

# THE EFFECT OF LEADERSHIP TOWARDS THE PERFORMANCE OF MSME EMPLOYEES IN CIREBON REGENCY

Wenty Febrianti<sup>1\*</sup>

Budiman Abdulah<sup>2</sup>

<sup>1,2</sup>STIE Muhammadiyah Jakarta, Indonesia

e-mail: wentystiemj@gmail.com

\*Correspondence: wentystiemj@gmail.com

Submitted: 25 August 2022, Revised: 03 September 2022, Accepted: 23 September 2022

**Abstract.** In Indonesia, MSMEs play an important role in increasing employment, contributing to Gross Domestic Product (GDP) and providing a safety net, especially for those suffering from economic and financial crises. The Indonesian government has realized the importance of the presence of MSMEs in Indonesia, including through the establishment of a special platform under the Ministry of Cooperatives and Small and Medium Enterprises. This research aims to determine and analyze the influence of leadership on the performance of MSME employees in Cirebon Regency. The method used in this research is regression analysis with path diagrams, by testing the outer model and the inner model using SmartPLS. The sampling technique in this study uses the Slovin formula so that the number of samples in this research is 280 employees who work in the MSME sector in Cirebon Regency. The results of the study indicate that leadership has an influence on the performance of MSME employees in Cirebon Regency. so that the managerial implications that must be carried out by leaders in terms of improving employee performance are increasing the role of leaders in terms of innovation, and motivating employees and paying attention to the welfare of their employees.

**Keywords:** leadership; employee performance; MSME.

## INTRODUCTION

In Indonesia, MSMEs have a significant role in increasing employment, the formation of gross domestic product (GDP), and providing a safety net, especially for people affected by the financial and economic crisis. The Indonesian government considers the importance of the existence of MSMEs in Indonesia, one of which is by establishing a special forum under the Ministry of Cooperatives and SMEs (Munthe, 2022). Human resource management for MSMEs is an important skill that must be possessed by MSME actors, indeed in general, MSME businesses prioritize marketing and financial activities because these two activities are determinants of business growth, but if examined further the role of HR management is also important in the world of MSMEs because human resources are the main key.

Productivity and performance have a relationship with human resources. Human resources are very important in an

organization or company, because they are the ones who will work together and mobilize their resources to achieve organizational goals. Therefore, it is necessary to have quality human resources. The factors that can be used to improve performance include leadership (Pratama, 2022). (Hanifah et al., 2014) says that leadership is a behavioral norm used by a person when that person tries to influence the behavior of others. Leaders are important for all types of organizations and have different roles in performing functions within the organization, the goal of each organization is to survive and maintain its entity by improving performance (Arslan & Staub, 2013). In the midst of the current COVID-19 pandemic, the leader's role in improving employee performance is very necessary, because the impact caused by this pandemic requires every sector of life to carry out activities online, so that new habits are implemented in the era of the COVID-19 pandemic.

**Table 1.** Factors Causing Decrease in Employee Performance During the COVID-19 Pandemic

No.	Explanation
1.	Employees feel uncomfortable and unsafe to work because the health protocol regulations recommended by the Government during the pandemic are not properly controlled, so that concerns arise for employees that can interfere with performance.
2.	Employees must adapt and start learning new habits such as work from home (WFH) so that the impact on employee performance becomes unstable.
3.	Lack of motivation from the leadership to encourage and improve employee performance.
4.	The shadow of Termination of Employment (PHK) due to declining sales which has an impact on declining profits due to low employee performance and due to the effect of WFH continues to haunt employees

No.	Explanation
	so that it interferes with the concentration process at work.
	Sumber : Widaningsih, et.al (2020)

Base on the table above, according to the research of ([Japutra & Situmorang, 2021](#)) it can be seen that the average decrease in employee performance is when new habits are implemented related to stopping the spread of the covid-19 virus, so a leadership role is needed as the owner of MSMEs in overcoming this and of course there are differences in leadership practices before COVID-19 and now in terms of communication patterns and work methods. The pattern of communication and work methods applied in this era is all digital, which requires employees to struggle hard to adapt, not to mention the fear of a decrease in salaries and even layoffs due to the financial impact felt by the company, so the role of leadership in terms of sensitivity to employee needs must also be considered because such conditions will have an impact on employee performance. As like as research by ([Asrar-ul-Haq & Kuchinke, 2016](#)); ([Zia-ud-Din et al., 2017](#)); ([Gibbs et al., 2017](#)). They found that leadership has positive and significant effect on employee performance. However, this contradicts research conducted by ([Iqbal et al., 2015](#)) and ([Santoso et al., 2020](#)) which state that leadership has a negative and insignificant effect on employee performance. This creates a research gap between the research conducted and the conditions in the field. On this basis, researchers are interested in conducting research related to leadership on the performance of MSME employees in

Cirebon Regency.

According to ([Lusher et al., 2013](#)), leadership has an important role in the development and growth of any organization. The reason for this fact is that the leaders of the organization generally consider all the plans and business decisions, effective and timely decisions considering by the leadership of the organization can have a wide impression on the crucial business results. Leadership is key to good performance since it coordinates both utilization of human and other resources in the organization ([Madanchian et al., 2016](#)). Good leader motivates employees and motivated employees does not only increase his or her job performance and commitment within an organization, but also goes beyond the job requirements thus increasing the organization's general performance and making it more profitable. ([Chen, 2013](#)) pointed out that a successful leadership knowledge results from the key elements consist of changing attitudes, personnel development, and improved business and leadership skills. Leadership as crucial element in the organisational behaviour landscape, whereby it is one of the flexible impacts of individual and organizational interactions ([Obiwuru et al., 2011](#)). Delineated leadership's role as a judicious tool in motivating the employees towards accomplishing upgraded growth and development.

**Employee Performance**

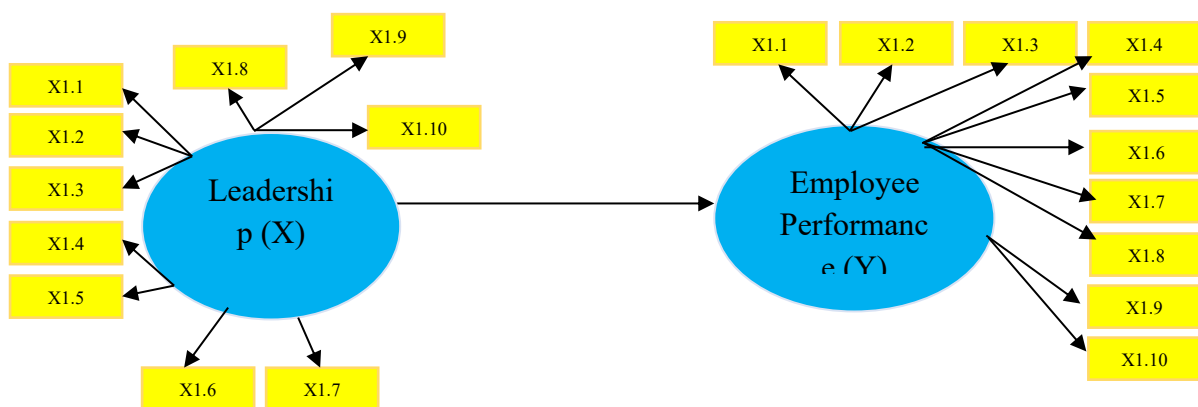
(Gunawan, 2017) explain that the working performances are the important issue in the human resources management and it is even the main requirement for a successful organization. (Jeffrey & Soleman, 2017) put out that the performance management is a process of a purpose, an evaluation and of a performance development to improve the employees' ability. In this way, the company's goal can be fulfilled. (Armstrong, 2016) defines that performance management is the continuous process of improving performance by setting goals that are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing progress, and developing the knowledge, skills and abilities of people. The balanced score card

is the management concept which turn a strategy into an action.

**Effect of Leadership on Employee Performance**

In a business organization activity, leadership practice is very important but sometimes in reality the leader does not provide a role and contributes less in matters relating to the performance of his employees even though the role of leadership can also determine how employees behave in an organization and in carrying out or completing their work. As like as research by (Wen et al., 2019) found that leadership has an effect on employee performance.

Base on the previous research above, the framework from this research is as follows:



**Figure 1.** Frame Work Of Research  
 Source: Data were processed by researchers

So that the hypotheses is suspected that there is an influence of leadership on employee performance.

## **METHODS**

The method in this research is regression with path analysis which is then processed using the SmartPLS program by comparing t count and t table in determining the correlation between variables which previously do instrument test, convergent validity and reliability. In this research, variables of research were classified into two parts, they are exogenous variables and endogenous variables. Exogenous variable is any variable that affects other variables, but is not influenced by the previous variable. While the endogenous variable is any variable that is influenced by other variables. In this research, the exogenous variable is leadership while the endogenous variable is the performance of MSME employees. The population of this research is employees who work at MSMEs in the Cirebon Regency area with a sampling technique using probability sampling. Determination of the sample in this study using the slovin formula, namely: 280 employees. The types of data collection carried out are primary data (observations, questionnaires) and secondary data (journals, books, previous studies).

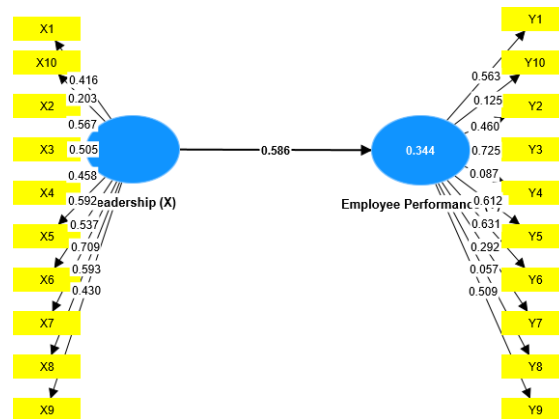
## **RESULTS AND DISCUSSION**

### **Respondent Characteristics**

The finding of the respondent characteristics showed that more male respondents than female respondents, male respondents were 175 people (63%), whilst female respondents were 105 people (38%). Based on the educational background, the undergraduate respondents were 16 people (6%), senior high school respondents were 144 people (51%), junior high school respondents were 68 people (24%) and 52 people (19%) were respondents from primary school respondents. Based on the age, 14-20 years old respondents were 31 people (11%), 21-35 years old respondents were 110 people (39%), 36-45 years old respondents were 63 people (23%), 46-50 years old respondents were 23 people (8%) and > 50-year-old respondents were 53 people (19%).

### **Outer Model Test**

The first order confirmatory with path diagram of causal relationship is the data analysis used in this research. Then the instrument test through the outer model test, namely convergent validity and reliability on each indicator. Below are the output results on the convergent validity path diagram:

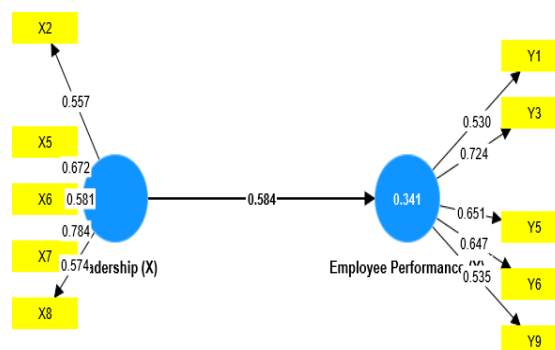


**Figure 2.** Convergent Validity

Source: Data were processed by researchers

Base on figure above can see that, indicator has valid if value of factor loading is more than 0,5. If the factor loading less than 0,5 so that the indicators are not valid and must be drop out. Base on result of

convergent validity test above, they are several has value less than 0,5 so that its must be drop out due to not valid and after drop out must be re test of convergent validity as like as figure below:



**Figure 3.** Re Convergent Validity Test

Source: Data were processed by researchers

After do re test of convergent validity, can be see that the indicators has valid due to factor loading has more than 0,5. And then base on reliability test can be concluded that leadership variable has 0,772 and employee performance variable has 0,757 with Cronbach alpha more than

0,6 so that the indicators has good reliability or can be measure its construct.

**Inner Model and Hypothesis Test**

Inner model test in this research are R<sup>2</sup> test and hypothesis test. The function of R<sup>2</sup> can be show how big is the contribution of

exogenous variables to endogenous variables, whereas the function of hypothesis to show influence between variable. Value of  $R^2$  in employee performance variable has 0,341 which indicates that employee performance variable can be explanation by leadership variable is 34,1%, while the rest is

influenced by other variables not examined in this research. To show influence between variable so do hypothesis test with compare t counts with t table, hypothesis accepted if value of t counts > t table, in this research t table is 1,6503, base on hypothesis test by SmartPLS so the result is:

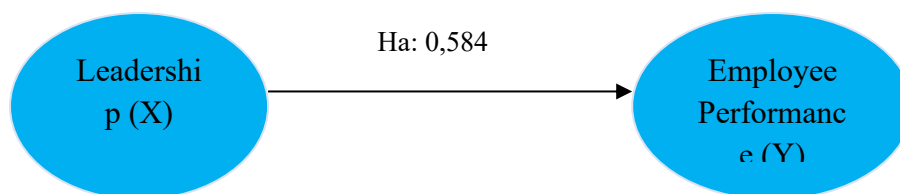
**Table 2.** Hypothesis Test

Correlation Of Between Variable	Parameter Coefficient	T statistic	P Value	Explanation
Leadership (X) -> Employee Performance (Y)	0,584	11,913	0,000	Significant

Source: Data were processed by researchers

Base on the path parameter coefficients obtained in table 2 so that the model of the

research can be explained as follows:



**Figure 4.** Path Diagram of Hypothesis Test

Source: Data were processed by researchers

$$Y = 0,584 + e \dots\dots\dots(1)$$

The Effect correlation between variable in above table can be explanation is: The path parameter coefficient obtained from the influence of the leadership variable on employee performance is 0.584 with a tstatistic value of 11.913 > 1.6503 at a significance level of 0.05 (5%) stating that there is a positive and significant influence between leadership on employee performance. The value of 0.584 in the

parameter coefficient means that if the leadership increases by 1 then employee performance will increase by 58.4%. The results of this research support the research hypothesis where there is a positive and significant influence between leadership on employee performance of MSME employees. As like as research conducted finding that leadership has an effect on employee performance. so that the hypothesis is accepted.

---

## CONCLUSIONS

After do hypothesis test in this research, founded that the impact of leadership towards employee performance has positive significant and base on explanation above that output this research has answer of the phenomena in the object of research. So that necessary to develop managerial policies to give contribution of theoretical to leaders in managing employees. The managerial implication that needs to be done in improving the performance of MSME employees in Cirebon Regency is that the leader in this case the owner of the place of business must be able to have an innovative spirit who has a high curiosity about the development of the industrial world so that it can lead to new perspectives and new knowledge, especially in the development of business products. and always see the opportunities that exist and take these opportunities into an advantage so that there is confidence in employees that this business can be a big business that is able to provide welfare for its employees, so that it can encourage employees to further improve their work performance in order to realize business success together. Leaders must be able to read every employee's needs, especially the issue of health insurance for employees in this era of the COVID-19 pandemic, health insurance is very much needed by employees, if this can be used as an important point in generating employee work motivation. In addition, the leader must take several actions such as paying more attention to the room where the employees work, due to the fact that a comfortable workspace

can have an impact on completing work to the maximum. Make work rules that don't corner and don't put too much pressure on employees but employees feel disciplined and responsible with these regulations, give rewards if employees excel, and always do work evaluations.

## REFERENCES

- Armstrong, M. (2016). *Armstrong's handbook of management and leadership for HR: Developing effective people skills for better leadership and management*. Kogan Page Publishers.
- Arslan, A., & Staub, S. (2013). Theory X and theory Y type leadership behavior and its impact on organizational performance: Small business owners in the Şişane Lighting and Chandelier District. *Procedia-Social and Behavioral Sciences*, 7(5), 102–111. <https://doi.org/https://doi.org/10.1016/j.sbspro.2013.04.012>
- Asrar-ul-Haq, M., & Kuchinke, K. P. (2016). Impact of leadership styles on employees' attitude towards their leader and performance: Empirical evidence from Pakistani banks. *Future Business Journal*, 2(1), 54–64. <https://doi.org/https://doi.org/10.1016/j.fbj.2016.05.002>
- Chen, Y.-T. (2013). *Relationships among emotional intelligence, cultural intelligence, job performance, and leader effectiveness: a study of county extension directors in Ohio*. The Ohio State University.
- Gibbs, S., Moore, K., Steel, G., & McKinnon, A. (2017). The Dunning-Kruger Effect in a workplace computing setting. *Computers in Human Behavior*, 7(2),
-



- 589–595.  
<https://doi.org/https://doi.org/10.1016/j.chb.2016.12.084>
- Gunawan, B. I. (2017). The Effect of Work Motivation, Work Discipline, and Competence on Employee Performance at the Department of Water Management, Mining and Energy Soppeng Regency. *Jurnal Mirai Management*, 1(2), 227–237.  
<https://doi.org/https://doi.org/10.37531/mirai.v1i2.16>
- Hanifah, H., Susanthi, N. I., & Setiawan, A. (2014). The Effect of Leadership Style on Motivation to Improve the Employee Performance. *Jurnal Manajemen Transportasi & Logistik*, 1(3), 221–226.  
<https://doi.org/http://dx.doi.org/10.25292/j.mtl.v1i3.20>
- Iqbal, N., Anwar, S., & Haider, N. (2015). Effect of leadership style on employee performance. *Arabian Journal of Business and Management Review*, 5(5), 1–6.
- Japutra, A., & Situmorang, R. (2021). The repercussions and challenges of COVID-19 in the hotel industry: Potential strategies from a case study of Indonesia. *International Journal of Hospitality Management*, 9(5), 102890.  
<https://doi.org/https://doi.org/10.1016/j.ijhm.2021.102890>
- Jeffrey, I., & Soleman, M. (2017). The effect of work discipline, achievement motivation and career path toward employee performance of The National Resilience Institute of The Republic of Indonesia. *International Journal of Application or Innovation in Engineering & Management (IJAIEM)*, 6(8), 106–113.
- Lusher, D., Koskinen, J., & Robins, G. (2013). *Exponential random graph models for social networks: Theory, methods, and applications*. Cambridge University Press.
- Madanchian, M., Hussein, N., Noordin, F., & Taherdoost, H. (2016). Effects of leadership on organizational performance. In *Economics and Education*.
- Munthe, R. A. (2022). Benefits of Company Management Systems with Combination of ERP (Enterprise Resource Planning). *Journal Research of Social, Science, Economics, and Management*, 1(6), 610–620.  
<https://doi.org/https://doi.org/10.36418/jrssem.v1i6.74>
- Obiwuru, T. C., Okwu, A. T., Akpa, V. O., & Nwankwere, I. A. (2011). Effects of leadership style on organizational performance: A survey of selected small scale enterprises in Ikosi-Ketu council development area of Lagos State, Nigeria. *Australian Journal of Business and Management Research*, 1(7), 100.
- Pratama, S. A. (2022). Literature Review The Effect Of Leadership Style And Work Culture On Job Satisfaction And Performance. *Dinasti International Journal of Education Management And Social Science*, 3(5), 743–753.  
<https://doi.org/https://doi.org/10.31933/dijemss.v3i5.1281>
- Santoso, P. B., Asbari, M., Siswanto, E., & Fahmi, K. (2020). The role of job satisfaction and organizational citizenship behavior on performance: Evidence from Indonesian teachers. *International Journal of Social and Management Studies*, 1(1), 22–31.  
<https://doi.org/https://doi.org/10.5555/ijosmas.v1i1.2>
-

---

Wen, T. B., Ho, T. C., Kelana, B. W. Y., Othman, R., & Syed, O. R. (2019). Leadership styles in influencing employees' job performances. *International Journal of Academic Research in Business and Social Sciences*, 9(9), 55–65

Zia-ud-Din, M., Shabbir, M. A., Asif, S. Bin, Bilal, M., & Raza, M. (2017). Impact of strategic leadership on employee performance. *International Journal of Academic Research in Business and Social Sciences*, 7(6), 8–22.



© 2022 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).

---