compensation is a reward the company gives employees in the form of money, goods, or benefits, either directly or indirectly, in return for the contributions made to the company (Sulaeman *et al.*, 2021; Ratnasari *et al.*, 2020). Compensation includes various financial and non-financial rewards that reward employee services in the employment relationship. Previous research shows that compensation positively and significantly affects employee performance. Dwianto *et al.* (2019) and Aryani *et al.* (2021) stated that the increase in compensation is directly proportional to the increase in employee performance. The same thing was confirmed by Poluakan (2019) and Sari *et al.* (2020), who stated that the higher the compensation provided, the higher the employee performance.

H2: Compensation has a positive and significant effect on employee performance.

The Relationship of Motivation in Mediating the Effect of Paternalistic Leadership on Employee Performance

Motivation is a fundamental element that drives individuals to take action, including in the context of social entrepreneurship. According to Viswanath and Reddy (2024), motivation stems not only from internal drives such as personal values or the desire to contribute to society but is also influenced by contextual factors such as life experiences, awareness of social issues, and the search for meaning in life. Previous research by Hafidzi *et al.* (2023) revealed that leadership style positively and significantly influences employee performance, with work motivation as a mediating variable that strengthens the relationship.

H3: Leadership style has a positive and significant effect on performance through motivation

The Relationship of Motivation in Mediating the Effect of Compensation on Employee Performance

Motivation is a fundamental element in human behavior, driving individuals to act in order to fulfill needs and desires. This drive may stem from intrinsic factors, motivating individuals to pursue goals or reducing psychological tension arising from unmet needs (Jufrizan, 2021). In this context, employee performance is influenced by several key organizational factors, including paternalistic leadership, compensation, and work motivation. Asamani *et al.* (2025) emphasize that the interplay of these elements significantly shapes job performance outcomes and employees' overall contribution to organizational effectiveness. Accordingly, employee performance is not merely assessed by task completion but also by behaviors and attitudes that align with and promote the achievement of organizational goals.

H4: Compensation has a positive and significant effect on performance through motivation

RESEARCH METHOD

This research was conducted at CV Langgeng Dumadi, in Hamlet Jambu, Jiyu Village, Kutorejo Sub-district, Mojokerto Regency, East Java. The study adopts a quantitative approach with an explanatory research method to investigate the causal relationship between independent variables (paternalistic leadership and compensation), the dependent variable (employee performance), and the intervening variable (motivation). The population consisted of 66 employees, selected using purposive sampling. In this non-probability technique, samples are chosen intentionally based on specific criteria, such as permanent employees with a minimum of one year of work experience. Primary data were collected through structured questionnaires using a 5-point Likert scale, while secondary data were obtained from documentation and literature review.

The data were analyzed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method, supported by SmartPLS 4.0 software. SEM-PLS was chosen for its suitability for small sample sizes, non-normally distributed data, and complex models involving multiple constructs and indicators. This technique integrates regression and path analysis to examine direct and indirect effects between variables. Prior to hypothesis testing, several statistical assumptions were tested, including linearity, normality, multicollinearity, and homogeneity, to ensure the appropriateness of the data for structural modeling.

The model evaluation involved testing the outer model to assess construct validity using factor loadings (≥ 0.70) and Average Variance Extracted (AVE ≥ 0.50) and construct reliability using Cronbach's Alpha and Composite Reliability, both of which must be ≥ 0.70 . The inner model was then evaluated to determine the causal relationships among latent variables, followed by hypothesis testing using t-statistics (≥ 1.96) and p-values (< 0.05). The operational definitions of variables were developed based on relevant literature—such as the dimensions of benevolence, morality, and authoritarianism for paternalistic leadership, as well as financial and non-financial aspects of compensation. This comprehensive analysis ensures the validity and robustness of the findings in explaining the influence of leadership and compensation on employee performance, with motivation considered a mediating variable.

RESULT AND DISCUSSION

Outer Loadings Measurement

The analysis results show that all indicators used to measure Paternalistic Leadership, Compensation, Employee Performance, and Motivation variables are valid with a loading factor value ≥ 0.7 . These indicators significantly contribute to each variable they represent so that they can be used for further analysis. This indicator's validity reflects the construct's ability to consistently measure the intended concept by research standards.

Table 2 shows that the indicators in this study have different levels of contribution to the Paternalistic Leadership, Employee Performance, Compensation, and Motivation variables. Most indicators show a high loading factor value on the primary variable, especially for the Paternalistic Leadership variable (X1.1.1 = 0.807; X1.1.2 = 0.865; X1.1.3 = 0.811), Employee Performance (Y1.2.1 = 0.912; Y1.3.1 = 0.870; Y1.3.2 = 0.825), Compensation (X2.3.1 = 0.847; X2.4.1 = 0.828), and Motivation

(Z1.2.1 = 0.787; Z1.5.1 = 0.767). However, some indicators have low loading factor values on the primary variable, such as Z1.3.2 (0.690) and X1.3.1 (0.629), indicating a weaker contribution to the construct. Overall, most indicators are valid for measuring their respective constructs. However, further evaluation of indicators with low values is required to ensure the model's fit and interpretation of the research results.

Table 3 shows that all variables in this study have an Average Variance Extracted (AVE) value above the 0.5 threshold, which indicates convergent validity has been met. The Employee Performance variable has the highest AVE value of 0.698, followed by Paternalistic Leadership (0.636), compensation (0.630), and Motivation (0.585). This indicates that the indicators on each variable can consistently explain the variance of their constructs well. This validity ensures the reliability of the model in measuring the research variables.

Table 1. Validity Values

Item	Value	Description	Item	Value	Description
Paternalistic Leadership			Employee Performance		
X1.1.1	0.807	Valid	Y1.1.1	0.742	Valid
X1.1.2	0.865	Valid	Y1.1.2	0.792	Valid
X1.1.3	0.811	Valid	Y1.2.1	0.911	Valid
X1.3.2	0.754	Valid	Y1.2.2	0.847	Valid
X1.4.1	0.811	Valid	Y1.3.1	0.873	Valid
X1.4.2	0.722	Valid	Y1.3.2	0.828	Valid
X1.5.1	0.717	Valid			
X1.5.2	0.793	Valid			
Compensation			Motivation		
X2.1.2	0.775	Valid	Z1.1.2	0.704	Valid
X2.2.1	0.715	Valid	Z1.2.1	0.787	Valid
X2.2.2	0.814	Valid	Z1.3.1	0.726	Valid
X2.3.1	0.847	Valid	Z1.4.1	0.759	Valid
X2.3.2	0.752	Valid	Z1.4.2	0.711	Valid
X2.4.1	0.828	Valid	Z1.5.1	0.767	Valid
X2.4.2	0.799	Valid			

Source: Data Processed (2024)

Table 2. Cross Loading

Paternalistic Leadership	Employee Performance	Compensation	Motivation
X1.1.1	0.807	0.597	0.645
X1.1.2	0.865	0.748	0.699
X1.1.3	0.811	0.619	0.639
X1.2.1	0.683	0.495	0.626
X1.2.2	0.680	0.474	0.498

X1.3.1	0.629	0.752	0.602	0.529
X1.3.2	0.754	0.800	0.601	0.528
X1.4.1	0.811	0.662	0.730	0.602
X1.4.2	0.722	0.564	0.637	0.577
X1.5.1	0.717	0.552	0.668	0.564
X1.5.2	0.793	0.593	0.724	0.603
X2.1.1	0.627	0.407	0.624	0.440
X2.1.2	0.659	0.635	0.775	0.500
X2.2.1	0.660	0.551	0.715	0.603
X2.2.2	0.664	0.612	0.814	0.507
X2.3.1	0.730	0.689	0.847	0.573
X2.3.2	0.584	0.547	0.752	0.501
X2.4.1	0.722	0.784	0.828	0.595
X2.4.2	0.645	0.730	0.799	0.484
Y1.1.1	0.629	0.752	0.602	0.529
Y1.1.2	0.754	0.800	0.601	0.528
Y1.2.1	0.788	0.912	0.827	0.573
Y1.2.2	0.716	0.846	0.722	0.604
Y1.3.1	0.712	0.870	0.699	0.540
Y1.3.2	0.630	0.825	0.632	0.522
Z1.1.1	0.708	0.738	0.737	0.684
Z1.1.2	0.583	0.598	0.623	0.704
Z1.2.1	0.519	0.410	0.471	0.787
Z1.2.2	0.525	0.390	0.444	0.738
Z1.3.1	0.482	0.385	0.410	0.726
Z1.3.2	0.465	0.362	0.312	0.690
Z1.4.1	0.515	0.418	0.433	0.759
Z1.4.2	0.424	0.320	0.295	0.711
Z1.5.1	0.538	0.419	0.467	0.767
Z1.5.2	0.521	0.367	0.365	0.666

Source: Data Processed (2024)

Table 3. Average Variance Extracted (AVE) and Cronbach's Alpha

	AVE	Cronbach's alpha	Composite reliability	Description
Paternalistic Leadership	0.636	0.918	0.923	Valid
Employee Performance	0.698	0.913	0.920	Valid
Compensation	0.630	0.901	0.910	Valid
Motivation	0.585	0.883	0.891	Valid

Source: Data Processed (2024)

Based on the Table 3 reliability test results, all variables showed Cronbach's alpha and Composite reliability (ρ_a) values above the 0.7 threshold, indicating a high level of internal reliability. The Paternalistic Leadership variable has the highest

values for Cronbach's alpha (0.918) and rho_a (0.923), followed by Employee Performance (0.913; 0.920), compensation (0.901; 0.910), and Motivation (0.883; 0.891). This indicates that all constructs have good internal consistency and can be relied upon to measure the research variables accurately.

Inner model

Based on the results of the R-Square test, the Employee Performance variable has an R-Square value of 0.756 and an Adjusted R-Square of 0.736. This shows that about 75.6% of the variability in employee performance can be explained by the model used, with a slight decrease in the adjusted R-square value, which considers the number of predictors in the model. This value indicates that the model has good predictive power in explaining the factors influencing Employee Performance.

Table 4. R-Square

	<i>R-Square</i>	<i>R-Square Adjusted</i>
Employee Performance	0.756	0.736

Source: Data Processed (2024)

Table 5. Testing Intervening Variables

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Remarks
Paternalistic leadership -> employee performance	0.446	0.438	0.157	2.851	0.004	Significant
Compensation -> Employee performance	0.454	0.467	0.142	3.187	0.001	Significant
Motivation x paternalistic leadership -> employee performance	0.029	0.022	0.161	0.183	0.855	insignificant
Motivation x compensation -> employee performance	-0.066	-0.059	0.148	0.448	0.655	insignificant

Source: Data Processed (2024)

Table 5 shows the effect of Paternalistic Leadership on Employee Performance, which has an original sample (O) value of 0.446 with a T-statistic value of 2.851 and a P-value of 0.004, which indicates that the effect is significant at the 0.05 level. Likewise, the effect of Compensation on Employee Performance, which has an original sample value of 0.454, a T-statistic of 3.187, and a P-value of 0.001, is also significant. This indicates that both Paternalistic Leadership and Compensation significantly positively influence Employee Performance. The analysis shows that Paternalistic Leadership and Compensation have a positive and significant effect on Employee Performance with path coefficient values of 0.446 (t-statistic=2.851,

$p<0.05$) and 0.454 (t -statistic=3.187, $p<0.05$), respectively. However, the moderating effect of motivation does not prove significant, either on the relationship of Paternalistic Leadership to Employee Performance (coefficient=0.029, t -statistic=0.183, $p>0.05$) or on the relationship of Compensation to Employee Performance (coefficient=-0.066, t -statistic=0.448, $p>0.05$). This indicates that motivation does not strengthen or weaken the influence of the two independent variables on Employee Performance.

Discussion

The Effect of Paternalistic Leadership on Employee Performance

The results of this study indicate that the paternalistic leadership style significantly positively influences employee performance at CV Langgeng Dumadi. Paternalistic Leadership, which combines authority with a deep concern for employees' personal needs and welfare, creates harmonious working relationships and mutual respect. Leaders who act as fatherly figures provide firm guidance and genuine concern for the welfare of individual subordinates, both inside and outside the work environment. This approach increases subordinates' trust in the leader and encourages employee loyalty so they feel valued and emotionally supported when facing work challenges. With a comfortable and respectful work atmosphere, employees are more motivated to improve their productivity and performance quality.

In the context of CV Langgeng Dumadi, this leadership style can be seen in the leader's ability to provide direction without causing excessive pressure but through a family approach. When employees make mistakes, leaders do not immediately impose harsh sanctions but provide opportunities to learn and improve, increasing employee confidence. In addition, attention to employees' personal needs, such as maintaining good interpersonal relationships and creating a safe working atmosphere, strengthens the emotional bond between leaders and subordinates. This is in line with the findings of Huang & Yin (2024), which demonstrate that paternalistic leadership has a dual impact on performance. Benevolent and authoritarian leadership enhances emotional labor strategies, while authoritarian leadership is positively associated with engagement. Additionally, leader-member exchange mediates the influence of benevolent leadership on emotional labor strategies and engagement. These findings highlight the importance of balancing paternalistic leadership to optimize performance.

Effect of Compensation on Employee Performance

Providing fair and appropriate compensation positively influences employee performance, although the direct effect is not as strong as the influence of paternalistic leadership. Compensation includes various rewards, such as salaries, bonuses, and incentives, and non-financial, such as recognition, benefits, and facilities. In the context of CV Langgeng Dumadi, providing compensation tailored to employees' contributions creates a sense of fairness and appreciation of their efforts. This impacts improving morale, which is reflected in individual efficiency and productivity. This research shows that compensation provided consistently and proportionally helps create a supportive work environment where employees feel valued for their hard work and are more motivated to give their best performance.

However, the results also indicate that the effect of compensation on performance is more pronounced indirectly through increased work motivation. Motivation acts as a bridge that strengthens the relationship between compensation and performance. When employees feel valued through compensation, their internal drive to work harder increases, ultimately impacting the achievement of organizational goals. This finding is in line with Arifiarin *et al.* (2019), who asserted that compensation helps companies retain quality employees and encourages them to achieve optimal work results. At CV Langgeng Dumadi, providing additional incentives for superior performance increases job satisfaction and strengthens employee loyalty to the company. This shows that companies can maximize results by not only focusing on direct compensation but also on effective motivation management strategies.

Motivation Mediates the Effect of Paternalistic Leadership on Employee Performance

Paternalistic Leadership directly, positively, and significantly influences employee performance. A leadership style that emphasizes personal attention, moral guidance, and emotional support can create a conducive work environment, increasing employee efficiency and productivity. However, motivation as a mediating variable, did not prove significant in strengthening the relationship between paternalistic leadership and employee performance.

Similar results were also found in research conducted by Trisnaning and Subagyo (2022). The study shows that leadership has a significant effect on employee performance but does not have a significant impact on motivation. In other words, motivation does not act as a mediating variable between leadership and employee performance. This finding further confirms that the effect of paternalistic leadership on performance is more direct, without requiring the role of motivation as an intermediary.

Motivation Mediates the Effect of Compensation on Employee Performance

This research shows that compensation has a positive and significant direct influence on employee performance. Both financial compensation, such as salary, bonuses, and incentives, and non-financial compensation, such as recognition and benefits, provide rewards that improve employee performance. However, the role of motivation as a mediating variable between compensation and employee performance has not proven significant. The results of the analysis indicate that the influence of motivation as a mediator is too weak to link compensation to improved employee performance indirectly.

Similar results were found in the research of Trisnaning & Subagyo (2022), which also showed that compensation has no significant effect on employee performance through motivation (t -statistic = 1.209, $p > 0.05$). Thus, motivation does not function as a mediating variable in the relationship between compensation and employee performance, which means that the effect of compensation on performance is more direct without increasing motivation.

CONCLUSION

This study offers practical contributions to the management of CV Langgeng Dumadi in formulating strategies to enhance employee performance. The findings

indicate that paternalistic leadership and compensation directly and significantly impact employee performance. Therefore, the company is encouraged to maintain and strengthen a leadership style that is supportive, communicative, and attentive to employee well-being. Additionally, the compensation system should be fair and transparent, encompassing financial elements and non-financial rewards such as recognition, training opportunities, and career development. From a theoretical perspective, this research contributes to the existing literature on the relationship between paternalistic leadership, compensation, motivation, and employee performance—particularly within the context of medium-sized companies in Indonesia's construction sector. The study highlights that employee motivation does not always function as a significant mediating variable, opening new avenues for exploring other factors that may influence motivational dynamics in the workplace. These results reinforce organizational behavior theories emphasizing the direct relationship between leadership and employee performance.

Future research is advised to broaden the scope of study across various industrial sectors or companies of different scales to enhance the generalizability of the findings. Subsequent studies may incorporate variables such as job satisfaction, organizational commitment, or workplace culture as mediators or moderators for a more comprehensive understanding. A mixed-methods approach is also recommended to capture qualitative insights that may not be fully addressed through quantitative methods alone.

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