

The Role of Transformational Leadership and Compensation on Employee Performance through Career Development in Small and Medium Enterprises in West Java

Aruna Putri Maharani^a, Dewi Nur Anggraeni^{b*}, Ade Solahudin^c

^{abc}University Swadaya Gunung Jati

* Corresponding author email: dewinuradewi@gmail.com

ARTICLE INFO

DOI: 10.32832/jmuika.v16i3.19418

Article history:

Received:

24 Maret 2025

Accepted:

20 Juni 2025

Available online:

05 Oktober 2025

Keywords:

Transformational Leadership,
Compensation,
Performance, Career
Development in Small
Medium Enterprises

ABSTRACT

This study aims to analyze the effect of transformational leadership and compensation on employee performance, with career development as a mediating variable, in the context of Small and Medium Enterprises (SMEs). The concepts used include the theories of transformational leadership, compensation, career development, and employee performance in the perspective of human resource management. The research approach applied is a quantitative approach with a survey method through distributing questionnaires to 100 respondents, and analyzed using multiple linear regression and sobel test. The results showed that transformational leadership and compensation have a positive and significant influence on employee performance, both directly and through career development. However, the indirect effect through career development is not statistically significant. The implications of these results suggest that SMEs need to focus attention on inspirational leadership practices and fair compensation systems as key performance improvement strategies, even though career development systems are not yet fully structured.

1. INTRODUCTION

Increasingly fierce industrial competition in the era of globalization requires companies to continuously improve their effectiveness and competitiveness. One of the main challenges faced by many organizations is the decline in productivity due to low employee motivation and involvement in supporting the company's strategic goals. The success of the company is greatly influenced by how management manages human resources, especially in terms of creating an inspiring leadership system, providing appropriate rewards, and providing clear career development paths (Donkor, 2021)); (Elina et al., 2024).

In this context, transformational leadership plays a central role because it is able to create a supportive work environment, foster a spirit of collaboration, and increase employees' sense of responsibility in achieving organizational goals (Fitri Rezeki1, 2023). On the other hand, a fair compensation system is a strong incentive for employees to improve their performance, because it reflects the value and contribution they have made (Dwi Handoko et al., 2021). In addition, open career development opportunities not only provide job satisfaction, but also become a long-term motivation in retaining competent employees (Angga Pramadista Sudrajat1, 2021).

Employees who have high performance are usually able to work effectively, which in turn has a significant positive impact on optimal productivity levels. From various experts' perspectives, it can be concluded that performance is the result of work that is reflected in the quality and quantity achieved by employees when carrying out their duties, in accordance with the responsibilities and criteria set by the company. Therefore, employee performance has a very important role in the success of the company, because this performance is a measure of the company's ability to assess how effectively employees complete the assigned tasks (Sugianti and Mujiati, 2022) (Andita Sulistyowati1, 2023).

According to Siagian (2007, p. 117) career development is personal changes that a person makes to achieve his career plan, while according to Stone in Gomez (2007, p. 213) states that career development shows the process and activities of preparing an employee for a position in the organization in the future. (Syaiful Bahri)*, 2017)

Researchers developed a model of the relationship between variables as follows: (1) Transformational leadership has a positive effect on career development, (2) Compensation has a positive effect on career development, (3) Career development has a positive effect on employee performance, (4) Transformational leadership has a positive effect on employee performance, (5) Compensation has a positive effect on employee performance, (6) Career development mediates the effect of transformational leadership on employee performance, and (7) Career development mediates the effect of compensation on employee performance.

Based on the relationship between these variables, the research model can be described as a framework that connects transformational leadership and compensation to performance, either directly or through career development as a mediating variable, especially in the context of SMEs.

This Small and Medium Enterprise (SME) is engaged in cardboard convection. Established on July 12, 2000, the company is committed to delivering high-quality products at affordable prices, while still prioritizing the principles of safety and environmental sustainability. However, based on observations, there are several challenges that can affect overall employee performance. One of the main issues is the lack of effective communication between superiors and employees. In addition, many employees are denied promotion opportunities due to the limited positions available in the organizational structure.

To achieve optimal performance and increase employee productivity, companies can implement a number of strategic measures. One of them is to focus on career development, which can help improve employee skills. An employee's work results are influenced by various factors, including career development opportunities, leadership quality, and the career development process itself. Employee performance is an assessment of individual performance based on predetermined job standards, and this is very important in determining the promotion, compensation and development needs of each employee. (Marzuki et al., 2022) In addition, the application of transformational leadership is crucial in creating a comfortable and inspiring work environment, which is able to motivate employees to continue to grow. Equally important, the compensation provided must be in accordance with applicable regulations, so that employees feel valued and increasingly motivated to carry out their duties.

However, in practice, it is evident that only about 80% of employees have satisfactory performance. Meanwhile, the rest need to get an increase so that all company goals can be achieved. This can be seen from the employee performance appraisal chart of a Small and Medium Enterprises (SME) engaged in convection...

Table1 . SME Employee Performance Assessment

Performance assessment	Year 2023		Year 2024	
	Number of people	Percentage	Number of people	Percentage
Good	45	40,70%	30	34,70%
Only	35	34,60%	27	26,90%
Less	20	24,80%	43	40%
Total	100	100,00	100	100,00

Source: Data Research (Processed), 2025

Based on information regarding employee performance appraisals, there was a decrease in the proportion of employees with good performance from 40.7% in 2023 to 34.7% in 2024. On the other hand, the percentage of employees with poor performance has increased significantly. This condition indicates a challenge in maintaining and improving labor productivity in small and medium-sized enterprises engaged in the convection sector.

Seeing these conditions, it is important for companies to start paying attention to factors that directly affect performance, such as the way leadership is applied by superiors, existing compensation policies, and opportunities for employees to develop careers. Leadership that can provide encouragement and passion, such as transformational leadership, is believed to

strengthen motivation and loyalty. In addition, fair and transparent compensation also plays an important role in influencing employee motivation and commitment to the company. Conversely, when employees find clear career development opportunities, they tend to be more motivated to contribute optimally.

In the world of SMEs, these three factors may not necessarily work well. Many career development systems have not been organized, compensation systems have not been in accordance with the workload, and leadership has not fully facilitated employees. Therefore, this study aims to examine the influence of transformational leadership and compensation on employee performance, while also paying attention to the role of career development as a bridge between the two factors.

This study aims to analyze the role of transformational leadership and compensation in influencing employee performance through career development. Although there have been several previous studies addressing the relationship between leadership, compensation, and performance, the understanding of how career development functions as a mediating variable in the relationship, particularly in manufacturing industries such as Small and Medium Enterprises (SMEs) engaged in convection, is still limited. Therefore, this study is expected to provide new insights regarding strategies to improve employee performance by implementing a more effective leadership approach as well as a more relevant compensation system.

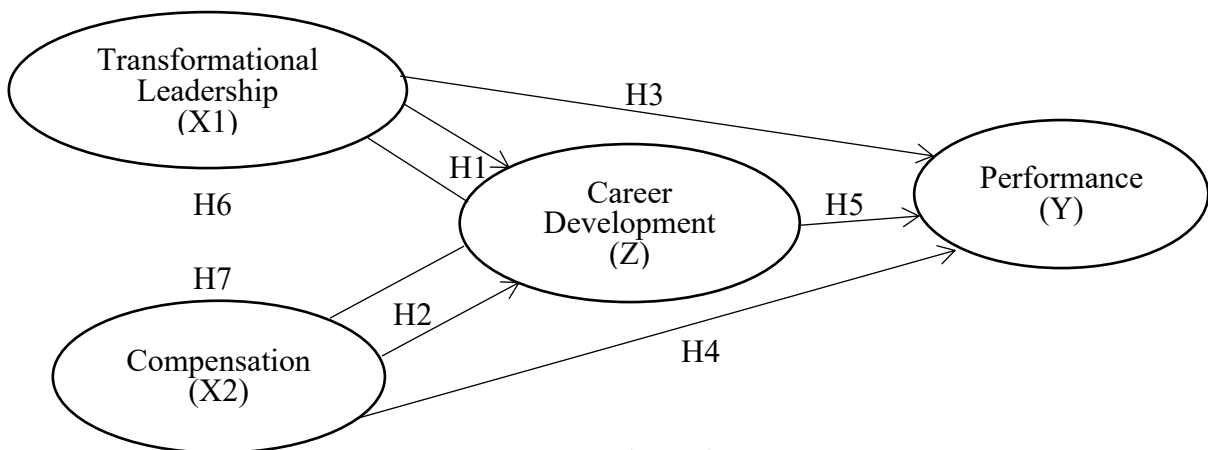


Figure 1

Based on the theoretical basis and the developed framework, this study proposes seven main hypotheses that will be tested empirically. First, it is assumed that transformational leadership has a positive and significant influence on career development in Small and Medium Enterprises (SMEs), given that this leadership characteristic is able to encourage employee motivation, commitment, and professional growth (H1). Second, compensation is expected to have a positive and significant influence on career development, because adequate incentives and rewards can motivate individuals to improve their competence (H2). Third, transformational leadership is expected to have a positive and significant effect on SME performance, as this leadership style is considered capable of increasing organizational effectiveness through a clear vision and employee empowerment (H3). Fourth, compensation

is also hypothesized to have a positive and significant effect on SME performance, given that fair and competitive rewards can encourage work productivity (H4). Fifth, career development is seen to play an important role in improving performance, as employees who have the opportunity to develop tend to show dedication and better work results (H5). Furthermore, the sixth hypothesis states that transformational leadership has a positive and significant effect on SME performance through career development as an intervening variable, assuming that empowering leadership will encourage career growth, which in turn has an impact on performance (H6). Finally, the seventh hypothesis states that compensation has a positive and significant effect on SME performance with career development as an intervening variable, because a compensation system that supports professional development is believed to increase individual contributions to the achievement of organizational goals (H7).

RESEARCH METHODS

This research uses a quantitative approach with a survey method to analyze the relationship between transformational leadership, compensation, career development, and employee performance. The quantitative approach was chosen because this research aims to test hypotheses and analyze relationships between variables based on numerical data from respondents. The population that became the object of research was all employees of a Small and Medium Enterprises (SMEs) engaged in convection, totaling 100 people. Because the population is relatively small, the saturated sampling technique is used, where the entire population is sampled. This is expected to provide a more representative picture of the conditions in the field. The variables analyzed in this study include transformational leadership (X1) and compensation (X2) as independent variables, career development (Z) as a mediating variable, and employee performance (Y) as the dependent variable.

Data were collected using a questionnaire that was compiled based on the indicators of each variable. The questionnaire uses a 5-point Likert scale with a range of 1 (strongly disagree) to 5 (strongly agree). In addition, literature studies were also conducted to strengthen the theoretical basis. Several indicators were used to measure each variable. To measure transformational leadership there are fourteen indicators, including; awareness of vision and mission, pride, respect, trust, intelligence, rationality, innovative, caring, development, guiding, training, appreciative, inspirational and communicative (Sunaengsih et al., 2021). To measure compensation there are seven indicators, including; salary, wages, incentives, insurance, awards, allowances, and pensions (Santoso et al., 2022). To measure career development there are eight indicators, including; organizational policies, work achievements, education levels, regeneration, training, work experience, relationships, and self-development (Purwanto S. Katidjan, 2017). To measure employee performance there are eight indicators, including; ability to complete targets, effective use of time, quality of work, loyalty, responsibility, morale, teamwork, quality of relationships with coworkers (Sazly & Ardiani, 2019).

Data analysis was conducted using SPSS 25 through a series of statistical testing stages. First, validity and reliability tests. The validity test was conducted to measure the accuracy of the

question items in the questionnaire submitted for each variable. In this study, the Pearson product moment correlation test was used, with the criteria that a question item is said to be valid if the 5% significance index (0.05) shows a correlation result <0.05 or $r_{\text{count}} > r_{\text{table}}$. The reliability test was carried out to measure the level of consistency of the research instrument using Cronbach's Alpha with the test criteria if the Cronbach's Alpha value > 0.6 then the questionnaire variable was said to be reliable. Furthermore, a classic assumption test is carried out which includes normality and multicollinearity tests, to ensure that the regression model to be used has met the applicable statistical provisions. The normality test is used to see whether the residual data is normally distributed or not using the QQ Plot method on the SPSS software, with the criteria that if the data spreads around the diagonal line and in the same direction, the data can be said to be normally distributed or in accordance with normality standards. Multicollinearity test, used to ensure that there is no high correlation between independent variables using VIF and Tolerance where if the VIF value is 10 and the Tolerance value is 0.10, it can be said that there are no symptoms of multicollinearity between variables.

Multiple linear regression analysis was used in this study as hypothesis testing through the t-test. The t-test will show the effect between the independent variable and the dependent variable partially with the criteria $t_{\text{count}} \geq t_{\text{table}}$ and a significance value (sig) ≤ 0.05 , which means there is an effect. In addition, a sobel test is conducted to assess whether the mediating variable really has a significant effect on the relationship between these variables based on the results of regression analysis using the formula: $Z = \frac{a \times b}{\sqrt{(b^2 \times Sa^2) + (a^2 \times Sb^2)}}$ where a is the regression coefficient of variable X on variable Z , b is the regression coefficient of the mediating variable on the dependent variable, Sa is the standard error of a and Sb is the standard error of b . If $Z > 1.96$ then the mediating variable has a significant effect on the relationship between variables. However, if $Z \leq 1.96$ then the mediating variable does not have a significant effect.

2. RESULTS AND DISCUSSION

The questionnaire was distributed on April 1, 2025 to respondents who are employees of Small and Medium Enterprises (SMEs) engaged in convection, with the age profile of respondents in the range of 20-56 years, male gender 98% and female 2%, working period ranging from 2-24 years, and educational background of elementary school as much as 3%, junior high school 12%, high school 81%, D3 3%, and S2 1%.

The validity of the results test, in this study the number of samples (n) was 100 samples, the number of degrees of freedom (df) = $n-2$, so that the number of df can be calculated as $100-2 = 98$ and $\alpha = 0.05$. The criterion in this test is through comparing the value of r_{count} with r_{table} with a df value of 98 and α 0.05, the r_{table} value is 0.1966. The results of the validity test on the indicators of each variable can be seen in Table 2.

Table 2 . Validity Test Results

Variables	Statement	R	Signature	Status
Transformational Leadership (X1)	X1_1	0.473	0.000	Legal
	X1_2	0 . 339	0.000	Legal
	X1_3	0 . 375	0.000	Legal
	X1_4	0.226	0.000	Legal
	X1_1	0.473	0.000	Legal
	X1_2	0 . 339	0.000	Legal
	X1_3	0 . 375	0.000	Legal
	X1_4	0.226	0.000	Legal
	X1_5	0.361	0.000	Legal
	X1_6	0.194	0.000	Legal
Compensation (X2)	X1_7	0.299	0.000	Legal
	X1_8	0.543	0.000	Legal
	X1_9	0 . 399	0.000	Legal
	X1_10	0.468	0.000	Legal
	X2_1	0. 325	0.000	Legal
	X2_2	0 . 548	0.000	Legal
Career (Z)	X2_3	0.607	0.000	Legal
	X2_4	0.705	0.000	Legal
	X2_5	0.231	0.000	Legal
	X2_6	0.378	0.000	Legal
	Z1	0.434	0.000	Legal
	Z2	0.519	0.000	Legal
	Z3	0.199	0.000	Legal
	Z4	0.378	0.000	Legal
Performance (Y)	Z5	0.351	0.000	Legal
	Z6	0.551	0.000	Legal
	Z7	0.349	0.000	Legal
	Z8	0.210	0.000	Legal
	Y1	0.469	0.000	Legal
	Y2	0.612	0.000	Legal
	Y3	0.340	0.000	Legal
	Y4	0.329	0.000	Legal
	Y5	0.598	0.000	Legal
	Y6	0.699	0.000	Legal

Source: Research Data (Processed), 2025

Table 2 shows that the meaning of the value for each item statement has a total r greater than r table, which is 0.1966. Therefore, it can be concluded that each statement is valid. This data has been processed and adjusted to existing standards, in the early stages of testing there were invalid question items in each variable, so the invalid question items were removed and both tests were brought out to meet the validity standards and could be used in the next test.

Reliability Test Results, the reliability test was carried out to measure the level of consistency of the research instrument using Cronbach's Alpha with the test criteria if the Cronbach's Alpha value > 0.6 then the questionnaire variable is said to be reliable. The reliability test results will be shown in table 3

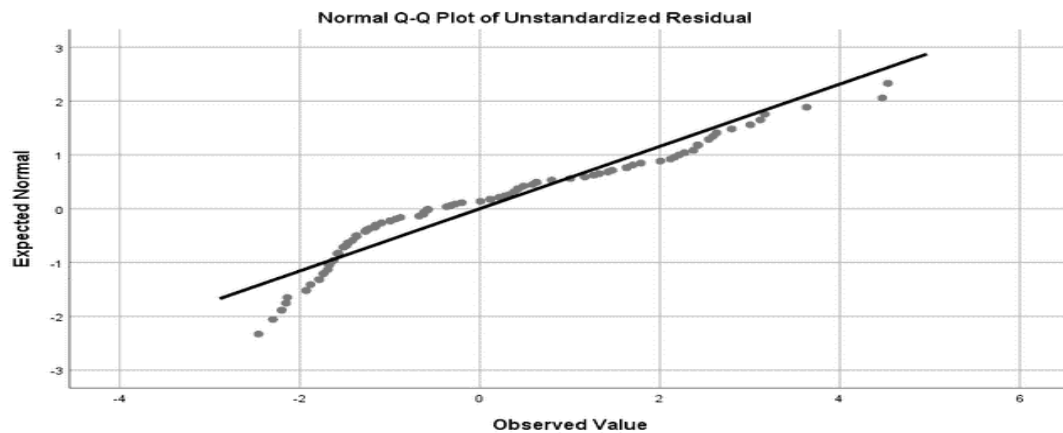
Table 3 . Reliability Test Results

Variables	Cronbach's alpha
Transformational Leadership (X1)	0.606
Compensation (X2)	0.653
Career (Z)	0.615
Performance (Y)	0.691

Source: Research Data (Processed), 2025

Table 3 shows that the research instruments have varying consistency reliability with values of 0.606, 0.653, 0.615, and 0.691. $\geq 0,6$. Therefore, it can be concluded that the instrument reliability values are all 0.6 which indicates that variables X1, X2, Z, and Y are declared reliable.

Classical Assumption Test Results Normality Test Results, the normality test is used to see whether the residual data is normally distributed or not using the QQ Plot method on SPSS software, with the criteria that if the data spreads around the diagonal line and in the same direction, the data can be said to be normally distributed or in accordance with normality standards. The normality test is carried out in two stages of regression using the QQ Plot. In the First stage, the analysis is held on transformational leadership (X1) and compensation variables (X2) with career development as the moderator variable (Z). In addition, in Second stage regression, the analysis is expanded by considering transformational leadership (X1) and compensation (X2) variables with career progression variable as mediator (Z) and performance (Y) as dependent variable. The results of the normality test will be shown in Figure 1 and Figure 2.

**Figure 1 RES_1 Normality Test Results**

Source: Research Data (Processed), 2025

The normality test results shown in Figure 1 indicate that the data is normally distributed. This can be seen from the distribution of the data around the diagonal line, following a pattern that

is in the same direction as the line.

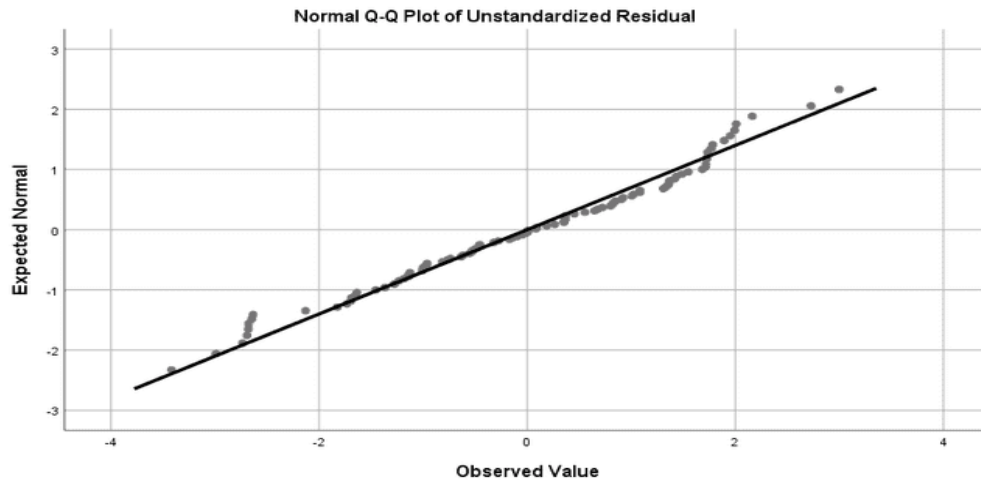


Figure 2 RES_2 Normality Test Results

Source: Research Data (Processed), 2025

The normality test results for RES_2 can be seen in Figure 2, which also shows that the data is normally distributed. The pattern of the data distribution around the diagonal line confirms that both regression models used in this study satisfy the assumption of normality.

Multicollinearity Test Results, Multicollinearity test is used to ensure that there is no high correlation between independent variables using VIF and Tolerance where if the VIF value is 10 and the Tolerance value is 0.10, it can be said that there are no symptoms of multicollinearity between variables. The multicollinearity test results can be seen in Table 4.

Table 4 . Multicollinearity Test Results

Variables	Tolerance	Indonesian Language: VIF
Transformational Leadership (X1)	0,967	1.035
Compensation (X2)	0,998	1.002
Career (Z)	0,966	1.035

Source: Research Data (Processed), 2025

The test results listed in Table 4 show that all variables do not show symptoms of multicollinearity, because the VIF value measured is 0.1. So, it can be concluded that there are no multicollinearity symptoms in this regression model.

Multiple Linear Regression Test Results, multiple linear regression analysis was used in this study as hypothesis testing through the t-test. The t-test will show the effect between the independent variables on the dependent variable partially. The regression test results will be shown in table 5 to Table 8.

Table 5 . Regression Test Results X1 and X2 on Z

Model		Not standardized Coefficient	
		B	Standard Error
1	(Constant)	42.871	6.540
	Transformational Leadership (X1)	0.208	0.114
	Compensation (X2)	0,048	0,136

Source: Research Data (Processed), 2025

The test results presented in Table 5 can be formulated in the form of a regression equation as follows:

$$Z \text{ value} = 42.871 + 0.208X_1 - 0.048X_2$$

where X_1 refers to Transformational Leadership, X_2 refers to Compensation, and Z refers to Career Development. Furthermore, this regression equation can be explained in more detail as follows:

1. The regression coefficient for Transformational Leadership (X_1) is 0.208, which means it shows a positive influence on the mediating variable (Z). That is, any increase in the Transformational Leadership variable (X_1) will be followed by an increase in Career Development (Y), assuming other variables remain constant.
2. Conversely, the Regression Compensation (X_2) coefficient of 0.048 indicates a positive influence on the mediating variable (Z). This means that an increase in Compensation variable will contribute towards a decrease in Career Development (Z), given that other variables are kept constant.

Table 6 . Regression Test Results of Z on Y (with X1 and X2 as Control)

Model		Not standardized Coefficient	
		B	Standard Error
1	(Constant)	9.839	6.525
	Transformational Leadership (X1)	0,359	0,096
	Compensation (X2)	0,315	0.113
	Career (Z)	0,179	0,084

Source: Research Data (Processed), 2025

The test results listed in Table 6 can be expressed in the form of a regression equation as follows:

$$[Y = 9.839 + 0.359X_1 + 0.315X_2 + 0.179Z + e].$$

In this equation: (X_1) represents Transformational Leadership, (X_2) represents Compensation, (Z) indicates Career Development, and (Y) represents performance.

Thus, this regression equation can be explained as follows:

The regression coefficient for Transformational Leadership (X_1) was recorded at 0.359, which shows a positive influence on the dependent variable (Y). This means that any increase in the Transformational Leadership variable (X_1) is expected to lead to an increase in Performance (Y), assuming that the other variables remain constant.

The regression coefficient for the Compensation variable (X_2) is 0.315 which indicates a

positive influence on the dependent variable (Y). This means that an increase in the Compensation variable (X2) will be followed by an increase in Performance (Y), provided that other variables remain constant. Conversely, if there is a decrease in Compensation (X2), then Performance (Y) will also tend to decrease.

The Career Development (Z) regression coefficient of 0.179 indicates a positive influence on the dependent variable (Y). This means that if Career Development (Z) increases, with transformational leadership (X1) and compensation (X2) maintained, then performance (Y) is also expected to increase. However, this assumption only applies if other variables remain constant.

Table 7 . The results of the t test (Partial Significance) X1 and X2 on Z

Model		T	Sig.
1	(Constant)	6.555	0.000
	Transformational Leadership (X1)	2.185	0,041
	Compensation (X2)	2.170	0,038

Source: Research Data (Processed), 2025

The t-test results listed in Table 7 show that Transformational Leadership (X1) has a significant effect value of 0.041.

Table 8 . Results of t Test (Partial Significance) Z on Y (with X1 and X2 as controls)

Model	Standardized Beta Coefficient	T	Sig.
1	(Constant)	1.508	0,135
	Transformational Leadership (X1)	0,348	3.733
	Compensation (X2)	0,255	2.785
	Career (Z)	0.198	2.119

Source: Research Data (Processed), 2025

The t-test results presented in Table 8 show that transformational leadership (X1) has a significant effect with a value of 0.000.

Sobel Test, the sobel test is used in this study to assess whether the mediating variable really has a significant effect on the relationship between these variables based on the results of regression analysis by substituting the coefficient values from the regression test results in the sobel test formula. Sobel Test results can be seen at Table 9.

Table 9 . Sobel Test Results

	Result Calculation	Interpretation
Transformational Leadership on Performance with Career Development as Intervention	1.825	Indirect influence is not significant
Compensation on Performance with Career Development as Intervention	0.353	Not important does not directly affect

Source: Research Data (Processed), 2025

In this study there is empirical evidence that supports the truth of the First hypothesis proposed. Transformational Leadership variable (X1) shows a positive value with a significance level of 0.041. Transformational leadership has an important role in employee career development in

the company. With the effective application of this leadership approach, individual performance can improve significantly. Furthermore, good transformational leadership can also increase employee motivation to develop their own careers.

In this study, conducted empirical research evidence was found to support that the Second Hypothesis Compensation variable (X2) showed a positive value with a significance level of 0.038, which this way the number is smaller than 0.05. Therefore, it can be concluded that partial Compensation has a significant influence on Career Development. These findings are in line with the results of previous studies which also showed that compensation makes a significant change in contribution to career development. This suggests that the compensation provided by the company has a real impact on improving employee career development. When employees feel that the compensation they receive corresponds to the performances and contributions made, they will become more motivated to develop their skills and competencies.

In this study there is empirical evidence that supports the three hypotheses proposed. Transformational Leadership variable (X1) shows a positive value with a significance level of 0.000. In this study, we found empirical evidence that supports the fourth hypothesis proposed. The variable Compensation (X2) showed a positive relationship result with a significance level of 0.006.

In this study, there is empirical evidence that supports the five hypotheses proposed. Analysis of the results shows that the Career Development Variable (Z) has a positive influence value with a significance level of 0.037. In this study, empirical research evidence was found that showed that the six hypotheses proposed were not successfully proven. The result of the sobel test analysis shows that the indirect effect value is $1.825 < 1.96$. This suggests that transformational leadership has a significant impact on employee performance directly, without having to go through the mediating variable of career development. These results are in line with research conducted by (Rasminingsih et al., 2024) which states that transformational leadership style can significantly improve employee performances through inspirational and motivational approaches so that it does not involve mediating variables such as job satisfaction or other variables such as career development. In other words, transformational leadership style makes a strong contribution to performance improvement. This suggests that career development does not reinforce the role of transformational leadership; thus, a change in this leadership style could continue to improve performances without having to rely on career development. Phenomenologically, this could be observed in Small Medium Enterprises (SMEs) engaged in convection where the leader is charismatic and often able to create high morale. Even though the company does not have a formal or structured career progression system, employees still show high performances because they feel valued, motivated, and empowered directly by their leaders.

In this study, empirical research evidence was obtained that showed that the seven hypotheses proposed were not proven. Sobel test analysis showed that the indirect effect value was $0.353 < 1.96$. This indicates that compensation has a significant influence impact on employee performance directly, without requiring career development mediation. This result is in

accordance with the expected research conducted by (Angga Pramadista Sudrajat¹, 2021) which states that at PT Kino Indonesia compensation has a significant influence on performance without requiring career development as a mediating variable. These results are also reinforced by research (Ibnu Fajara*, 2023) conducted on employees of PT Satria Antaran Prima showing that the results that compensation makes a strong contribution to improving employee performances directly without going through career development as a mediating variable. In other words, providing good compensation makes a strong contribution to improving employee performance. This situation illustrates that career development does not amplify the role of compensation, so compensation adjustments have the potential to improve employee performances without having to go through career development. Phenomenologically on employees of the Small Micro, Small and Medium Enterprises (MSMEs) engaged in the field of convection, it can be observed that in reality employees tend to be motivated to show good performances when they get compensation according to their workload and responsibilities such as providing fair incentives and additional bonuses according to work performance. Although the company has not offered a formal career progression system, employee performances will remain good and improve as long as the rights received by employees are commensurate with the obligations they have.

3. CONCLUSIONS AND SUGGESTIONS

Based on the results of research conducted on small and medium-sized enterprises (SMEs), it can be concluded that transformational leadership and compensation have a significant influence on improving employee performance. Transformational leadership is proven to be able to drive career development and directly improve work performance through an inspirational approach and attention to the individual. Fair and appropriate compensation also provides a boost to employee morale and loyalty to the company. Although career development contributes positively to performance, its role as a mediator variable in the relationship between leadership and compensation to performance is not statistically significant. This indicates that the direct influence of leadership style and compensation system is more dominant than the indirect influence through career development. Therefore, companies are advised to continue developing transformational leadership patterns that emphasize inspiration, attention to individuals, and employee empowerment, as these approaches are proven to be capable of creating a positive working atmosphere and improving performances directly. In addition, the compensation system needs to be strengthened with the principles of fairness, transparency, and compatibility with employees' contributions so that they feel valued and increasingly motivated. Although career progression has not shown strong results mediating roles, companies still need to start initiating more systematic and planned career progression programs, such as training, performance-based promotions, and regular competency assessments. This step is essential to maximizing the potential of human resources in the long term and maintaining the sustainability of the performances that have already been achieved. Periodic evaluation of individual development needs is also recommended through open communication among management and employees.

REFERENCES

- Andita Sulistyowati¹, A. N. A. (2023). The influence of transformational leadership, career development, and Organizational Citizenship Behavior on employee performance. *International Journal of Applied Finance and Business Studies*, 3, 345-352.
<https://doi.org/https://doi.org/10.35335/ijafibs.v1i3.155>
- Angga Pramadista Sudrajat¹, R. M. (2021). The Effect of Career Development and Compensation on Employee Performance. <https://www.ejournal.stiepgri.ac.id/index.php/ekonomak/article/view/224>
- Donkor, F. (2021). Linking Leadership Styles to Employee Performance in the Public Sector Organizations in Ghana: The Role of Organizational Commitment. *International Journal of Business and Management*, 16(5). <https://doi.org/10.5539/ijbm.v16n5p43>
- Dwi Handoko, S., Mardi, N. W., Sri Hartati, C., & Wijaya Putra Surabaya, U. (2021). ANALYSIS OF THE EFFECTS OF WORK ENVIRONMENT, LEADERSHIP AND COMPENSATION ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION (Vol. 6).
<http://dx.doi.org/10.47335/ema.v6i1.61>
- Elina, R., Dwita, V., & Masdupi, E. (2024). How to cite: Reni Elina, et al (2024). The Effect of Transformational Leadership, Training, and Compensation on the Performance of Family Planning Counsellor with mediating of Organizational Commitment THE EFFECT OF TRANSFORMATIONAL LEADERSHIP, TRAINING, AND COMPENSATION ON THE PERFORMANCE OF FAMILY PLANNING COUNSELLOR WITH MEDIATING OF ORGANIZATIONAL COMMITMENT. *Journal of Universal Studies*, 4(9).
<https://doi.org/https://doi.org/10.59188/eduvest.v4i9.1531>
- Fitri Rezeki¹, H. M. M. A. W. (2023). High and Low Employee Performance Levels: The Role of Transformational Leadership Style and Employee Engagement. *Journal of Entrepreneurship Management and Asian Social Sciences*, 3, 568-584.
<https://doi.org/https://www.ajmesc.com/index.php/ajmesc/article/view/454>
- Ibnu Fajara *, K. F. R. R. R. (2023). The Effect of Compensation and Career Development on Employee Performance Delivery PT. Satria Antaran Prima. *SENEBA Proceedings of the National Seminar on Economics Business & Accounting*, 3.
<https://ejurnal.umri.ac.id/index.php/sneba/article/download/5191/2464/>
- Marzuki, A., Ahmadi, S., & Fakhrudin, D. (2022). The Impact of Career Development and Leadership on Employee Performance with Job Loyalty as an Intervening Variable. *J-MAS (Journal of Management and Science)*, 7(2), 1364. <https://doi.org/10.33087/jmas.v7i2.704>
- Purwanto S. Katidjan, S. P. and A. I. (2017). THE INFLUENCE OF COMPENSATION, CAREER DEVELOPMENT AND COMMUNICATION ON EMPLOYEE PERFORMANCE. *Scientific Journal of Management*, VII, 429-446. <https://core.ac.uk/download/pdf/490779111.pdf>
- Rasminingsih, N. K. N., JS, I. P. W. D., & Diputra, I. K. S. (2024). The Effect of Transformational Leadership on Employee Performance with Job Satisfaction and Organizational Citizenship Behavior as Mediating Variables. *Economist: Journal of Economics and Business*, 8(2), 1808.
<https://doi.org/10.33087/ekonomis.v8i2.1665>
- Santoso, S., Minanda, R., Swastantomo, R., Kusnadi, K., & Syarifah, L. (2022). The Relationship of Job Characteristics, Compensation, and Transformational Leadership, to Operational Performance. *SKETCHES OF BUSINESS*, 9(1), 34-52. <https://doi.org/10.35891/jsb.v9i1.3139>
- Sazly, S., & Ardiani, Y. (2019). The Effect of Transformational Leadership on Employee Performance at the Cengkareng District Office, West Jakarta. *Perspective Journal*, 17(2).
<https://repository.bsi.ac.id/index.php/repo/viewitem/26554>

Sunaengsih, C., Komariah, A., Kurniady, D. A., Suharto, N., Tamam, B., & Julia, J. (2021). Transformational Leadership Survey. *Mimbar Sekolah Dasar*, 8(1), 41-54.
<https://doi.org/10.53400/mimbar-sd.v8i1.30468>

Syaiful Bahri)*, Y. C. N. (2017). The Effect of Career Development and Job Motivation on Employee Job Satisfaction. *Scientific Journal of Management & Business*, 18 (1).
<https://doi.org/https://doi.org/10.30596/jimb.v18i1.1395>