
**THE EFFECT OF LEADERSHIP, REWARD, AND PUNISHMENT ON
EMPLOYEE PERFORMANCE IN A SWALLOW BIRD NEST EXPORTER
COMPANY IN EAST JAVA**

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Abstract

This study aims to analyse the effect of leadership, reward and punishment on employee performance in swallow's nest exporters in East Java. This research is important because optimal employee performance can be influenced by leadership, reward and punishment in the company. The sample in this study were all 178 employees at the five swallow bird nest companies in East Java which were divided into 35 people at CV Sumber Alam, 35 employees at CV Alam Jaya Semesta, 35 people at CV Moria International, 35 people at CV Perdana Jaya and 38 people for PT Surya Aviستا. The research design used is quantitative research with a descriptive approach with an emphasis on theory testing through measurement of research variables through distributing research questionnaires. The analysis technique in this study is to use multiple linear regression analysis with the help of SPSS 24.0 software. The results showed that the variables of leadership, reward and punishment had a positive and significant effect simultaneously on employee performance at swallow's nest exporter companies in East Java, there was a positive and significant influence of leadership on employee performance, there was a positive and significant effect of reward on employee performance and there were positive and significant effect of punishment on the performance of employees of swallow's nest exporters in East Java. Suggestions that can be given to swallow's nest exporting companies are to increase the effect of leadership in managing the company, increase the provision of rewards to employees to spur employee hard work and provide appropriate sanctions to employees if they make mistakes in order to minimize mistakes.

Keywords: Leadership, Reward, Punishment, Employee Performance, Exporters of Swallow's Nest in East Java.

INTRODUCTION

The export industry performance of swallow's nest exported from Indonesia to Hong Kong and China is quite volatile. Hong Kong and China markets are the main markets for export sales of swallow's nest. The number of companies engaged in the export of swallow's nests is also increasing, causing higher competition with limited export quotas. Indonesian swallow nest companies are required to produce quality swallow nests in order to pass the export quality standards for swallow's nest (Harapuspa & Fitriani, 2018). According to Badan Pusat Statistik (2019), export sales of swallow's nest in tonnes from Indonesia have experienced volatile results in their main markets, such as sales to Hong Kong, China and the United States. However, the export sales of swallow's nests in total sales experienced an increasing trend every year from 2014 to 2018. The fluctuating sales to Hong Kong and China were caused by strict regulations requiring swallow nests to have clear white colour and has good quality. Meanwhile, the swallow

nest entrepreneurs from Indonesia prefer to sell their products to Vietnam, due to the quality standards demanded by Vietnam are much lower than the quality standards in China. Sales to Vietnam may also be in the form of raw swallow's nest, and do not have to be clear white colour as requested by Chinese government requirements. So it can be concluded that if the amount of production is high but the quality of production is low, then sales will be diverted to Vietnam, where sales are easier at a much lower price than the Chinese market as we can see in Table 1.

Table 1. Swallow Bird Nest Exports Statistics

Destination Countries	2014	2015	2016	2017	2018
Tonnes					
Hongkong	392,3	474,4	625,5	487,8	290,4
China	0,0	18,4	23,0	55,5	69,6
Singapore	131,8	100,2	96,8	71,6	90,0
United States of America	17,7	17,1	16,8	18,2	16,6
Vietnam	42,3	124,3	203,7	624,5	806,1
Canada	3,4	4,2	3,5	3,4	2,7
Taiwan	12,7	11,9	11,7	8,3	5,5
Thailand	13,7	4,0	5,0	3,9	4,4
Japan	0,1	0,5	0,2	0,3	1,0
Cambodia	0,0	0,0	0,5	0,6	0,0
Others	22,1	6,0	5,5	12,6	5,6
Total	636,1	761,2	992,1	1286,7	1291,9

Source: Badan Pusat Statistik, 2019.

In conclusion, various problems and related phenomena indicate that the need for researchers to examine the performance of employees at swallow's nest exporters companies with various factors that have an impact on performance. Therefore, this research aims to analyse and define the effects of leadership, reward, and punishment on employees performance in swallow bird nest exporting companies in East Java.

LITERATURE REVIEW

Leadership

Leadership is a process of giving an example, giving influence from the leader to his subordinates for the achievement towards organizational goals (Utami et al., 2019). According to Rahman and Prasetya (2018), leadership is a condition that can encourage employees to develop and optimally increase their skills and abilities needed by the company in order to achieve maximum performance. In conclusion, leadership is an extent that has comprehensive guidelines on how to influence, direct, control and supervise others in the compulsory work and tasks that have been previously planned (Apriyanti et al., 2020).

Reward

According to [Wibowo et al. \(2013\)](#), the role of reward management theory states that a leader's ability to distribute rewards and benefits appropriately based on this follower's contribution can encourage positive employee behaviour. Moreover, leader who can manage to give the right allocated rewards to employees such as morale or assets according to employees performance can boost the positive outputs from the employees ([Wibowo et al., 2013](#)). Reward is also an intrinsic reward, which includes sense of completion, achievement, and growth ([Pramesti et al., 2013](#)). In conclusion, reward is all kind of financial and non-financial returns that is earned by employees according to their performance towards organisational goals ([Saputra et al., 2017](#)).

Punishment

According to [Saputra et al. \(2017\)](#), punishment will be given because of violation of applicable rules in the context of the company, punishment will be given to employees who are negligent or commit an error to the company. Punishment also have a tormenting effect on a person for the offense they have committed ([Balliet, et al., 2011](#)). According to [Nugroho \(2013\)](#), punishment can be broken down into light punishment, moderate punishment, and heavy punishment that giving punishments to employees, such sanctions can be given in the form of warnings, warning letters, scribing and even termination of employment.

Employees Performance

Employee performance is an extent in which a person has carried out a strategy from the organization for the achievement of the specific goals of the organization related to the role of the individual by looking at the relevant competencies for the organization ([Thesiasari & Prasetyo, 2019](#)). However, employee performance is a display in a complete state within the organisation in a certain period, which is the result obtained from the organisation's operational activities for the benefit of resource ownership ([Rosniyenti & Wahyuni, 2019](#)). In other words, employee performance appears when measuring the success of a person or group in carrying out their responsibilities within the organization ([Saputra et al., 2017](#)).

RESEARCH METHODS

The conceptual framework of research

This study has the aim of knowing the effect of leadership, reward, and punishment on purchasing decisions. Based on the literature review which is used as a research reference, the management system in this study is the leadership variable (X1), the reward variable (X2), and the punishment variable (X3) which uses the independent variable. Meanwhile, the independent variable of this study is employee performance (Y). The research framework is described in the Figure 1 below.

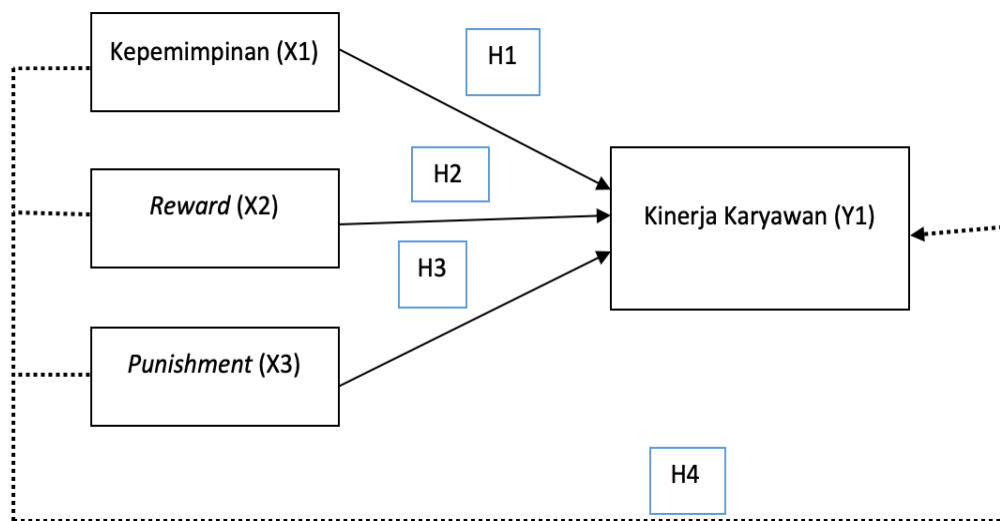


Figure 1. Empirical Research Model

Validity and Reliability Testing

Validity test can be interpreted as an index that reflects a measuring tool in measuring what needs to be measured (Sujarweni, 2015). To be able to perform validity test, correlating the score of each item is needed, in which an instrument can be entitled as valid if the Pearson Correlation is greater than 0.3 (Sugiyono, 2014). In this case, validation test is performed by using SPSS version 24, and using sample size of 30.

Reliability test can be interpreted as a test carried out in order to measure the questionnaire derived from the research variable indicators conducted by the researcher (Sujarweni, 2015). An instrument can be entitled as valid if the Cronbach Alpha is more the 0.60 can be interpreted as reliable (Sugiyono, 2014).

The result of validity test and reliability test for each indicator of variables by using SPSS version 24, as seen in Table 2 below.

Table 2. Result of Validity and Reliability Testing

Variables	Validity				Reliability Test		
	Indicators	Pearson	Sig.	Remarks	Cronbach's Alpha	Cronbach's Alpha If Item Deleted	Remarks
Leadership (X1)	X1.1	0.779	0.00	valid	0.922	0.914	reliable
	X1.2	0.878	0.00				
	X1.3	0.765	0.00				
	X1.4	0.787	0.00				
	X1.5	0.840	0.00				
	X1.6	0.862	0.00				
	X1.7	0.842	0.00				
	X1.8	0.696	0.00				
Reward (X2)	X2.1	0.890	0.00	valid	0.818	0.695	reliable
	X2.2	0.835	0.00				
	X2.3	0.843	0.00				
Punishment (X3)	X3.1	0.809	0.00	valid	0.857	0.835	reliable
	X3.2	0.843	0.00				
	X3.3	0.843	0.00				
	X3.4	0.851	0.00				
Employee Performance (Y)	Y1.1	0.878	0.00	valid	0.876	0.825	reliable
	Y1.2	0.780	0.00				
	Y1.3	0.890	0.00				
	Y1.4	0.867	0.00				

Source: Output of SPSS.

RESULTS AND DISCUSSIONS

The result of Multiple Linear Regression analysis, as indicated in Table 3.

Table 3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.476	.228		2.084	.039
	X1	.148	.021	.278	7.169	.000
	X2	.425	.046	.361	9.137	.000
	X3	.345	.044	.373	7.896	.000

a. Dependant Variable: Y

Based on the obtained result of Multiple Linear Regression on Table 3:

$$Y = 0.476 + 0.148 X1 + 0.425 X2 + 0.345 X3$$

Based on the various parameters in the regression regarding the factors that affect employee performance, the following interpretations can be given:

1. Value of Constant is 0.476 which means that Leadership (X1), Reward (X2) and Punishment (X3) do not change or are constant, so Employee Performance (Y) will be the same as constant.
2. The coefficient of regression of Leadership is 0.148 which states that if leadership increases, employee performance will increase and if leadership decreases, employee performance will decrease.
3. The regression coefficient of Reward is obtained as much as 0.425. If Rewards increase, then Employee Performance will also increase, if Reward decreases then Employees Performance will also step down.
4. The coefficient of regression of Punishment obtained is 0.345. If Punishment increases, Employee Performance will also increase and if punishment decreases, Employee Performance will also decrease.

F Testing (Simultaneous test)

The obtained result of F is 1404 with a significance level of 0.000, because the significance value of 0.000 is smaller than 0.05, it means that leadership (X1), reward (X2) and punishment (X3) have a simultaneous effect on employee performance as seen in Table 4.

Table 4. Anova^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1621.862	3	540.621	1.404E3	.000 ^a
	Residual	67.020	174	.385		
	Total	1688.882	177			

- a. Dependant Variable: Y
- b. Predictors: (Constant), X3, X2, X1

t Testing (Partial Test)

The partial test results (t) show that the variable Leadership (X1), Reward (X2), Punishment (X3), partially has a significant effect on Employee Performance (Y1), due to all variables are significantly less than 5% as seen in Table 3.

Coefficient of Determination Testing (R^2)

The result of coefficient of determination test as seen in Table 5.

Table 5. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.980 ^a	.960	.960	.62062	1.964

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

Based on the result on Table 5, it can be seen that the coefficient of determination (R Square) is 0.960, meaning that 96% of the variation in employee performance can be explained by the two independent variables consisting of Leadership (X1), Reward (X2) and Punishment (X3). While the remaining 4% is explained by other causes or influenced by other variables outside the independent variables researched.

CONCLUSIONS

Based on the results of the analysis and discussion of the influence of Leadership, Reward and Punishment on Five Swallow's Nest Exporting Companies in East Java, it can be concluded: leadership has a positive and partially significant effect on Employee Performance in Five Swallow's Nest Exporting Companies in East Java. Reward has a positive and partially significant effect on Employee Performance at Five Companies that Export Swallow Bird Nest in East Java. Punishment has a positive and partially significant effect on Employee Performance at Five Companies that Export Swallow's Nest in East Java. Leadership, Reward and Punishment together have a positive and significant effect on Employee Performance at Five Swallow Bird Nest Exporting Companies in East Java.

ACKNOWLEDGEMENTS

I would like to thank for all of those who supported and helped us in the process of improving this paper. I wish to acknowledge the help provided by the technical and support staff in the Management department of the Universitas Ciputra. I would also like to show my deep appreciation to my supervisors who helped me finalize my project, Dr. J.E. Sutanto, M.M.

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