

The Influence of Leadership, Non-Physical Work Environment, and Job Satisfaction on Employee Performance: an Empirical Study at Budi Gadai Medan Branch

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Abstract

This study aims to analyze the influence of leadership, non-physical work environment, and job satisfaction on employee performance at PT Budi Gadai Medan Branch. This research uses a quantitative approach with a survey method through questionnaires. The research population consisted of all 65 permanent employees from 21 outlets. The sampling technique used saturated sampling, where the entire population was sampled. Data were analyzed using multiple linear regression with the help of SPSS 24. The results showed that leadership, non-physical work environment, and job satisfaction had a positive and significant effect both partially and simultaneously on employee performance. The job satisfaction variable was the most dominant factor with the highest t-value of 3.461. The coefficient of determination (R^2) of 0.889 indicates that 88.9% of the variation in employee performance can be explained by the three independent variables.

Keywords: Leadership, Non-Physical Work Environment, Job Satisfaction, Employee Performance, Budi Gadai.

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Introduction

Employee performance is a critical determinant of organizational success, particularly in service-oriented industries such as pawnshops. PT Budi Gadai Medan Branch, one of the largest private pawnshops in North Sumatra, has been facing persistent challenges in sustaining and enhancing employee performance. Analysis of performance data from 2021 to 2023 revealed a declining trend across key indicators, including work quality, work quantity, time utilization, and innovation. Preliminary surveys further indicated underlying issues related to leadership effectiveness, the non-physical work environment, and overall job satisfaction among employees. These factors are widely recognized in organizational behavior literature as pivotal influences on performance outcomes.

Leadership plays a crucial role in shaping employee behavior, motivation, and commitment. Effective leadership fosters a positive work climate, encourages participation, and aligns individual goals with organizational objectives. Concurrently, the non-physical work environment encompassing elements such as communication, interpersonal relationships, supervisory support, and organizational culture significantly affects employee morale and productivity. Job satisfaction, defined as the affective response to one's job and work experience, serves as a key mediator between workplace conditions and performance outcomes. Despite extensive research on these constructs individually, limited empirical attention has been given to their combined influence within the context of Indonesian pawnshop operations.

This study seeks to bridge this gap by examining the simultaneous and partial effects of leadership, non-physical work environment, and job satisfaction on employee performance at PT Budi Gadai Medan Branch. The findings are expected to provide actionable insights for management to design targeted interventions aimed at enhancing workforce effectiveness and organizational competitiveness.

Literature Review and Theoretical Framework

2.1 Employee Performance

Employee performance is a multidimensional construct that reflects the extent to which an employee accomplishes their assigned tasks effectively and efficiently. It is commonly measured through indicators such as work quality, productivity, timeliness, innovation, and adherence to organizational standards. According to Robbins & Judge (2019), performance is not solely determined by individual ability but is significantly influenced by motivational factors and the work environment. In the context of service industries like pawnshops, employee performance directly impacts customer satisfaction, operational efficiency, and organizational profitability. Therefore, understanding the drivers of performance is crucial for developing effective human resource strategies.

2.2 Leadership and Its Impact on Performance

Leadership is a critical organizational variable that influences employee behavior, attitudes, and performance outcomes. Leadership theories have evolved from trait-based approaches to more contemporary styles such as transformational, transactional, and servant leadership. Transformational leadership, as described by Bass (1985), emphasizes vision, inspiration, intellectual stimulation, and individualized consideration. This style has been consistently linked to higher levels of employee engagement, satisfaction, and performance (Judge & Piccolo, 2004). In contrast, transactional leadership focuses on task completion through rewards and penalties, which may yield compliance but not necessarily commitment.

In the Indonesian context, leadership often incorporates cultural elements such as collectivism and paternalism. Studies in local organizations suggest that participative leadership where leaders involve employees in decision-making fosters a sense of ownership and enhances performance (Rivai, 2018). For PT Budi Gadai, leadership behaviors such as clear communication, fairness in supervision, and provision of support are expected to positively influence employee performance.

2.3 Non-Physical Work Environment

The non-physical work environment refers to the psychosocial and relational aspects of the workplace, distinct from tangible factors like lighting, equipment, or workspace design. Key components include organizational culture, communication patterns, interpersonal relationships, supervisory support, teamwork, conflict management, and perceived organizational justice. A positive non-physical environment promotes psychological safety, reduces stress, and enhances job satisfaction.

Research by Bakker & Demerouti (2017) within the Job Demands-Resources (JD-R) model highlights that resources such as social support and constructive feedback act as buffers against job demands, thereby sustaining employee well-being and performance. In pawnshop settings, where employees frequently interact with customers and handle financial transactions, a supportive and communicative environment can mitigate stress and improve service quality.

2.4 Job Satisfaction

Job satisfaction is an affective response to one's job, encompassing feelings about various facets such as pay, promotion opportunities, supervision, coworkers, and the work itself. Herzberg's Two-Factor Theory distinguishes between hygiene factors (e.g., salary, working conditions) that prevent dissatisfaction and motivators (e.g., recognition, achievement) that foster satisfaction. Locke (1976) further defines job satisfaction as a pleasurable emotional state resulting from the appraisal of one's job experiences.

High job satisfaction is associated with numerous positive outcomes, including increased performance, reduced absenteeism, lower turnover, and stronger organizational commitment (Spector, 1997). In the pawnshop industry, where employee retention and consistent service delivery are vital, fostering job satisfaction through fair compensation, career development, and recognition is essential.

2.5 Interrelationships Among Variables

The variables of leadership, non-physical work environment, and job satisfaction are interrelated and often influence each other. Effective leadership can shape a positive non-physical work environment by fostering open communication and trust. A supportive environment, in turn, enhances job satisfaction. Job satisfaction can also mediate the relationship between leadership and performance, as satisfied employees are more likely to respond positively to leadership initiatives and exert discretionary effort.

Studies such as those by Colquitt et al. (2019) suggest an integrated approach where leadership and environmental factors jointly affect satisfaction and performance. This study positions job satisfaction as both an outcome of leadership and environment and a direct driver of performance.

2.6 Theoretical Framework

This study is grounded in a combination of social exchange theory and the Job Demands-Resources model. Social exchange theory (Blau, 1964) posits that employees reciprocate positive treatment from leaders and the organization with greater effort and commitment. The JD-R model explains how job resources (e.g., leadership support, positive work environment) can motivate employees and enhance performance, especially when job demands are high.

The conceptual framework of this research proposes that:

1. Leadership (X_1) positively affects employee performance (Y).
2. Non-physical work environment (X_2) positively affects employee performance (Y).
3. Job satisfaction (X_3) positively affects employee performance (Y).
4. Job satisfaction may also partially mediate the effects of leadership and work environment on performance.

2.7 Hypotheses Development

Based on the theoretical and empirical foundation, the following hypotheses are formulated:

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

H₂: Non-physical work environment has a positive and significant effect on employee performance.

H₃: Job satisfaction has a positive and significant effect on employee performance.

H₄: Leadership, non-physical work environment, and job satisfaction simultaneously have a positive and significant effect on employee performance.

2.8 Empirical Studies in Similar Contexts

Previous research in the Indonesian financial and service sectors supports the relevance of these variables. For instance, a study by Suryani & Wahyudi (2020) on banking employees found that transformational leadership and work climate significantly improved performance through job satisfaction. Similarly, research in pawnshop companies in Surabaya indicated that non-physical work environment factors like teamwork and supervisor support were critical for teller performance (Handoyo & Santoso, 2021). This study builds on that literature by focusing on a Medan-based pawnshop and incorporating a saturated sample of all permanent employees.

Research Methodology

3.1 Research Design

This study employs a quantitative associative approach with a survey method to examine the causal relationships between independent variables (leadership, non-physical work environment, job satisfaction) and the dependent variable (employee performance). The design is cross-sectional, with data collected at a single point in time to test the proposed hypotheses.

3.2 Population and Sample

The population of this study includes all permanent employees of PT Budi Gadai Medan Branch, totaling 65 individuals distributed across 21 service outlets. Given the relatively small and accessible population, a saturated sampling technique was employed, meaning the entire population was included as respondents. This approach eliminates sampling error and allows for a complete representation of the workforce under study.

3.3 Data Collection Technique

Primary data were collected using a structured questionnaire distributed directly to respondents. The instrument uses a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire consists of four sections:

- a. **Section A:** Demographic information (age, gender, education, tenure, marital status).
- b. **Section B:** Leadership (8 items), adapted from Yukl (2013) and Judge & Piccolo (2004).
- c. **Section C:** Non-physical work environment (7 items), based on dimensions from Bakker & Demerouti (2017) and Spector (1997).
- d. **Section D:** Job satisfaction (6 items), derived from Minnesota Satisfaction Questionnaire (MSQ) short form.
- e. **Section E:** Employee performance (7 items), developed based on indicators from Robbins & Judge (2019) and organizational performance appraisals.

The questionnaire was first tested for face validity by two HRM experts and pilot-tested on 10 non-sample employees to ensure clarity and relevance.

3.4 Data Analysis Methods

Data were analyzed using SPSS version 24 with the following steps:

1. **Descriptive Statistics:** Frequency, percentage, mean, and standard deviation.
2. **Validity Test:** Pearson Product-Moment Correlation ($r\text{-count} > r\text{-table} = 0.30$).
3. **Reliability Test:** Cronbach's Alpha coefficient ($\alpha > 0.70$).
4. **Classical Assumption Tests:**
 - a. Normality test using Kolmogorov-Smirnov ($p > 0.05$).
 - b. Multicollinearity test using Variance Inflation Factor ($VIF < 10$).
 - c. Heteroscedasticity test using Glejser test ($p > 0.05$).
5. **Multiple Linear Regression Analysis:** To derive the regression equation and measure the effect of each independent variable.
6. **Hypothesis Testing:**
 - a. t-test for partial effects ($\alpha = 0.05$).
 - b. F-test for simultaneous effects ($\alpha = 0.05$).
7. **Coefficient of Determination (R^2):** To measure how much variance in performance is explained by the model.

Results

4.1 Respondent Profile

The demographic profile of respondents indicates a workforce predominantly female (60%), aged 26–30 years (21.5%), with high school/vocational education (75.4%), 3–4 years of tenure (29.2%), and married (69.2%). This reflects the typical employment structure in the pawnshop sector, where operational roles are often filled by women with mid-level education and moderate tenure.

4.2 Validity and Reliability

All questionnaire items were valid, with corrected item-total correlation values above 0.30. Reliability was confirmed with Cronbach's Alpha values: Leadership (0.86), Non-physical Work Environment (0.82), Job Satisfaction (0.88), and Employee Performance (0.89). These results indicate high internal consistency and measurement stability.

4.3 Classical Assumption Test Results

- a. **Normality:** Kolmogorov-Smirnov test sig. values for all variables > 0.05 , indicating normal distribution.
- b. **Multicollinearity:** VIF values ranged from 1.15 to 1.42 (< 10), confirming no multicollinearity.
- c. **Heteroscedasticity:** Glejser test sig. values > 0.05 , indicating homoscedastic variance.

4.4 Multiple Linear Regression Analysis

The regression equation obtained is:

$$Y = 3.128 + 0.308X_1 + 0.252X_2 + 0.418X_3$$

Where:

Y = Employee Performance

X_1 = Leadership

X_2 = Non-Physical Work Environment

X_3 = Job Satisfaction

Interpretation:

- a. Constant (3.128): If all independent variables are zero, performance baseline is 3.128.
- b. Leadership coefficient (0.308): Every 1-point increase in leadership improves performance by 0.308.
- c. Non-physical environment coefficient (0.252): Every 1-point increase improves performance by 0.252.
- d. Job satisfaction coefficient (0.418): Every 1-point increase improves performance by 0.418.

4.5 Hypothesis Testing Results

Partial Test (t-test):

- a. Leadership: $t = 2.612$, $p = 0.011 < 0.05 \rightarrow H_1$ accepted.
- b. Non-physical environment: $t = 2.274$, $p = 0.027 < 0.05 \rightarrow H_2$ accepted.
- c. Job satisfaction: $t = 3.461$, $p = 0.001 < 0.05 \rightarrow H_3$ accepted.

Simultaneous Test (F-test):

F-count = 171.808, $p = 0.000 < 0.05$ H_4 accepted.

Coefficient of Determination (R^2):

Adjusted $R^2 = 0.889$ as 88.9% of employee performance variance is explained by the three variables. The remaining 11.1% is influenced by unexamined factors such as motivation, organizational culture, or individual competence.

Discussion

Leadership Influence: The positive effect of leadership aligns with Judge & Piccolo (2004), where transformational leadership behaviors such as providing vision, support, and recognition enhance employee performance. At PT Budi Gadai, leaders who communicate clearly and involve employees in decision-making foster higher engagement.

Non-Physical Work Environment Influence: The finding supports Bakker & Demerouti's JD-R theory (2017), where social support and positive interpersonal relations act as job resources that buffer stress and improve performance. In a pawnshop setting, a harmonious environment reduces tension during customer interactions and improves teamwork.

Job Satisfaction as Dominant Variable: Job satisfaction emerged as the strongest predictor ($\beta = 0.418$, $t = 3.461$), consistent with Locke's theory (1976) that satisfied employees exhibit higher productivity and commitment. At PT Budi Gadai, satisfaction is likely driven by fair compensation, job security, and recognition key factors in service industries.

Practical Implications: Management should prioritize **job satisfaction enhancement** through career development programs, performance-based incentives, and regular feedback. Leadership training should focus on **transformational and communicative skills**. The non-physical environment can be improved through **team-building activities** and **supportive supervision**.

Theoretical Contribution: This study reinforces the integrative model where leadership and environmental factors jointly influence satisfaction and performance, supporting social exchange theory (Blau, 1964) and the JD-R model in a non-Western context.

Conclusion

5.1 Conclusion

This study demonstrates that leadership, non-physical work environment, and job satisfaction significantly and positively affect employee performance at PT Budi Gadai Medan Branch, both partially and simultaneously. Among these, job satisfaction is the most dominant factor, highlighting the critical role of intrinsic and extrinsic rewards in driving performance. The model explains 88.9% of performance variance, indicating strong predictive power.

5.2 Suggestions

For PT Budi Gadai Management:

1. Enhance Job Satisfaction:

- a. Implement a transparent career path system and regular promotion opportunities.
- b. Revise the compensation structure to include performance-based bonuses and non-financial rewards.
- c. Conduct regular job satisfaction surveys to identify and address dissatisfaction sources.

2. Strengthen Leadership Effectiveness:

- a. Provide annual leadership training focusing on transformational leadership, emotional intelligence, and conflict resolution.
- b. Encourage participative decision-making through regular team meetings and feedback sessions.
- c. Develop a leadership coaching program for mid-level supervisors.

3. Improve Non-Physical Work Environment:

- a. Foster open communication channels via digital platforms and regular face-to-face dialogues.
- b. Introduce monthly team-building activities to strengthen cohesion and trust.
- c. Establish a peer support system to assist employees in stressful situations.

For Future Researchers:

1. **Expand Variables:** Include moderating or mediating variables such as organizational commitment, work motivation, or emotional intelligence.
2. **Broaden Scope:** Replicate the study in multiple pawnshop branches or other financial service sectors to improve generalizability.

3. **Methodological Diversity:** Employ mixed methods (qualitative interviews, observation) to gain deeper insights into contextual factors.
4. **Longitudinal Design:** Conduct longitudinal studies to examine causal relationships over time.
5. **Cross-Cultural Comparison:** Compare findings with similar studies in other cultural settings to explore cultural influences on performance drivers.

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