The Effect of Leadership Style and Work Environment on Work Stress and Employee Performance

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Keywords: Leadership style, work environment, work stress, employee performance.

Abstract: This research examines the effect of leadership style and work environment on work stress and employee performance. This research was conducted at the batik convection center in Sumenep Regency, which is one of the largest batik convection centers on the island of Madura. The data used are primary data through distributing questionnaires to employees. The sample used is the entire population totaling 72 employees or the so-called saturated sample. This study uses a partial least square model using an analysis tool in the form of smartPLS software. Partial least square analysis analyzes both the direct effect of the variable and the indirect effect. In previous research, leadership and environment directly influence performance significantly. The results in this study indicate that leadership style has no significant effect on employee performance, work environment has a positive and significant effect on employee performance, leadership style has a positive and significant effect on work stress, work environment has a positive and significant effect on work stress, work stress has a positive and significant effect on work stress. Leadership style has a positive and significant effect on employee performance through work stress with p-value 0.028 < 0.05 indicates a significant indirect effect. The work environment has a positive and significant effect on employee performance through work stress with p-value 0.012 < 0.05 indicates a significant indirect effect.

1 INTRODUCTION

Employee performance is the result of all the work that the employee has completed. Performance criteria can be either good or bad results for each job. It is necessary to classify a job as good or bad. Good performance is usually based on the results of the job whether it matches the job description or not.

Employee performance is closely related to leadership style. Complete work following the instructions from the leader using a leadership style strategy. A leader needs to choose a leadership style that suits the characteristics of his employees. This technique of influencing employees is called leadership style.

Employee performance is the most important goal in a company or organization. Several methods and strategies need to be implemented to improve employee performance (Mathews & Khann, 2016). Performance is a description of the achievement of an application of activities or policies in realizing the goals, objectives, vision, and mission of an organization which are formulated based on the strategic planning of an organization (Putri, Ekowati, Supriyanto, & Mukaffi, 2019). Employee performance has an important role in the organization so that high-performing employees are considered a valuable asset of the organization (Rorong, 2016), (Samson, Waiganjo, & Koima, 2015).

Employee performance in an organization is an important aspect of maintaining the productivity generated by the company (Saidi et al., 2019). The quality of employee performance can be influenced and depends on the safety and comfort of working conditions and the workload of employees (Malik, Ahmad, Gomez, & Ali, 2011).

Performance indicators are (Samson et al., 2015):
- Error rate;
- Work results.

Leadership style is a way for leaders to influence their subordinates. A leader is someone who can influence group activities in an organization to achieve organizational and individual goals (Dhamodharan & Arumugasamy, 2011). The leadership style has a very important relationship for employees as an additional encouragement to improve their performance results (Hussain, Akhtar, Inayatullah, Afzal, & Gillani, 2017).
Leadership style is used by a leader as a liaison between leaders and employees and motivates employees to stay involved in their duties (Kelly & Heald, 2020). The relationship between leadership style and work stress, namely the application of an effective leadership style promoting good communication and interaction, is important for employees to reduce work-related stress levels (Kakada & Deshpande, 2018).

Leadership style indicators are (Dhamodharan & Arumugasamy, 2011):
- Coercion;
- Authority;
- Affiliation;
- Democratic;
- Setting steps or actions;
- Coaching.

The work environment is an environment where employees work. A good environment accompanied by good infrastructure can make employees perform well too. It can be seen in developed countries how infrastructure plays an important role in the ease with which employees work. Therefore management support in creating a good workplace environment is very important.

The work environment is a place for various activities that can be characterized by the number of interactions among employees at work (Soriano, Kozusznik, & Peiró, 2018). A fundamental aspect of the workplace environment that contributes to employee behavior is the layout of the office space (Kamarulzaman, Saleh, Hashim, Hashim, & Abdul-Ghani, 2011). Work environment is a view or physical work environment where a group of people work together to achieve certain goals. This can cover many aspects, for example: lighting, work area design, temperature, etc (Desa, Khoon, & Asaari, 2018).

An attractive working atmosphere and a supportive environment have increasingly escalated to the point where employees accumulate the superior use of their skills, competencies, and knowledge to perform efficiently (Hafeez, Yingjun, Hafeez, Mansoor, & Rehman, 2019). Company support for employees in the workplace can have a positive impact on employee performance (Nadia & Fathurahman, 2018).

Work environment indicators, namely (Suifan, 2019):
- Ensuring employee safety;
- Motivating;
- Reciprocating performance;
- Providing a sense of security;
- Relationships between colleagues;
- Increasing employee participation.

Work stress is an employee's emotional state at work. Work stress can be caused by pressure at work. Not only the pressure at work but also the result of an unfavorable environment that results in discomfort at work. Maintaining the emotional state of employees is very important because it has an impact on employee performance.

Work stress and performance have always been an important issue for managers. Various studies have tried to answer the question of what determines the decline in employee performance. It was identified that work experience related to stress causes employees to underperform. Inadequate information about how to do the job properly, excessive expectations, relationships with coworkers and superiors, extensive work pressure, and a lack of understanding of job descriptions can cause employees to feel dissatisfied with their work and performance, lack of commitment to the company, experiencing stress so that it has an impact on their performance (Ahmad, Salleh, Bakar, & Sha’arani, 2018).

Work stress is defined as a dangerous physical and emotional response that occurs when workloads do not match the abilities, resources, or needs of workers. Stress has a major impact on business and the economy whether it is experienced at work or home and affects a growing number of workers around the world (Baysak & Yener, 2015). Stress is usually caused by the disruption of employees at work (Tambalean, 2014).

Indicators of job stress are (Abbasi, 2018):
- Guilt;
- Anger;
- Depression.

Companies engaged in batik convection where there are sales targets that must be achieved make this research important as a description of the condition of the employees. This research was conducted at a batik convection factory in Sumenep, which is one of the largest on the island of Madura.

The formulation of the research problems are: (1) is there a direct effect of leadership style on employee performance? (2) is there a direct effect of the work environment on employee performance? (3) is there a direct effect of leadership style on work stress? (4) is there a direct effect of the work environment on work stress? (5) is there a direct effect of work stress on employee performance? (6) is there an indirect effect of leadership style on employee performance through work stress? (7) is there an indirect effect of the work
environment on employee performance through work stress?.

The objectives of this study are: (1) to analyze the direct influence of leadership style on employee performance, (2) to analyze the direct effect of the work environment on employee performance, (3) to analyze the direct effect of leadership style on work stress, (4) to analyze the direct effect of the work environment on work stress, (5) analyzing the indirect effect of leadership style on employee performance through work stress, (6) analyzing the indirect effect of leadership style on work environment through work stress, and (7) analyzing the indirect effect of work environment on employee performance through work stress.

2 METHOD

This research is quantitative. The data collection technique uses a questionnaire that is distributed to respondents. This research was conducted at the Sumenep regency convection factory.

The population of this study were 72 employees of the batik convection factory in Sumenep district. The sample in this study is to use the entire population as a saturated sample. This research data analysis using smartPLS software.

The conceptual model in this study can be described as follows:

![Conceptual framework of the research.](image)

3 RESULT AND DISCUSSION

Data analysis using SmartPLS software with the following output models:

![Output data.](image)

The SmartPLS output results in outer loading which is then used for validity testing. The validity test is used to test the validity of the research instrument. The validity test criteria for the outer loading value of 0.5 to 0.6 are considered sufficient, for the number of indicators of latent variables ranging from 3 to 7.

The results of the validity test are as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Outer Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership X1</td>
<td>X1.1 0.911</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.2 0.891</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.3 0.859</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.4 0.821</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.5 0.729</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.6 0.666</td>
<td></td>
</tr>
<tr>
<td>Work Environment X2</td>
<td>X2.1 0.843</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.2 0.743</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.3 0.647</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.4 0.739</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.5 0.581</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.6 0.736</td>
<td></td>
</tr>
<tr>
<td>Work Stress Y1</td>
<td>Y1.1 0.559</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.2 0.590</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.3 0.931</td>
<td></td>
</tr>
<tr>
<td>Employee Performance Y2</td>
<td>Y2.1 0.866</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y2.2 0.835</td>
<td></td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Output, 2020

From the outer loading, it shows that all indicators have a value above 0.5 so that all indicators are valid. After the validity test, then move on to the reliability test. The reliability test tests the reliability of the variables of a study. Reliability test criteria if the Composite Reliability value is above 0.70, AVE (Average Variance Extracted) is above 0.50 and Cronbach's Alpha is greater than 0.60.
The results of the reliability test in this study are as follows:

Table 2: Reliability test result.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Composite Reliability</th>
<th>Cronbach’s Alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Style</td>
<td>0.923</td>
<td>0.900</td>
<td>0.669</td>
</tr>
<tr>
<td>Work Environment</td>
<td>0.864</td>
<td>0.819</td>
<td>0.518</td>
</tr>
<tr>
<td>Work Stress</td>
<td>0.746</td>
<td>0.608</td>
<td>0.509</td>
</tr>
<tr>
<td>Employee</td>
<td>0.840</td>
<td>0.620</td>
<td>0.724</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Output, 2020

From the results of the reliability test, it shows that the output is following the criteria so that these variables are reliable.

The results of the validity and reliability tests show that the variables are valid and reliable so that the causality test or influence test can be done. Testing criteria is if the direct effect shows the t-statistic result is greater than the t-table value (t-table = 1.96) then the variable relationship is significant.

The results of the direct effect test between variables are as follows:

Table 3: Direct effect result.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Original Sample</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Style -&gt; Employee Performance</td>
<td>0.060</td>
<td>0.579</td>
<td>0.563</td>
</tr>
<tr>
<td>Leadership Style -&gt; Work Stress</td>
<td>0.294</td>
<td>2.356</td>
<td>0.019</td>
</tr>
<tr>
<td>Work Environment -&gt; Employee Performance</td>
<td>0.225</td>
<td>2.220</td>
<td>0.027</td>
</tr>
<tr>
<td>Work Environment -&gt; Work Stress</td>
<td>0.351</td>
<td>2.713</td>
<td>0.007</td>
</tr>
<tr>
<td>Work Stress -&gt; Employee Performance</td>
<td>0.592</td>
<td>7.863</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Output, 2020

The direct effect results, firstly shows that leadership style does not affect employee performance. The second result shows that the leadership style has a positive and significant effect on work stress. The third result shows that the work environment has a positive and significant effect on employee performance. The fourth result shows that the work environment has a positive and significant effect on work stress. The final result shows that work stress has a positive and significant effect on employee performance.

After conducting the direct effect test, then the indirect effect test is carried out. The results of the indirect effect test are as follows:

Table 3: Indirect effect result.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Original Sample</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Style -&gt; Employee Performance</td>
<td>0.174</td>
<td>2.202</td>
<td>0.028</td>
</tr>
<tr>
<td>Work Environment -&gt; Employee Performance</td>
<td>0.208</td>
<td>2.515</td>
<td>0.012</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Output, 2020

The results of the indirect effect test show that leadership style has an indirect effect on employee performance through work stress positively and significantly. The results of the indirect test further show that the work environment also has an indirect effect on employee performance through work stress positively and significantly.

4 CONCLUSIONS

Based on the results of the data analysis, it can be concluded that the leadership style does not have a significant influence on employee performance with a p-value 0.563 > 0.05 indicates a not significant direct effect. Whatever leadership style does not affect their performance. The results of this study strengthen the research from Prabowo, Noermijati, & Irawanto (2018); Madanchian, Hussein, Noordin, & Taherdooost (2016). The results of this study weaken the research from McAlearney, Hefner, Robbins, & Garman (2013); Orabi (2016).

The work environment has a positive and significant effect on employee performance with p-value 0.019 < 0.05 indicates a significant direct effect. The better the work environment, the better the employee's performance. The results of this study strengthen the research from Palese et al., (2019); Loidl et al., (2016). The results of this study weaken the research from Samson, Waiganjo, & Koima (2015); Jayaweera (2015).

Leadership style has a positive and significant influence on work stress with p-value 0.027 < 0.05 indicates a significant direct effect. It is necessary to be careful in determining the leadership style used so
as not to stress employees. The results of this study strengthen the research from Ahmad, Salleh, Bakar, & Sha’arani (2018); Laschinger, Wong, & Grau (2013). The results of this study weaken the research from Abbasi, (2018); (George, Chiba, & Scheepers, 2017)

The work environment has a positive and significant effect on work stress with p-value 0.007 < 0.05 indicates a significant direct effect. Companies need to prepare a good work environment so as not to cause stress to employees. The results of this study strengthen the research from Bhat (2017); Schulte (2014). The results of this study weaken the research from Stults-Kolehmainen & Sinha (2014); Yikealo, Yemane, & Karvinen (2018).

Work stress has a positive and significant effect on employee performance with p-value 0.00 < 0.05 indicates a significant direct effect. More companies need to pay attention to employee stress levels so as not to affect performance. The results of this study strengthen the research from Akter & Rahman (2012); Pandey (2020). The results of this study weaken the research from Hussein, Abu-Salih, & Saket (2016); Murali, Basit, & Hassan (2017).

Leadership style has an indirect effect on employee performance through work stress with p-value 0.028 < 0.05 indicates a significant indirect effect. If the choice of leadership style and stress control on employees will improve employee performance significantly. The results of this study strengthen the research from Mohammed, Saleh, Nusari, & Isaac, (2018); Jung, Chow, & Wu (2008); Bernanthos (2018); Wang & Liang (2020); Kristanto & Edward (2020).

The work environment has an indirect effect on employee performance through work stress with p-value 0.028 < 0.05 indicates a significant indirect effect. If the work environment is accompanied by minimizing the influence of stress on employees, it will significantly improve employee performance. The results of this study strengthen the research from Yaacob (2014); Junquera & Barba-Sánchez (2018); Bae (2017); Li et al., (2020); Schaaik et al., (2020); Pingdek, Howard, Krajevcska, & Spector (2019); Kožluk & Zipperer (2014).

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