

## Does Leadership Style Improve Employee Performance? The Mediating Role of Incentives

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### ABSTRACT

From ancient times to the current era of digital disruption in the 5.0 society phase, the implementation of the right leadership style can improve employee performance, with effective work incentive policies playing a crucial role in strengthening it. The purpose of this study is to investigate whether leadership style can improve employee performance, by examining the mediating role of incentives. This research design uses a quantitative approach with a survey type, with the predictive power effect size relied on in the constructed research model. The research instrument was administered to 107 respondents as a research sample selected using a purposive sampling technique. Statistical analysis adapted the path analysis model by applying the SPSS PROCESS macro model to test the mediation effect. The research findings indicate that leadership style has a positive and significant direct and indirect effect on employee performance. Leadership style has a positive and significant effect on work incentives. Work incentives have a positive and significant mediation effect with moderate to strong predictive power. These findings can fill the existing gap and expand the literature in the field of human resource management and ideal behavior in business organizations. Leadership style can strengthen efforts to improve employee performance in business organizations, with work incentives acting as a crucial mediator that becomes a sensitive axis that decorates it appropriately can strengthen it.

### Keywords:

Leadership Style;  
Incentives; Employee  
Performance;  
Business  
Organizations

### INTRODUCTION

In the era of Industry 4.0 and entering the era of Society 5.0, massive disruption has occurred in various sectors, marked by advances in the technology sector that have influenced other aspects of modern human life (Firmansyah, 2023). Various organizations are no exception, impacted by the challenges of surviving and thriving in an era of change and increasingly fierce competition. Management talent relevant to continuously evolving conditions is crucial for managing various organizational resources effectively and efficiently, innovatively, and adaptively (Budiarti & Firmansyah, 2024). Human resources (HRs) are part of the activities and management that drive an organization/company so that the organization continues to grow and is able to reduce threats and even win the competition (Firmansyah, 2023).

Management is part of the process of running an organization, which involves managing staff, time, facilities and infrastructure, finances, and work methods. Through human resource management (HRM), the management process encompasses all management decisions and actions that influence the nature of the relationship between the organization and its employees. The goal of the management process is performance, meaning behavior or activities related to the organization, where organizing is a leadership decision (Alhudhori et al., 2019). herefore, human resource development in various companies emphasizes the importance of superior HR competencies and maximum employee performance so

that they can contribute to the company's progress (Purnama et al., 2022). The success and achievement of employees in a company depend on management, leadership style, compensation, including incentive management, and the combination of each employee's individual work motivation and overall competency (Firmansyah, 2024).

A leader can be defined as someone who manages and directs a group of people (Bilola, 2023), meaning they are individuals who have the power to influence their followers (Khan, 2008). The problem is, what subordinates do must be directed towards achieving organizational goals, which of course requires an effective leadership style. Leaders play a crucial role in organizational development. Many researchers have defined leadership broadly in various ways based on philosophical beliefs, generally referring to two ways of defining it: the type of followers led and the nature of the leader's work (Bilola, 2023). This concept relates to motivation in developing followers based on the end result, actual performance, and techniques in completing complex work. Sometimes, more time spent with subordinates is part of the characteristics of leadership behavior, and only to them are orders given. Even various programs and work goals are often initiated by leaders on behalf of their supporters. However, there are also leaders who prioritize cognitive values for their followers based on ideology and creativity by striving to be role models and idols for their subordinates. Various approaches are used in developing leadership theories that are currently evolving.

Regardless of the situation, leadership can be defined as a process carried out by managers with their adopted style to influence people so that they can be directed voluntarily to do what must be done well in accordance with what should be done referring to organizational goals. According to Edison (2017), leadership style is the way a leader acts and/or how he influences his members to achieve certain goals. Leadership style is a technique in giving orders and directions applied by a leader to his subordinates, to motivate them to carry out plans and achieve the set goals (Northouse, 2007). It is recognized that leadership approaches refer to transformational, transactional, and laissez-faire leadership (Bass, 1999; Robbins & Coulter, 2007; Bass & Riggio, 2010) according to the characteristics of leadership and styles in their application. As a limitation, we will analyze leadership styles that refer to leadership characteristics, and effective leadership. Transformational and transactional leadership approaches are our limitations in analyzing leadership styles.

Transformational leadership is closely related to the engagement of leaders with subordinates, creating a high level of interest, awareness, and commitment to work together based on the progress of the work team, the mission, and the organization's goals (Yukl, 1989; Bass & Stogdill, 1990; Yukl & Gardner, 2020). Meanwhile, transactional leadership refers to a leadership style based on social transactions based on the achievement and attainment of goals (Suparman et al., 2024). Both view incentives as equally important as rewards for work achievement, good employee performance, and the realization of the operationalization of missions and goals. Incentives are defined as rewards realized in the form of various tangible compensation provided to employees. Incentives can also be defined as objective criteria established to reward individual work performance against measurable performance standards (Wei & Mauhay, 2024). Researchers broadly

divide incentives into two: concrete (material) incentives and moral (non-material) incentives. The realized incentive program is part of a strategic tool in motivating, retaining, and developing employees through other forms of compensation besides salary given to employees for their best performance (e.g., Wei & Mauhay, 2024; Quadri, 2019; Preko & Adjetei, 2013; Masood et al., 2006). Employee performance can be defined as the achievement of individual employee performance in the organization according to their workload, duties, and responsibilities based on the quality and quantity standards of work expected by the organization (Firmansyah, 2023). The quality and quantity standards of work are general parameters for assessing employee performance without considering time, work behavior, and standard operating procedures implemented by the organization.

The explanation above clearly demonstrates the relationship between leadership style, incentives, and employee performance within an organization. This is reinforced by various previous studies that found that leadership style has a positive impact on employee performance. Leadership style is a strong predictor that has been shown to influence various aspects of employee behavior, actions, and performance (e.g., Donkor et al., 2021; Ohemeng et al., 2018; Belonio, 2012; and Larik, 2022); transformational, laissez-faire, and democratic leadership styles have been shown to strengthen employee performance (Dastane, 2020), and transformational leadership on employee performance (Baig et al., 2021); Democratic leadership style has a good influence on employee performance, where the leadership's ability to develop expertise and skills, creating happiness management is a key factor (e.g., Alghizzawi et al., 2024; Firmansyah & Wahdiniwati, 2023a). Good leaders are always involved in incentive programs and their distribution can have a greater influence on employee performance (Casas-Arce & Martínez-Jerez, 2024; and Campbell, 2018). Various incentives that are given fairly have a positive influence on employee performance (Wei & Mauhay, 2024; Abdel-Azim & Tarek, 2018). Leadership style, financial incentives and non-financial incentives are driving factors for employee motivation and performance (Aluko, 2019). There is a positive relationship between leadership style and incentives on employee work effectiveness (e.g., Aladekomo & Obi, 2023; Lee et al., 2020; Chen et al., 2012).

Interestingly, there is still limited literature exploring incentive-based leadership styles and employee performance as a mediator that strengthens the relationship between the two. For example, Belonio (2012) examined the influence of leadership styles on employee job satisfaction and performance; Larik (2022) analyzed the significant influence of leadership skills and styles on employee performance; Baig et al., (2021); Dastane (2020); Otieno & Njoroge (2019); and Biloa (2023) employee performance predicted by various leadership styles; Khassawneh & Elrehail (2022) participatory leadership in influencing employee behavior and performance; Donkor et al., (2021) examined organizational commitment and the mediation of leadership styles on employee performance in state-owned companies; Dastane (2020) the key to the success of leadership styles in improving employee performance. Other relevant literature investigates the relationship between leadership styles and incentives (Casas-Arce & Martínez-Jerez, 2024; Chepkemai, 2018); leadership style and psychological resilience on the effectiveness of lecturers' work at universities (Aladekomo & Obi, 2023); the

relationship between efficiency, leadership style and incentives (Chen et al., 2012); the influence of incentives on employee performance (Campbell, 2018); the effect of incentives on employee performance (Wei & Mauhay, 2024); the effect of financial and non-financial incentives, organizational culture and work motivation on employee performance (Aluko, 2019); financial incentives on employee performance (Nnubia, 2020); incentives on employee performance (Abdel-Azim & Tarek, 2018); differences in the mediating role of trust and knowledge sharing (formal and informal) compared to training and incentives in predicting employee performance (Lee et al., 2020).

To fill the existing gap, this study was conducted by investigating whether leadership style can improve employee performance? with the mediating role of incentives studied. This study was conducted in one of the business organizations in West Java, Indonesia. The implementation of leadership in an organization reflects its art and style in directing and developing innate efforts according to its strengths towards achieving the company's goals and objectives ideally, efficiently, effectively and economically. The achievement of long-term organizational goals and objectives can be initiated by the existence of good employee performance variations provided by employees on an ongoing basis. Where incentives will decorate it as part of the compensation program given to employees based on criteria set by management such as the best achievements and performance achieved by one or several employees who are not exempt from the role of the applied leadership style, so that it can motivate other employees to improve their performance even better. The contribution of this study expands the literature in the field of human resource management and ideal behavior in organizations. The operationalization of this study was carried out adequately using a survey type and relying on responses from respondents as the main research data.

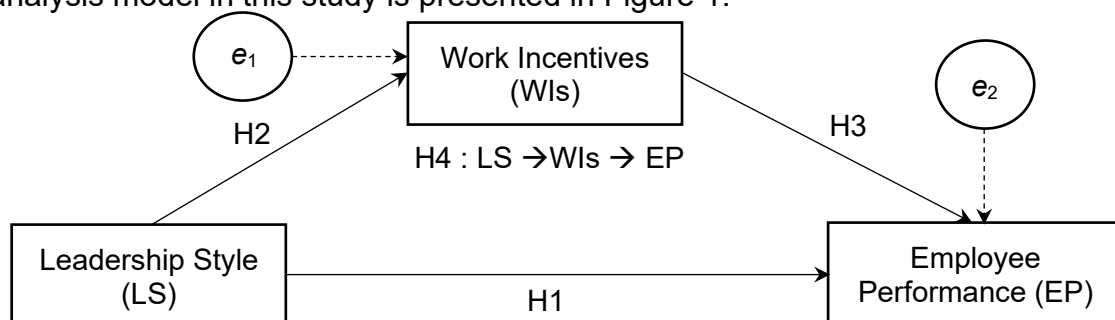
This research question can be formulated clearly and systematically as follows: RQ1: Does leadership style have a direct effect on employee performance?; RQ2: Does leadership style affect incentives?; RQ3: Does incentives affect employee performance?; RQ4: Does incentives have a mediating effect on the relationship between leadership style and employee performance?

The research hypotheses are summarized as follows: H1: Leadership style has a direct and positive effect on employee performance; H2: Leadership style has a direct positive effect on incentives; H3: Incentives have a positive effect on employee performance; H4: Incentives have a positive mediating effect on the relationship between leadership style and employee performance.

## METHOD

This research method uses a quantitative approach with a survey type. The research was conducted in accordance with scientific research procedures through several stages, starting from the conceptualization stage, problem discussion, determination of research methods and design, variables and research data sources, data collection, data processing, analysis and interpretation of research data to the preparation of the research report. Data collection techniques, observation, interviews and surveys using a questionnaire with a Likert scale of 1-7 given to 107 respondents, namely employees of a private global business organization in West Java, Indonesia, who were selected as a research sample using a purposive sampling technique. The objects of study in this research are leadership style, work

incentives, and employee performance. Leadership style (LS) is developed based on transformational leadership and transactional leadership, which are fully operationalized with nine indicators (LS1-LS9). Work incentives (WIs), which consist of concrete (financial) and moral (non-financial) incentives, are developed with six indicators (WIs1-WIs6). Employee performance (EP) is measured based on the quality and quantity of work, which are operationalized with six indicators (EP1-EP6). The verification data analysis method was carried out to confirm and test the predictive causality of the constructed model (Firmansyah & Wahdiniwati, 2023b). Extraction and modification of measurement items were carried out to meet the research objectives (e.g., Firmansyah & Saepuloh, 2022). Path analysis was applied to analyze the data in the constructed path analysis model. Evaluation of data quality in the model analysis was carried out by applying instrument validity criteria with a critical number  $r$  greater than 0,3 (Gujarati, 2012; Suparman et al., 2024), and the instrument reliability of each construct is applied with a Cronbach's Alpha ( $C\alpha$ ); loading factor ( $\lambda$ ) greater than 0,7; composite reliability (C.R) of the latent variable level greater than 0,7 (Hair et al., 2011; Ghozali, 2014; Budiarti & Firmansyah, 2025). Full collinearity is applied to  $VIF < 3,3$  (Kock & Lynn, 2012; Firmansyah, Ahman, et al., 2024), and between exogenous latent variables has an  $r$  value  $< 0,80$  (Firmansyah et al., 2022). The model suitability criteria applied are effect sizes evaluated based on the magnitude of the predictive power of  $R^2$  (Firmansyah & Wahdiniwati, 2023b). The PROCESS SPSS macro model developed by Hayes (2018) was used to test the accepted mediation, the bias correction method, and the percentile method to test the mediation effect, and the regression approach for forecasting were used, and the confidence level for the confidence interval was applied at 95% (Firmansyah & Saepuloh, 2022). This means that the significance of each effect is adequately applied at  $p = 0,05$  (5%); the  $t$ -statistic is greater than 1,96. The magnitude of the mediation path coefficient and the significance of the mediation effect were estimated using the Sobel test. The construction of the conceptual framework of the path analysis model in this study is presented in Figure 1.



**Figure 1.** Conceptual Framework of the Proposed Research Model

Figure 1 explains that path analysis model 1 tests the  $LS \rightarrow EP$  hypothesis (H1), path analysis model tests the  $LS \rightarrow WIs$  hypothesis (H2), path analysis model 3 tests the  $WIs \rightarrow EP$  hypothesis (H3), and path analysis model 4 tests the  $LS \rightarrow WIs \rightarrow EP$  hypothesis (H4). In simple terms, the conceptual framework of the path analysis model built in this study will test: 1) the direct effect hypothesis model, and 2) test the indirect effect hypothesis model through mediation effect.



## RESULTS AND DISCUSSION

### 1. Validity Test of Leadership Style Instruments, Work Incentives Instrument and Employee Performance Instruments

The validity of the leadership style (LS), work incentives (WIs) and employee performance (EP) instruments assesses the statistical criteria  $r$  at the critical number  $r$  must be greater than 0,3.

Table 1. Results of the Validity Test of the LS, WIs, and EP Variable Instruments

LS Indicators	$r$ -Stat	WIs Indicators	$r$ -Stat	EP Indicators	$r$ -Stat	Critical $r$ -value	Information
LS1	0,617	WIs1	0,770	EP1	0,763	0,3	Valid
LS2	0,520	WIs2	0,807	EP2	0,726	0,3	Valid
LS3	0,661	WIs3	0,713	EP3	0,660	0,3	Valid
LS4	0,646	WIs4	0,637	EP4	0,522	0,3	Valid
LS5	0,521	WIs5	0,723	EP5	0,782	0,3	Valid
LS6	0,777	WIs6	0,755	EP6	0,764	0,3	Valid
LS7	0,763	-	-	-	-	0,3	Valid
LS8	0,649	-	-	-	-	0,3	Valid
LS9	0,759	-	-	-	-	0,3	Valid

Note:  $r$ -stat  $>$   $r$ -critical 0.3, instrument item is valid.

Based on Table 1, it shows that all items of the leadership style (LS), work incentives (WIs) and employee performance (EP) instruments are declared valid ( $r$  statistic is greater than the critical 0,3).

### 2. Reliability Test of Leadership Style Instruments, Work Incentives Instrument and Employee Performance Instruments

Cronbach's Alpha ( $C\alpha$ ); loading factor ( $\lambda$ ); and composite reliability (C.R) values were examined at the latent variable level with the ideal criterion that each should be greater than 0,7.

Table 2. Results of the Reliability Test of the LS, WIs, and EP Variable Instruments

Variables	Indicators	$\lambda$	Cronbac's alpha ( $C\alpha$ ; CR)	Items	Conclusion
LS	LS1	0,824	0,837	9	Reliable
	LS2	0,834			
	LS3	0,820			
	LS4	0,840			
	LS5	0,823			
	LS6	0,803			
	LS7	0,806			
	LS8	0,821			
	LS9	0,808			
WIs	WIs1	0,790	0,828	6	Reliable
	WIs2	0,778			
	WIs3	0,807			
	WIs4	0,828			
	WIs5	0,801			
	WIs6	0,793			
EP	EP1	0,763	0,800	6	Reliable
	EP2	0,726			
	EP3	0,660			
	EP4	0,522			
	EP5	0,782			
	EP6	0,764			

Note: Cronbah's Alpha value,  $\lambda$ , C.R  $>$  0.7 reliable instrument item.

Table 2 shows that each statement item reaches the latent variable level, both from leadership style (LS), work incentives (WIs), and employee performance (EP) with a Cronbach's Alpha value  $>0.7$ , loading factor ( $x$ )  $>0.7$  and CR  $>0.7$ , so that all are declared reliable.

### 3. Correlation and Multicollinearity Tests

Table 3. Results of correlation and multicollinearity tests

Model				Correlation Model	Collinearity Statistics-VIF	
Pearson Correlation	LS	WIs	EP		LS	Wis
LS	-	0,708**	0,755**	LS	-	2,007
WIs		-	0,759**	WIs	2,007	-
EP	0,755**	0,759**	-			

Note:  $r < 0.80$ ;  $VIF < 3.3$ . \*\*Significance at  $p < 0.01$ .

Table 3 shows significant correlations ( $r$ ) between leadership style and employee performance, leadership style and work incentives, and work incentives and employee performance. Each path model has a strong correlation ( $r = 0,755$ ,  $0,708$ , dan  $0,759$ ;  $r < 0,80$ ) with a positive relationship direction. Similarly, the Collinearity Statistics-VIF section shows a VIF value between latent exogenous variables of  $2,007 < 3,3$ , so the overall collinearity criteria can be met in the constructed model.

### 4. Fit Model Evaluation Based on $R^2$ Prediction Power

Referring to the proposed hypothesis, the methodological and statistical evidence of this study can be tested with four path analysis models developed from the linear regression model. Evaluation of the suitability of the path analysis model for direct and indirect effects is carried out by assessing the magnitude of the effect as the predictive power of  $R^2$  in the summary model with the criteria of low  $R^2 < 0,5$ ,  $R^2 > 0,5$  but  $< 0,75$ , and  $R^2 > 0,75$  which indicates strong predictive power.

Table 4. Predictive Power Test Results of the  $R^2$  Model

Model Summary <sup>b</sup>	R <sup>2</sup> Model 1		R <sup>2</sup> Model 2		R <sup>2</sup> Model 3		R <sup>2</sup> Model 4	
	EP		WIs		EP		EP	
	LS	0,569	LS	0,502	WIs	0,576	LS	0,670
	-	-	-	-	-	-	WIs	

Note:  $R^2 > 0.5$ , medium strong predictive power category.

Table 4 shows the predictive power of each exogenous variable against the endogenous variable based on the  $R^2$  determination coefficient model in the summary model. The  $R^2$  value of Model 1, which reflects the predictive ability of leadership style (LS) in explaining variance in employee performance (EP), is  $0,569$ , kekuatan prediksi dengan efek size yang moderat. a predictive power with a medium effect size. Model 2 shows the predictive ability of leadership style (LS) to explain variance in work incentives (WIs) of  $R^2 = 0,502$ , a predictive power with a medium effect size. Model 3 shows the predictive ability of work incentives (WIs) in explaining variance in employee performance (EP) in the  $R^2$  range of  $0,576$ , reflecting a predictive power with a medium effect size. Model 4 has an  $R^2$  value of  $0,676$  approaching  $+1$ , which can adequately explain that leadership style (LS) and work incentives (WIs) together can explain variance in employee performance (EP). LS and WI simultaneously have moderate predictive power leading to the strong category. Therefore, the path analysis model construction in this study has a good overall model fit.

## 5. Hypothesis Testing

In accordance with the research model built by adopting path analysis, hypothesis testing consists of testing direct and indirect effect hypotheses to test the mediation effect.

## 6. Direct Effect

A direct effect test was conducted to prove the three proposed hypotheses (see table 5), namely: 1) whether leadership style has a positive and significant effect on employee performance (H1); 2) whether leadership style has a positive and significant effect on incentives (H2); and 3) whether incentives have a positive and significant effect on employee performance (H3). The significance of the effect was analyzed at a  $p$ -value  $< 0,05$ ; a critical  $t$  of 1,96.

The test results can be seen in Table 5. Where, the findings from the results of the direct effect significance test in the path model analysis indicate that leadership style (LS) has a positive direct effect on employee performance (EP) with a path coefficient value of 0,463, significant at  $p$ -value =  $0,000 < 0,05$  and  $t$ -Statistic =  $11,785 > 1,96$  (H1 is proven to be accepted). Leadership style (LS) has a positive effect on work incentives (WIs) with a path coefficient value of 0,429, significant at  $p$ -value =  $0,000 < 0,05$  and  $t$ -Statistic =  $10,280 > 1,96$  (H2 is proven).

Table 5. Results of the Direct Effect Significance Test

Hypothesis	Path Coefficients	UnStdzd. Coeff. B	S.E	Stdzd. Coeff. Beta	t-Stat	Sig.	Results
H1	LS → EP	0.463	0.039	0.755	11.785***	0.000	Accepted
H2	LS → WIs	0.429	0.098	0.708	10.280***	0.000	Accepted
H3	WIs → EP	0.663	0.056	0.759	11.937***	0.000	Accepted

Note: Significance of effect,  $t$ -stat  $> t$ -critical = 1.96; Sig.  $< p = 0.05$ .

The test results also found that work incentives (WIs) have a positive effect on employee performance (EP), with a path coefficient value of 0,663, significant at  $p$ -value =  $0,000 < 0,05$  and  $t$ -Statistic =  $11,937 > 1,96$  (H3 is proven to be accepted). These findings have proven that all the proposed direct influence hypotheses, namely H1, H2, and H3, are acceptable.

## 7. The Mediating Role of Incentives Significance of Indirect Effects

The significance test of the indirect effect was conducted to test the mediation effect of work incentives (WIs) on the influence of leadership style (LS) on employee performance (EP), namely testing H4 by applying the estimation method using the Sobel test.

Table 6. Results of the Test of the Mediation Role of Incentives, Significance of Indirect Effect

Hypothesis	Mediation Path Coefficients	UnStdzd. Coeff. B	S.E	Stdzd. Coeff. Beta	t-Stat	Sig.	Results
H4	LS → WIs → EP	0.199	0.048	0.269	4.107***	0.000	Accepted

Note: Significance of mediation effect,  $t$ -stat  $> t$ -critical;  $Z$ -stat  $> Z$ -critical; Sig.  $< p = 0.05$ .

The results of the indirect effect test (see Table 6) show that work incentives (WIs) have a positive mediating effect on the influence of leadership style (LS) on employee performance (EP), significant at  $p = 0,000 < 0,05$  and  $t$ -Stat =  $4,107 > 1,96$  (H4 is accepted), with a coefficient value of 0,199 greater than the path coefficient of the indirect effect of leadership style (LS) on employee performance (EP) through work incentives (WIs). This finding proves that work incentives have a positive



mediating effect on the relationship between leadership style (LS) and employee performance (EP), and this finding is sufficient to fill the existing research gap.

### **Discussion**

Leadership style (LS) and work incentives (WIs) are two important factors in influencing employee performance (EP). Efforts to improve employee performance can be predicted by both. Leadership style with affective and sustainable leadership shows charismatic characteristics, inspirational and intellectual motivation, individuals who function as role models can influence the clarity of the implementation of fair incentives to improve the performance of subordinate employees. Incentives can be used as a strategic tool that is also a concrete stimulus to motivate, maintain and improve employee performance to maintain better performance over time so that the company's vision, mission, and goals can be realized. The achievement of quality and quantity standards of work by employees reflects work performance in accordance with the company's expected performance, high company efficiency and productivity that allows the company to achieve competitiveness due to stable and continuously improving employee performance.

The research findings indicate that leadership style (LS) has a direct, positive, and significant effect on employee performance (EP), thus H1 is accepted. This finding aligns with research findings Baig et al., (2021); Larik (2022); Ohemeng et al., (2018); and Belonio (2012), which indicate that leader power relationships can build positive relationships among organizational personnel and influence aspects of behavior, actions, satisfaction, and performance improvement. Leadership style has a good influence on employee performance, where the leader's ability to develop expertise and skills, creating happiness management is a key factor (Alghizzawi et al., 2024; Firmansyah & Wahdiniwati, 2023a). Leadership with effective transformational and transactional leadership types has been proven to be able to influence employee performance. Both types of leadership are able to increase motivation, morale and work commitment of subordinates so that they can improve employee performance. The implementation of an innovation culture is always applied by transformational leaders as a way to stimulate employees to be inspired and enable individual development and growth (Caillier, 2014; Caillier, 2016; Donkor et al., 2021). Pemimpin transformasional kadangkala diperlukan untuk merekayasa bujukan Transformational leaders are sometimes needed to engineer persuasion that can reduce resistance and encourage effective decision making, this reflects the nature of transformational leadership that considers quantity rather than quality of work on the basis of social transactions and rewards offered, where evaluation of employee work performance can be the basis for assessment in the application of this leadership to be more effective.

Good leaders enable engagement in fair incentive programs and their distribution. Both transformational and transactional leadership can offer incentives as sensitive compensation to motivate and influence subordinates' work behavior to continue achieving and developing. In accordance with this, our research findings adequately found that leadership style (LS) has a positive and significant impact on work incentives (WI), thus H2 is accepted. This finding aligns with research findings (Casas-Arce & Martínez-Jerez, 2024; and Campbell, 2018), that an organization's emphasis on effectively adopted leadership styles can improve the efficiency and utilization of performance-based incentives. The research findings explicitly indicate

that when transactional leadership is implemented, work incentive offers are more frequently cited as an attraction for employees who excel beyond company value. However, this does not mean that transformational leadership avoids incentive programs in motivating employees. Material (concrete) and non-material (moral) incentives are still provided as recognition for the contributions of high-performing employees, which simultaneously serves to maintain performance, increase job satisfaction, and high work commitment in accordance with the company's vision, mission, and goals. However, leadership that works by ordering and commanding subordinates is ineffective if it provides too many incentives that are not measurable in terms of assessment criteria and their benefits for the organization in the future. Because in many ways, good human resources (HRs) practices to motivate and develop adaptive and innovative employees, companies still need investment in developing HR competencies that are in line with the business life cycle, in line with the times, increasingly dynamic business competition, technological advances, even to be better prepared to face digital disruption in the 21st century, such as the current era (Budiarti & Firmansyah, 2025).

Incentives are also widely implemented in many companies to maintain work effectiveness and encourage improved employee performance. Research findings indicate that work incentives (WIs) have a positive and significant effect on employee performance (EP), confirming H3. Reinforcing this finding, for example, Wei & Mauhay (2024); and Campbell (2018) concluded that various incentives provided fairly have a positive impact on employee performance. A good incentive system is seen as an important stimulus in empowerment and HR practices because it has been proven to improve employee performance, which is inseparable from high productivity levels and can even influence company growth (Nnubia, 2020). However, manipulative incentive policies, false promises that are just empty promises, unfairness and inaccuracy, can damage employee morale and employee solidarity (Firmansyah, Susetyo, et al., 2024). Therefore, the provision of incentives requires a fair scheme, applying assessment standards with clear criteria, well-structured and distributed more effectively and efficiently so that it can strengthen employee readiness to improve their performance optimally and they always strive to change in a better direction for the progress of the company.

On the other hand, effective work incentives can facilitate leadership in encouraging employees to perform better. The findings of this study adequately prove that work incentives (WIs) have a positive and significant mediating effect on the influence of leadership style (LS) on employee performance (EP), H4 is proven to be accepted. Leadership style can strengthen employee performance in private business organizations with work incentives acting as an important mediator that becomes a sensitive axis that strengthens it. This research can fill the existing gap. The incentive system can strengthen leadership styles, both transformational and transactional leadership types, in influencing employee attitudes towards their work. Ideal leadership behavior and intellectual stimulation, inspirational motivation, developing fair and honest work incentive patterns have a positive relationship with employee readiness with all their qualifications and competencies to make changes at impressive levels of productivity and work performance (Aladekomo & Obi, 2023; Lee et al., 2020; Abdel-Azim & Tarek, 2018). The application of incentives can facilitate the relationship between leadership and an innovative culture in productive

work (Chen et al., 2012). Incentives given to employees are typically related to leadership behavior, with the emphasis being that ideal leaders should understand the diversity of jobs and the qualifications of their employees, ensuring a link between placement, type of work, and the competency standards required to complete the job, supported by strict and clear standard operating procedures. This ultimately allows for optimal employee performance and the pursuit of growth, not just the future dreams of the company's owners and leaders as outlined in the company's vision, mission, and long-term goals.

Interestingly, although it is the autonomy right for private business organizations to manage various incentives, managers must ensure that the incentive scheme and its distribution are well managed as an important facilitator to improve employee performance. The incentive policy provided can be through concrete (material) incentives as financial incentives or moral (non-material) incentives as non-financial incentives as an appreciation for employee contributions to the company with the aim of motivating, increasing awareness, trust, readiness, willingness and involvement of employees, strengthening ongoing work commitments to increase employee satisfaction and loyalty so that they remain, have high responsibility for the work to produce maximum performance according to the company's mission and goals. Transformational and transactional leadership styles with all the limitations of the company's resource capabilities can implement work incentive policies to strengthen and improve employee performance so that they continue to excel, work to meet the established standards of quality and quantity of work. This needs to be realized fairly and clearly the basis for its provision, in addition to the compensation program provided as an employee's right in the form of salaries and wages that are required to be provided by the company. In the era of digital disruption, good employee performance requires clear and relevant HR processes to the current business landscape, employee management and talent, digital talent, HR digital transformation, adaptive and innovative work behavior (Budiarti & Firmansyah, 2025), and the implementation of a leadership style that understands the characteristics of the organization, employees, and types of work. However, work incentives can still improve it in work behavior as a reward that triggers the achievement of good employee performance consistently, regardless of differences in age, gender, and employee positions at each level, which ultimately can increase productivity, encourage growth, and competitive advantage of the company.

## CONCLUSION

The implementation of a leadership style that understands the characteristics of the organization, employees, and types of work can improve employee performance, where work incentives play an important mediator to strengthen it. The research findings conclude that leadership style has a positive and significant direct effect on employee performance. Leadership style has a positive and significant effect on work incentives. Work incentives have a positive and significant effect on employee performance. The research findings also conclude that work incentives have a positive and significant mediating effect on the influence of leadership style on employee performance. Work incentives have a mediating effect with moderate to strong predictive power. This research can fill the existing gap. Leadership style can

strengthen efforts to improve employee performance in private business organizations, with work incentives playing an important mediator that becomes a sensitive axis that naturally decorates and can strengthen it.

This research contribution expands the literature in the field of human resource management and ideal behavior in business organizations. The framework offered by this research model emphasizes the need to adopt a leadership style that understands the characteristics of the organization, employee characteristics, job types and qualifications that refer to the company's vision, mission, and objectives in implementing effective incentive policies to improve employee performance. The limitations of the study, the model built relies on predictive power that adopts a simple path analysis approach from the aspects of methodology, research operationalization and statistical analysis, and only explores the relationship between leadership style and employee performance in private business organizations based on incentives as a reinforcing mediator. The narrow research subjects reflect the limited sample of this study. Hopefully, this can be considered for future research development.

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