

ANALYSIS OF COMPENSATION AND ADAPTIVE LEADERSHIP ON EMPLOYEE PERFORMANCE THROUGH EMPLOYEE ENGAGEMENT AT PT PLN (PERSERO) ULP LIMA PULUH

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ABSTRACT

This study aims to analyze the effect of compensation and adaptive leadership on employee performance through employee engagement at PT PLN (Persero) ULP Limapuluh. This research adopts a quantitative approach using a survey method. The research sample consists of 78 employees selected using a saturated sampling technique. Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that compensation and adaptive leadership have a positive and significant effect on employee engagement. Furthermore, compensation, adaptive leadership, and employee engagement also have a positive and significant effect on employee performance. Employee engagement is proven to mediate the relationship between compensation and adaptive leadership on employee performance. Therefore, improving a fair compensation system and implementing effective adaptive leadership can enhance employee engagement and ultimately improve employee performance at PT PLN (Persero) ULP Limapuluh.

Introduction

In the modern era characterized by rapid technological change, increasing customer demands, and the dynamics of global competition, organizations are required to be more adaptive and responsive to change. This condition is also felt by PT PLN (Persero) as a state-owned company that has a major responsibility in providing electricity equitably and sustainably to all Indonesian people. PLN not only plays a role as a public service provider, but also as a business entity that must maintain performance, productivity, and customer satisfaction amidst various resource limitations and efficiency demands. PLN's success in achieving operational and service targets depends heavily on the performance of its employees as the main actors in the field. High-performing employees are able to provide fast, accurate, and quality service to customers. However, in reality, in various PLN work units, including the Lima Puluh Customer Service Unit (ULP) , there are still fluctuations in performance that can be seen from delays in work completion, lack of innovation in service, and low work morale among some employees. This phenomenon indicates that internal factors such as compensation, leadership style, and employee engagement to work play an important role in shaping individual and team performance. One factor that has received much attention is compensation .

According to Hasibuan (2019), compensation is a form of appreciation given by an organization to employees for their contributions and performance. Appropriate and fair compensation can create a sense of satisfaction and increase employee work motivation. However, there are still complaints in the field regarding the mismatch between workload, responsibilities, and the compensation system received. This imbalance can reduce work enthusiasm, reduce loyalty, and negatively impact employee performance. In the context of PLN, which is currently focusing on cost efficiency and increasing productivity, a transparent, competitive, and performance-based compensation system is one aspect that needs to be studied further. In addition to compensation, adaptive leadership also has a strategic role in maintaining and improving employee performance.

According to Yukl (2018) adaptive leadership is the ability of a leader to adjust his leadership style to changing situations, make decisions flexibly, and motivate his subordinates to be able to face new challenges. In the era of digitalization and organizational transformation such as that currently being implemented by PLN, leaders are required not only as directors, but also as facilitators who are able to empower their teams, listen to aspirations, and motivate employees to continue learning and innovating. Adaptive leaders play an important role in creating a positive work climate, supporting open communication, and increasing employee involvement in organizational goals. However, the relationship between compensation and adaptive leadership on employee performance is often not direct . The factor of employee engagement or work attachment plays an important bridge that mediates this relationship.

According to Saks (2019), employee engagement describes the extent to which employees feel emotionally, cognitively, and physically connected to their work and to the organization where they work. Employees with high levels of engagement demonstrate enthusiasm, dedication, and commitment to their duties, even amidst pressure or changes in the work environment. Conversely, low levels of engagement can lead to decreased morale, increased absenteeism, and decreased productivity.

However, various previous studies have shown different results regarding the relationship between these variables. Research by Putra and Lestari (2021) shows that compensation and leadership have a positive and significant effect on employee performance through employee engagement in energy sector companies in Indonesia. This study confirms that higher satisfaction with compensation and better leadership style, the stronger employee engagement in improving performance. Conversely, research by Sari and Nugroho (2020) found that compensation had no significant effect on employee performance through *employee engagement*, while leadership had a positive but insignificant effect. These findings suggest that other factors such as organizational culture, intrinsic motivation, and work environment conditions may be more dominant in influencing employee engagement and performance. This discrepancy in research results indicates an interesting research gap that warrants further study in the context of PT PLN (Persero) ULP Lima Puluh. With job characteristics that demand high responsibility, high work risks, and rapid changes in operational systems, it is important to understand how compensation and leadership can simultaneously influence *employee engagement and performance in this specific work environment*.

The phenomenon at PT PLN (Persero) ULP Lima Puluh shows that although some employees have good performance, there are still some individuals who show a low level of engagement in their work. This is evident from the lack of initiative in completing work, low collaboration between employees, and the perception that rewards and support from superiors are not fully equitable. On the other hand, changes in internal policies, the implementation of new technologies, and demands for efficiency require each employee to be able to adapt and continue to provide optimal work results. Therefore, it is important to analyze how compensation factors and adaptive leadership affect employee performance, both directly and through employee engagement as a mediating variable. This research is relevant because it can provide an empirical picture of the relationship between compensation, adaptive leadership, employee engagement, and employee performance within the PLN environment. The results are expected to serve as a basis for management in formulating more effective human resource policies, particularly in improving employee engagement and performance through fair compensation strategies and leadership styles that are adaptive to change. Thus, PLN can continue to maintain organizational sustainability and provide the best service to the community amidst the increasingly complex challenges of the energy industry. To strengthen the background, this study conducted a pre-survey with 30 employees as follows:

Table 1. Employee Performance Pre-Survey (Y)

No	Statement	Yes (Org)	Yes (%)	No (Org)	No (%)
1	Employees are able to complete work according to targets (<i>Work productivity</i>)	11	36.7	19	63.3
2	Employee work results have quality according to organizational standards (<i>Quality of work results</i>)	10	33.3	20	66.7
3	Employees complete work on time and comply with procedures (<i>Compliance with time and procedures</i>)	9	30.0	21	70.0

Based on Table 1 of the Employee Performance Pre-Survey (Y) , it can be seen that the majority of respondents stated “No” to all employee performance indicators. In the work productivity indicator , 63.3% of employees were not able to complete their work according to the target . Furthermore, in the work quality indicator , 66.7% of respondents stated that their work results did not meet organizational standards . Meanwhile, the compliance indicator with time and procedures showed the lowest condition, where 70.0% of employees had not completed their work on time and had not fully complied with work procedures . This finding indicates that employee performance is still not optimal and needs serious attention from management.

Table 2. Pre-Survey Compensation (X₁)

No	Statement	Yes (Org)	Yes (%)	No (Org)	No (%)
1	The company provides basic salary according to employee contribution	10	33.3	20	66.7
2	The company provides adequate fixed benefits	9	30.0	21	70.0
3	The company provides bonuses and incentives according to achievements.	8	26.7	22	73.3

Based on Table 2 of the Compensation Pre-Survey (X₁) , it can be seen that the majority of respondents stated “No” on all compensation indicators. 66.7% of respondents considered that the basic salary was not in accordance with employee contributions . Furthermore, 70.0% of respondents stated that the fixed allowances provided were not adequate , and 73.3% of respondents considered that bonuses and incentives were not given in accordance with work achievements . The results of this pre-survey indicate that the compensation received by employees is still felt to be less than optimal , thus potentially affecting employee motivation and performance.

Table 3. Adaptive Leadership Pre-Survey (X₂)

No	Statement	Yes (Org)	Yes (%)	No (Org)	No (%)
1	Leaders are able to adapt their leadership style to changing situations (<i>Adaptive ability</i>)	11	36.7	19	63.3
2	Leaders encourage member participation and empowerment	10	33.3	20	66.7
3	Leaders build collaboration and equality within the team	9	30.0	21	70.0

Based on Table 3 of the Adaptive Leadership Pre-Survey (X_2), it can be seen that the majority of respondents answered "No" to all indicators of adaptive leadership. 63.3% of respondents assessed that leaders were not yet able to adapt their leadership style to changing situations. Furthermore, 66.7% of respondents stated that leaders had not optimally encouraged member participation and empowerment, and 70.0% of respondents assessed that leaders had not effectively built collaboration and equality within the team. These findings indicate that the implementation of adaptive leadership is still not optimal in the organizational environment.

Table 4. Pre-Survey Employee Engagement (Z)

No	Statement	Yes (Org)	Yes (%)	No (Org)	No (%)
1	Employees demonstrate emotional involvement in work	10	33.3	20	66.7
2	Employees are committed to organizational goals	9	30.0	21	70.0
3	Employees are proactive and take initiative in work	8	26.7	22	73.3

Based on the Employee Engagement Pre-Survey Table (Z) with 30 respondents, it can be seen that the majority of employees answered "No" to all indicators of work engagement. As many as 66.7% of respondents stated that they had not shown emotional involvement in their work. Furthermore, 70.0% of respondents assessed that employee commitment to organizational goals was still low, and 73.3% of respondents stated that employees had not been proactive and had not taken initiative in their work. These results indicate that the level of employee engagement is still relatively low, thus potentially affecting overall employee performance.

Problem Formulation

Based on the research background, the problem formulation in this research is as follows:

1. Does Compensation have a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh?
2. Does Adaptive Leadership have a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh?
3. Does Compensation have a positive and significant effect on Employee Engagement at PT PLN (Persero) ULP Lima Puluh?

4. Does Adaptive Leadership have a positive and significant effect on Employee Engagement at PT PLN (Persero) ULP Lima Puluh?
5. Does Employee Engagement have a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh?
6. Does Compensation have a positive and significant effect on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh?
7. Does Adaptive Leadership have a positive and significant effect on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh?

Research Objectives

Based on the formulation of the problem, the research objectives are described as follows:

1. To test and analyze the effect of Compensation on Employee Performance at PT PLN (Persero) ULP Lima Puluh.
2. To test and analyze the effect of Adaptive Leadership on Employee Performance at PT PLN (Persero) ULP Lima Puluh.
3. To test and analyze the effect of Compensation on Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
4. To test and analyze the effect of Adaptive Leadership on Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
5. To test and analyze the effect of Employee Engagement on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
6. To test and analyze the effect of Compensation on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
7. To test and analyze the effect of Adaptive Leadership on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh.

Benefits of Research

The benefits of this research can be divided into theoretical and practical benefits :

1. Theoretical Benefits
 - a. Contributing to the development of human resource management science, particularly regarding the relationship between compensation, adaptive leadership, employee engagement, and employee performance.
 - b. To be a reference for further research that wants to analyze the factors that influence employee performance in BUMN organizations or similar companies.
2. Practical Benefits
 - a. For the management of PT PLN (Persero) ULP Lima Puluh , the results of this study can be used as evaluation and decision-making material in designing compensation strategies, leadership, and employee engagement improvement programs to improve employee performance.
 - b. For employees , this research can be a source of understanding about the importance of employee engagement in work and how compensation factors and adaptive leadership can influence their performance.
 - c. For further researchers , this research can be used as a reference or empirical basis for developing further research related to the influence of managerial factors on employee performance.

Literature Review

Employee Performance

According to Sedarmayanti (2019) , employee performance is the work results achieved by an employee in carrying out their duties and responsibilities in accordance with the standards set by the organization. Hasibuan (2020) Employee performance includes the quality and quantity of work results achieved by employees in carrying out their duties and responsibilities in accordance with organizational goals.

Employee Performance Indicators

Employee Performance Indicators according to Sedarmayanti (2019) are as follows:

1. Work productivity
2. Quality of work results
3. Compliance with time and procedures
4. Ability to work in a team

Factors that influence Employee performance

According to Sedarmayanti (2019) , factors that influence employee performance include:

1. Ability , knowledge and skills in working.
2. Motivation the drive to achieve optimal work results.
3. Work environment the physical and social conditions of the workplace.
4. Leadership how leaders direct and motivate employees.
5. Compensation financial and non-financial rewards.
6. Work discipline compliance with organizational rules.
7. Organizational culture the values and norms that influence work behavior.

Compensation

According to Mujanah (2019) , compensation is a financial or non-financial reward given to employees for their contributions and services to the company. According to Wibowo (2019) , compensation is the total package offered by an organization to workers in return for the use of their labor.

Compensation Indicators

According to Mujanah (2019), the indicators for compensation are as follows:

1. Fixed basic salary and allowances
2. Bonuses and incentives
3. Health facilities and insurance
4. Employee welfare program

Adaptive Leadership

According to Heifetz, Grashow, and Linsky (2017), adaptive leadership is the practice of mobilizing people to tackle tough challenges and thrive in rapidly changing situations . According to Leonardus Kelvin (2018), adaptive leadership is a leadership style that is able to answer the challenges of change because adaptive leaders provide space for followers to participate and be responsible for organizational goals.

Adaptive Leadership Indicators

According to Leonardus Kelvin (2018) , indicators of adaptive leadership include:

1. The ability to face change , namely the leader's readiness to adapt to the dynamics of the organizational environment.
2. Empowering organizational members , by providing space for participation and shared responsibility.
3. Building collaboration and equality , through open working relationships between leaders and subordinates.
4. Managing conflict and uncertainty , by turning differences of opinion into learning opportunities.
5. Encourage learning and innovation , namely cultivating a culture of learning so that the organization is able to adapt sustainably.

Factors Influencing Adaptive Leadership

Adaptive Leadership Factors According to Leonardus Kelvin (2018)

1. The ability to adapt to change , namely the leader's ability to adjust his leadership style and working methods to the dynamics of the ever-changing organizational environment.
2. Sensitivity to the situation and needs of subordinates , namely the leader's ability to understand the conditions, problems and needs of team members in various work situations.
3. Flexible decision making , namely the ability of leaders to determine the right decisions by considering various alternatives and conditions faced by the organization.
4. Member empowerment and participation , namely the leader's ability to encourage the active involvement of subordinates in work processes and decision making.
5. The ability to build collaboration , namely the leader's ability to create cooperation, open communication, and equality within the team to achieve common goals.

Employee Engagement

According to Shuck (2019) defines employee engagement as the positive, enthusiastic, and energetic involvement of employees in their work, reflecting commitment and dedication to the organization. Kartono (2017) defines employee engagement as a positive condition, attitude, or behavior of an employee towards their work and organization, characterized by feelings of vigor, dedication, and absorption in achieving organizational goals and success.

Employee Engagement Indicators

Employee Engagement indicators according to Shuck (2019) are as follows:

1. Emotional involvement in work
2. Commitment to organizational goals
3. Initiative and proactivity in assignments
4. Satisfaction and pride in work

Factors Influencing Employee Engagement

Employee Engagement Factors according to Shuck (2019)

1. Emotional involvement , namely the level of employee's emotional attachment to work and the organization which encourages enthusiasm in working.

2. Cognitive engagement , namely the extent to which employees give their best attention, focus and thinking in carrying out their work.
3. Behavioral engagement , which is a concrete manifestation of employee involvement through extra effort, initiative, and willingness to contribute more to the organization.
4. Organizational support , namely employee perceptions of the attention, support, and appreciation given by the organization for their contributions.
5. Positive working relationships , namely the quality of relationships between employees and superiors and coworkers that can increase a sense of belonging to the organization.

Conceptual Framework

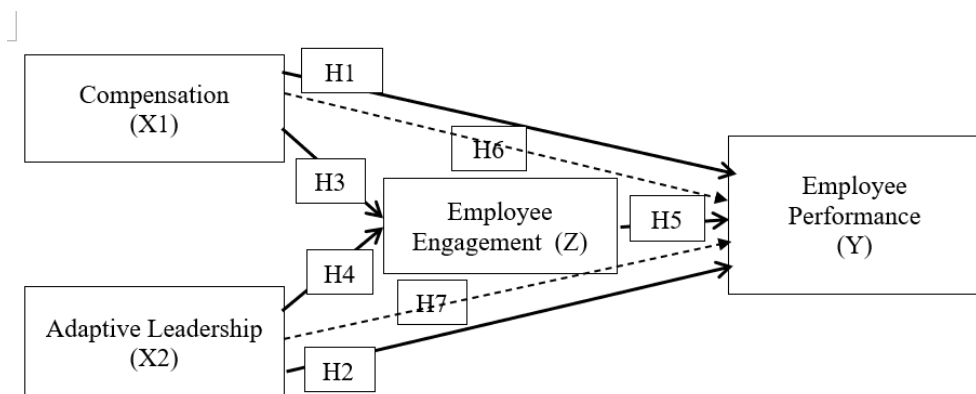


Figure I Conceptual Framework

Hypothesis

After forming a conceptual framework, the hypothesis of this research is as follows:

- H1 Employee Compensation has a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh.
- H2 Adaptive Leadership has a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh.
- H3 Employee Engagement has a positive and significant effect on Employee Engagement at PT PLN (Persero) ULP Lima Puluh. (Note: This appears to be a typo in the original; likely meant "Compensation has a positive and significant effect on Employee Engagement")
- H4 Compensation has a positive and significant effect on Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
- H5 Employee Engagement has a positive and significant effect on Employee Performance at PT PLN (Persero) ULP Lima Puluh.
- H6 Compensation has a positive and significant effect on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh.
- H7 Adaptive Leadership has a positive and significant effect on Employee Performance through Employee Engagement at PT PLN (Persero) ULP Lima Puluh.

Research Method

Research Approach and Type

This research uses a quantitative approach with a causal design . The quantitative approach was chosen because it allows for numerical measurement of variables and statistical analysis to test established hypotheses. According to Sugiyono (2019),

quantitative research is based on the philosophy of positivism and is used to examine specific populations or samples by collecting data using research instruments and using quantitative/statistical data analysis.

Research Location and Time

PT PLN (Persero) ULP Lima Puluh, Jalan Raya No. 50, Kecamatan Lima Puluh, Kabupaten Batubara, Sumatera Utara Jl. Perintis Kemerdekaan, Lima Puluh Kota, Kecamatan. Lima Puluh, Kabupaten Batu Bara, Sumatera Utara 21255. Time: The research was conducted for 3 months, from November to December 2025.

Population and Sample

The research population is all active employees of PT PLN (Persero) ULP Lima Puluh in 2025, amounting to 100 employees. Sugiyono (2019) states that a population is a generalization area consisting of objects or subjects that have certain characteristics determined by the researcher. The sample in this study is the entire population, namely 100 employees, using a saturated sampling technique. According to Sugiyono (2019), the saturated sampling technique (census sampling / total sampling) is a sampling technique where all members of the population are made the sample because the population is relatively small or the entire population is indeed intended to be the research object.

Data Collection Techniques

The data collection technique used is by distributing questionnaires to employees to fill in. According to Sugiyono (2019) , data collection techniques are the methods researchers use to obtain the data needed for research. Several commonly used data collection techniques exist.

Operational Variables

According to Sugiyono (2019) , operational variables are variables specifically defined so they can be measured or observed in research. These variables make it easier for researchers to transform theoretical concepts or constructs into something that can be concretely measured , whether through questionnaires, observation, or documentation.

Table 1 Operational Definition of Variables

Variables	Definition	Indicator
Performance Employee (Y)	Sedarmayanti (2019): Employee work results in carrying out tasks according to organizational standards.	1. Work productivity 2. Quality of work results 3. Compliance to time And procedure 4. Ability Work in team Sedarmayanti (2019)
Compensation (X ₁)	Mujanah (2019): Financial and non-financial rewards given by companies to employees for their contributions.	1. Basic salary 2. Fixed allowances 3. Bonuses and incentives 4. Welfare facilities and programs Mujanah (2019)
Adaptive Leadership (X ₂)	According to Leonardus Kelvin (2018), adaptive leadership is a leadership style that is able to respond to the challenges of change because adaptive leaders provide space for followers to participate and be responsible for organizational goals.	1. Ability 2. Empowerment member 3. Build collaboration And equality , 4. Manage conflict And uncertainty , 5. Push learning And innovation , Leonardus Kelvin (2018)
Employee Engagement (Z)	Shuck (2019): Positive, enthusiastic, and energetic employee engagement in work reflects commitment to the organization.	1. Emotional involvement in work 2. Commitment to organizational goals 3. Initiative And proactivity 4. Satisfaction And pride to work Shuck (2019)

Data Analysis Techniques

Data analysis in this study used Partial Least Square Structural Equation Modeling (PLS-SEM) through SmartPLS 3.0 software . SmartPLS was chosen because it is able to test the relationship between latent variables measured by several indicators simultaneously, including testing mediating variables. Hair et al. (2019) stated that PLS-SEM is suitable for use in exploratory research, data with non-normal distribution, and relatively small to medium sample sizes. SmartPLS divides the analysis into two parts, namely the outer model (measurement model) and the inner model (structural model) . The outer model functions to assess the validity and reliability of indicators against latent variables, while the inner model focuses on the relationship between latent variables and hypothesis testing.

Outer Model

An outer model or measurement model is used to ensure that each indicator truly represents the measured variable. In this study, all variables use reflective indicators, so each indicator is expected to directly reflect the latent variable. Indicator validity is tested using convergent validity, where a loading factor value of at least 0.70 indicates that the indicator is valid. In addition, discriminant validity is tested to ensure each indicator is different from other variable indicators, while the reliability of the latent variables is tested using composite reliability, where a minimum value of 0.70 indicates a reliable instrument (Hair et al., 2019).

Inner Model

The inner model or structural model serves to assess the causal relationship between variables. In this study, the inner model was used to determine the direct effect of compensation and leadership on employee engagement, as well as the effect of employee engagement on employee performance. Furthermore, this model allows for analysis of the mediating effect of employee engagement on the relationship between compensation and leadership on employee performance. Evaluation of the inner model is carried out through the R^2 value, which indicates how much the independent variable explains the dependent variable, and the path coefficient, which indicates the direction and strength of the relationship between variables. Path significance was tested using the bootstrapping method, where a t-statistic value greater than 1.96 at a 5% significance level indicates a significant relationship (Hair et al., 2019).

Hypothesis Testing

Hypothesis testing was conducted descriptively using SmartPLS with a bootstrapping procedure. This test allows researchers to determine whether compensation and leadership significantly influence employee performance, directly or through the mediation of employee engagement. This method allows researchers to simultaneously assess the strength of the relationship and the mediating role. According to Hair et al. (2019), PLS-SEM mediation analysis offers the advantage of being able to test the total, direct, and indirect effects of the independent variable on the dependent variable.

Results and Discussion

Assessing the Outer Model or Measurement Model To determine the level of accuracy of the marker in clarifying the developing exogenous construct indicated by the loading factor. For questions at the early stage of development, a person's reflective steps are said to be related if more than 0.6 with the measured development is considered adequate (Ghozali 2016). Figure 1 appears about the stacked figure:

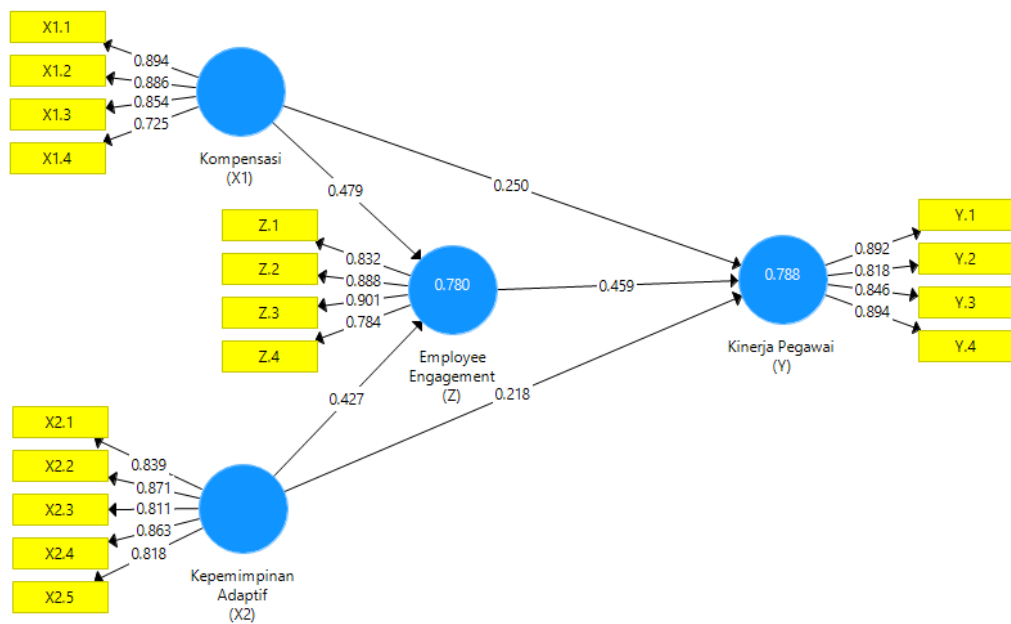


Figure 2. Outer Model

Source : Smart PLS 3.3..3

Smart PLS output for loading factor gives the results in the following table: Outer Loadings In this study there is an equation and the equation consists of two substructures for substructure 1

$$Z = b1X1 + b2X2 + e1$$

$$Z = 0.479 + 0.427 + e$$

For substructure 2

$$Y = b2X1 + b3X2 + b4Z + e2$$

$$Y = 0.250 + 0.218 + 0.459$$

Table 2. Outer Loadings

	Employee Engagement_(Z)	Adaptive Leadership_(X2)	Employee Performance_(Y)	Compensation_(X1)
X1.1				0.894
X1.2				0.886
X1.3				0.854
X1.4				0.725
X2.1		0.839		
X2.2		0.871		
X2.3		0.811		
X2.4		0.863		
X2.5		0.818		
Y.1			0.892	
Y.2			0.818	
Y.3			0.846	
Y.4			0.894	

Z.1	0.832			
Z.2	0.888			
Z.3	0.901			
Z.4	0.784			

Source : Smart PLS 3.3..3

The Outer Loadings table shows that all indicators in the Compensation, Adaptive Leadership, Employee Performance, and Employee Engagement variables have outer loading values above 0.70. This indicates that each indicator is able to represent the latent variable well and meets the convergent validity criteria. Therefore, all indicators are declared valid and suitable for use in the research model.

Discriminant Validity

The measurement model of reflective indicators assessed by cross-loading and compared with the squared AVE value is a source of discriminant validity. The model is said to have good discriminant validity if the AVE value of each construct is higher than the correlation value between constructs. To use this discriminant validity evaluation method, the score must be at least greater than 0.7. The following table displays the findings of the cross-loading analysis of discriminant validity:

Table 3 . Discriminant Validity

	Employee Engagement_(Z)	Adaptive Leadership_(X2)	Employee Performance_(Y)	Compensation_(X1)
X1.1	0.759	0.813	0.719	0.894
X1.2	0.778	0.777	0.809	0.886
X1.3	0.743	0.746	0.702	0.854
X1.4	0.616	0.690	0.588	0.725
X2.1	0.694	0.839	0.654	0.751
X2.2	0.758	0.871	0.752	0.812
X2.3	0.729	0.811	0.723	0.715
X2.4	0.713	0.863	0.714	0.782
X2.5	0.709	0.818	0.667	0.713
Y.1	0.778	0.701	0.892	0.761
Y.2	0.811	0.774	0.818	0.747
Y.3	0.704	0.731	0.846	0.727
Y.4	0.662	0.668	0.894	0.657
Z.1	0.832	0.780	0.736	0.765
Z.2	0.888	0.761	0.755	0.723
Z.3	0.901	0.743	0.747	0.740
Z.4	0.784	0.634	0.697	0.714

Source : Smart PLS 3.3..3

The Discriminant Validity table shows that each indicator has the highest loading value on its respective variable compared to other variables. This indicates that all constructs— Compensation, Adaptive Leadership, Employee Performance, and Employee

Engagement—have met the discriminant validity criteria, effectively differentiating the concepts measured in the research model.

Composite Reliability

According to Haryono's book (2017), a construct is said to be reliable if its limit value is ≥ 0.7 , then it is acceptable, and if it is ≥ 0.8 , then it is very satisfactory. The findings of the composite reliability analysis are shown in the table below.

Table 4. Composite Reliability

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Engagement_(Z)	0.873	0.914	0.727
Adaptive Leadership_(X2)	0.896	0.923	0.707
Employee Performance_(Y)	0.886	0.921	0.745
Compensation_(X1)	0.861	0.907	0.710

Source : Smart PLS 3.3..3

The Composite Reliability table shows that all variables have Cronbach's Alpha and Composite Reliability values above 0.70, and AVE values above 0.50. This indicates that the constructs of Employee Engagement, Adaptive Leadership, Employee Performance, and Compensation have met the reliability and convergent validity criteria, thus declaring the research instrument reliable and suitable for use.

Analysis Inner Model

To ensure the resulting fundamental model is accurate and robust, the structural model (inner model) is evaluated. The main model assessment phase is characterized by a number of indicators, including:

Coefficient of Determination (R2)

Based on R2, a model can be classified as strong (≤ 0.70), medium (≤ 0.45), and weak (≤ 0.25). The following are the R2 values:

Table 5 R Square Results

	R Square	Adjusted R Square
Employee Engagement_(Z)	0.780	0.775
Employee Performance_(Y)	0.788	0.779

Source : Smart PLS 3.3..3

The R Square table shows that the Employee Engagement variable has an R Square value of 0.780, which means that 78.0% of its variation can be explained by the independent variables in the model. Meanwhile, Employee Performance has an R Square value of 0.788, which indicates that 78.8% of the variation in employee performance can be explained by the research variables, while the rest is influenced by other factors outside the model.

Hypothesis Testing

There must be a significant value in the predicted route coefficient between constructs. Jackknifing or bootstrapping techniques can be used to determine the significance of the relationship. The calculated t-value is the final result, and is compared with the t-table. The estimated route coefficient value is said to be significant if at the five percent significance level the calculated t-value is greater than the t-table (1.96). There are three hypotheses that can be tested in this study. Below are the results of each test:

Table 6. Path Coefficients (Influence Direct)

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Results
Employee Engagement_(Z) -> Employee Performance_(Y)	0.459	3,774	0,000	Accepted
Adaptive Leadership_(X2) -> Employee Engagement_(Z)	0.427	3,140	0.001	Accepted
Adaptive Leadership_(X2) -> Employee Performance_(Y)	0.218	1,699	0.045	Accepted
Compensation_(X1) -> Employee Engagement_(Z)	0.479	3,522	0,000	Accepted
Compensation_(X1) -> Employee Performance_(Y)	0.250	2,219	0.013	Accepted

Source : Smart PLS 3.3..3

1. The Influence of Employee Engagement on Employee Performance
 Employee Engagement has a positive and significant effect on Employee Performance, as indicated by a coefficient value of 0.459 with a t-value of 3.774 and a p-value of 0.000. Thus, the hypothesis is accepted.
2. The Influence of Adaptive Leadership on Employee Engagement
 Adaptive Leadership has a positive and significant effect on Employee Engagement with a coefficient of 0.427, a t-value of 3.140, and a p-value of 0.001. These results indicate that the hypothesis is accepted.
3. The Influence of Adaptive Leadership on Employee Performance
 Adaptive Leadership has a positive and significant influence on Employee Performance, with a coefficient of 0.218, a t-value of 1.699, and a p-value of 0.045. Therefore, the hypothesis is accepted.
4. The Influence of Compensation on Employee Engagement
 Compensation has a positive and significant effect on Employee Engagement, indicated by a coefficient of 0.479, a t-value of 3.522, and a p-value of 0.000. Thus, the hypothesis is accepted.
5. The Effect of Compensation on Employee Performance
 Compensation has a positive and significant effect on Employee Performance, with a coefficient of 0.250, a t-value of 2.219, and a p-value of 0.013. These results indicate that the hypothesis is accepted.

Table 7 . Path Coefficients (Influence No Direct)

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Results
Adaptive Leadership (X2) -> Employee Engagement (Z) -> Employee Performance (Y)	0.196	2,218	0.013	Accepted
Compensation (X1) -> Employee Engagement (Z) -> Employee Performance (Y)	0.220	2,790	0.003	Accepted

Source : Smart PLS 3.3..3

6. The Influence of Adaptive Leadership on Employee Performance through Employee Engagement

Adaptive Leadership has a positive and significant effect on Employee Performance through Employee Engagement, with an indirect effect coefficient of 0.196, a t-value of 2.218, and a p-value of 0.013. These results indicate that Employee Engagement is able to mediate the effect of Adaptive Leadership on Employee Performance, so the hypothesis is accepted.

7. The Influence of Compensation on Employee Performance through Employee Engagement

Compensation has a positive and significant effect on Employee Performance through Employee Engagement, as indicated by a coefficient of 0.220, a t-value of 2.790, and a p-value of 0.003. Thus, Employee Engagement acts as a mediating variable, and the hypothesis is accepted.

Conclusion

After obtaining the results of the research, the researcher will draw the following conclusions:

1. The Influence of Employee Engagement on Employee Performance

Employee Engagement has been proven to significantly improve Employee Performance, so the hypothesis is accepted.

2. The Influence of Adaptive Leadership on Employee Engagement

Adaptive Leadership is able to increase Employee Engagement significantly, so the hypothesis is accepted.

3. The Influence of Adaptive Leadership on Employee Performance

Adaptive Leadership has a direct and significant influence on improving Employee Performance, so the hypothesis is accepted.

4. The Influence of Compensation on Employee Engagement

Compensation provided properly is proven to increase employee engagement, so the hypothesis is accepted.

5. The Effect of Compensation on Employee Performance

Compensation has a positive and significant effect on employee performance, so the hypothesis is accepted.

6. The Influence of Adaptive Leadership on Employee Performance through Employee Engagement
Employee Engagement is able to significantly mediate the influence of Adaptive Leadership on Employee Performance, so the hypothesis is accepted.
7. The Influence of Compensation on Employee Performance through Employee Engagement
Employee Engagement is proven to significantly mediate the influence of Compensation on Employee Performance, so the hypothesis is accepted.

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