

## **The Effect of Islamic Leadership and Islamic Compensation on Employee Performance with Employee's Commitment as Moderation in Islamic Boarding School's Businesses**

**Ari Prasetyo<sup>1\*</sup>, Mochammad Soleh<sup>2</sup>, Nurul Hidayati<sup>3</sup>**

<sup>1</sup>Department of Islamic Economics, Faculty of Economics, Universitas Airlangga, Indonesia

<sup>2</sup>Department of Business, Faculty of Vocational, Universitas Airlangga, Indonesia

<sup>3</sup>Department of Psychology, Faculty of Psychology, Universitas 45 Surabaya, Indonesia

**Abstract:** *This research aims to analyze the influence of Islamic leadership, Islamic compensation on employee performance with employee commitment as a moderator in Islamic boarding school cooperatives in Surabaya. This research is a research explanation research. The population in this study are employees of the boarding school's cooperative business unit. The sample is some employees in the Surabaya Islamic boarding school cooperative, which amounted to 139 respondents. The data collection technique used in this study was a survey using a questionnaire. The independent variable used in the results of this study is given an X notation, namely: Islamic leadership and Islamic compensation. The moderating variables are organizational commitment (Z). The dependent variable of employee performance (Y). Measurements in the questionnaire using a five-point Likert scale. The analysis technique used in this research is Structural Equation Modeling with the Smart PLS (Partial Least Square) program. The result shows that Islamic leadership significantly affects employee performance, while Islamic compensation does not. This research proves that commitment as a moderating factor for Islamic leadership and Islamic compensation in Islamic boarding schools is not optimal. In Islamic leadership, commitment weakens the influence of Islamic leadership on employee performance and strengthens compensation on employee performance.*

**Keywords:** *Islamic Leadership, Islamic Compensation, Employee Commitment, Employee Performance, Islamic Boarding School Cooperatives*

**Paper type:** *Research Paper*

**\*Corresponding author:** [ari.prasetyo@feb.unair.ac.id](mailto:ari.prasetyo@feb.unair.ac.id)

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**Abstrak:** Penelitian ini bertujuan untuk menganalisis pengaruh kepemimpinan Islami, kompensasi Islami terhadap kinerja pegawai dengan komitmen pegawai sebagai moderator pada koperasi pondok pesantren di Surabaya. Penelitian ini merupakan penelitian eksplanasi. Populasi dalam penelitian ini adalah karyawan unit usaha koperasi pondok pesantren. Sampel penelitian ini adalah beberapa karyawan di koperasi pondok pesantren Surabaya yang berjumlah 139 responden. Teknik pengumpulan data yang digunakan dalam penelitian ini adalah survei dengan menggunakan kuesioner. Variabel bebas yang digunakan dalam hasil penelitian ini diberi notasi X, yaitu: Kepemimpinan Islami dan Kompensasi Islami. Variabel pemoderasi adalah komitmen organisasi (Z). Variabel terikat kinerja karyawan (Y). Pengukuran dalam kuesioner menggunakan skala Likert lima poin. Teknik analisis yang digunakan dalam penelitian ini adalah Structural Equation Modelling dengan program Smart PLS (Partial Least Square). Hasil penelitian menunjukkan bahwa kepemimpinan Islami berpengaruh signifikan terhadap kinerja karyawan, sedangkan kompensasi Islami tidak. Penelitian ini membuktikan bahwa komitmen sebagai faktor moderasi kepemimpinan Islam dan kompensasi Islam di pondok pesantren belum optimal. Dalam kepemimpinan Islam, komitmen melemahkan pengaruh kepemimpinan Islam terhadap kinerja karyawan dan memperkuat kompensasi terhadap kinerja karyawan.

**Kata kunci:** Kepemimpinan Islami, Kompensasi Syariah, Komitmen Pegawai, Kinerja Pegawai, Koperasi Pondok Pesantren

## INTRODUCTION

Studies on Islamic boarding schools have been widely carried out, especially in social, political, religious, and educational studies. The themes of the study include community development based on Islamic boarding schools and social fiqh contribution to changes in Islamic boarding schools values (Zubaedi, 2007), Islamic boarding schools as an alternative to environmental development (Ghozali, 2002), Kiai leadership in the scientific tradition between Salafi Islamic boarding schools and Khalafi Islamic boarding schools, the Kiai's response in facing societal changes (Dirdjasanyata, 1999), the kiai's role in maintaining the Islamic boarding schools tradition (al-Haritsi, 2006), the change in the Kiai's leadership role in politics (Turmudi, 1996); the existence of Islamic boarding schools as educational institutions, as well as the Islamic boarding schools education system. These studies use a qualitative approach, and none has focused on the study of economic enterprise management managed by Islamic boarding schools as a phenomenon that only emerged in the 2000s. With its unique position, Islamic boarding schools are expected to be an alternative development centred on the community itself (people-centred development) and at the same time as a centre for value-oriented

development (Azra, 1994). However, the phenomenon occurs in the management of Islamic boarding schools to overcome limited funds and maintain its independence to establish a business that aims to profit. There are various types of businesses run by Islamic boarding schools are included in small and medium enterprises (SMEs) when viewed from their size; the Ministry of Religion in 2002 stated 8,289 Economic, Clinical, and Social Business Units (Departemen Agama, 2002)

As one of the national Islamic boarding schools bases, East Java has 1,717 economic business units or 65.5% of the total business units outside education, social and clinical, including 24.4% agribusiness, marine 0.4%, cooperatives 17.6%, and small industry 23.1%. Furthermore, seen from the number of economic business units that have been managed, Islamic boarding schools in East Java seem to contribute 32.5% to the national, which is distributed to the agribusiness sector 30.5%, the marine sector 23.8%, the cooperative sector 32.6%, and from the small industrial sector by 35.1%. Data from the Office of Cooperatives and MSMEs of East Java Province in 2009 reported 1,462 kopontren, which means there was an increase of 1,001 cooperative units or 217% from 2002. However, 661 kopontren or 45% were inactive statuses, which is indicated by the failure of the Annual Member Meeting. This fact shows that Kopontren's performance is not appropriate, or even in name only, meaning that activities in empowering members do not work. The operational activities of the cooperative are supposed to provide welfare for its members, but the fact is that the members of the cooperative work are not given any wages. Kopontren's performance is inseparable from the performance of individuals who manage Islamic boarding schools cooperatives (Dinas Koperasi, 2009)

Leadership is considered to be an important factor in accomplishing the success of employee performance. Leadership is concerned with managing people and is an integral part of the management process (Agil, 2007). One of its characteristics is the central role of the kyai in the leadership of the Islamic boarding school and the institution's position as the centre of Islamic religious education. Business management managed by the Islamic boarding schools is culturally linked to the Islamic boarding schools institution, or at least there is a strong emotional bond with the culture in the Islamic boarding schools so that the pattern of management leadership in managing the business is also affected. Leadership is a variable that can encourage the success of businesses managed by Islamic boarding schools through Islamic employee performance towards the organization, which is also indirectly influenced by employee commitment to motivating employees to work seriously and perform well (Manfred, 1986).

In addition to the leadership aspect, Kopontren is also responsible for compensating to employees if their performance is considered good. The compensation aspect for employees is also a crucial issue in business management. Compensation is related to efforts to achieve employee welfare. Islam has regulated the working relationship between employees and employers or companies to ensure employee rights. From an Islamic perspective, the purpose of compensation is as a form of appreciation for the performance contributed and to motivate employees to carry out their duties efficiently, such as the existence of a contract, the eligibility

of wages, payment on time, various forms of compensation (not just money), an agreement between the two parties (Hashim, 2008)

The existence of leadership and compensation is not optimal without employee commitment. Employee commitment to the organization or organizational commitment is a form of employee attitude in the work environment. A significant contribution from organizational commitment is its potential as a stabilizer of individual behaviour when what is expected from the job is not achieved or satisfied (Scholl, 1981). Commitment can be a catalyst for many behaviours in organizations. Organisational commitment can generate positive employee attitudes and behaviours and a strategic foothold in human resource management.

The region's election is based on several criteria, including that Surabaya is one of the metropolitan cities in East Java. In addition, in Surabaya, there is also a small village dominated by Arab descent, known as Kampung Arab, in the Ampel area. This Arab village also has the Tomb of Wali Songo as one of the pioneers of spreading of Islam in East Java, namely the Tomb of Sunan Ampel.

Related to the background that has been conveyed, the purpose of this research is to analyze the effect of Islamic leadership and Islamic compensation (as an independent variable) on employee performance (as the dependent variable) with employee commitment (as a moderating variable) in a boarding school cooperative in Surabaya with the hypothesis which can be stated that Islamic leadership and Islamic compensation will be able to significantly affect employee performance if there is a good commitment from employees at work.

## RESEARCH METHODS

This research is a research explanation research. The population in this study are employees of the boarding school cooperative business unit (Kopontren) at Surabaya, East Java. The sample is some employees in the Surabaya Islamic boarding school's cooperative, which amounts to 120 respondents. The data collection technique used in this study was a survey using a questionnaire. The independent variable used in the results of this study is given an X notation, namely: Islamic leadership and Islamic compensation. The moderating variables are organizational commitment (Z). The dependent variable of employee performance (Y). The measurement in the questionnaire uses a five-point Likert scale consisting of 1: very bad, 2: not good, 3: quite good, 4: good and 5: very good. The measurement in the questionnaire uses a five-point Likert scale consisting of 1: very bad, 2: not good, 3: quite good, 4: good and 5: very good. Islamic leadership is measured by 37 indicators. Compensation is measured by 9 indicators. This employee commitment variable is reflected by 25 indicators. Performance is measured by 35 indicators. The analysis technique used in this research is Structural Equation Modeling with the Smart PLS (Partial Least Square) program.

## RESULTS AND DISCUSSION

### Outer Model Testing Phase

PLS testing is carried out in two stages, namely the outer model and the inner model. The outer model in the first stage is the convergent validity value, construct validity, discriminant validity and construct reliability.

### Convergent Validity

For convergent validity, the result of convergent validity can be seen from the loading factor value. The loading factor value must be more than 0.5. The results of the complete convergent validity test are in Table 1. The calculation results show that Islamic leadership, Islamic compensation, commitment, and employee performance have a factor loading value greater than 0.5. It means that all variables are valid.

**Table 1**  
Convergent Validity Testing

Islamic Leadership		Employee performance		Islamic Compensation		Employee Commitment	
KEP. 011	0.734	KIN01	0.874	KOMP. 1	0.910	KOM01	0.787
KEP. I02	0.827	KIN02	0.892	KOMP.I2	0.884	KOM02	0.810
KEP. I03	0.751	KIN03	0.908	KOMP.I3	0.881	KOM03	0.845
KEP. I04	0.887	KIN04	0.855	KOMP. I4	0.751	KOM04	0.751
KEP. I05	0.786	KIN05	0.869	KOMP. I5	0.869	KOM05	0.824
KEP. I06	0.757	KIN06	0.884			KOM06	0.801
KEP. I07	0.694	KIN07	0.897			KOM07	0.702
KEP. I08	0.734	KIN08	0.898			KOM08	0.635
KEP. I10	0.640	KIN09	0.878			KOM09	0.588
KEP. I11	0.767	KIN10	0.905			KOM10	0.733
KEP. I12	0.757	KIN11	0.852			KOM11	0.756
KEP. I13	0.825	KIN12	0.868			KOM12	0.627
KEP. I14	0.847	KIN13	0.875			KOM13	0.648
KEP. I15	0.777	KIN14	0.862			KOM14	0.696
KEP. I16	0.758	KIN15	0.867			KOM15	0.842
KEP. I17	0.627	KIN16	0.862			KOM16	0.823
KEP. I18	0.655	KIN17	0.823			KOM17	0.785
KEP. I19	0.793	KIN18	0.860			KOM18	0.702
						KOM19	0.628
						KOM20	0.833
						KOM21	0.810
						KOM22	0.728
						KOM23	0.746
						KOM24	0.686
						KOM25	0.756

### Discriminant Validity Fornell Larcker

A Discriminant variable is done to ensure that each concept of each latent variable is different from other variables. It is analysed using the Average Variance Extracted (AVE) value, the Fornell Larcker criterion. The AVE value must be  $> 0.5$  to be categorised as discriminant validity. The criteria for each latent variable must be higher than the AVE of the variable itself.

Table 2 shows the results of testing the Average Variance Extracted (AVE) value. The calculation results show that all the research variable constructs show that all variables have an AVE value of more than 0.5. With this result, all latent variables and dimensions have good validity adequacy.

The results of the Fornell Larcker test are in Table 3. Table 3 shows that the Fornell Larcker value for each latent variable is greater than the AVE value for the lethargic variable itself. In the Islamic leadership variable  $0.750 > 0.577$ , employee performance  $0.874 > 0.764$ , employee commitment  $0.745 > 0.556$  and Islamic compensation  $0.861 > 0.741$ . With these results, the variables of Islamic leadership, Islamic compensation, employee commitment, and employee performance meet the requirements of discriminant validity.

**Table 2**  
Constraction Validity Testing

Research variable	Average Variance Extracted (AVE)
Islamic Leadership	0.577
Employee performance	0.764
Employee Commitment	0.556
Islamic Compensation	0.741

The calculation results show that all of the research variable constructs show that all variables have an AVE value of more than 0.5. With this result, all variables and latent dimensions have good validity. While the results of the Fornell Larcker test are as follows:

**Table 3**  
Desriminant Validity Testing with Fornell Larcker

Research Variables	Islamic Leadership	Employee performance	Employee Commitment	Islamic Compensation
Islamic Leadership	<b>0.759</b>			
Employee performance	0.509	<b>0.874</b>		
Employee Commitment	0.758	0.346	<b>0.745</b>	
Islamic Compensation	0.707	0.312	0.595	<b>0861</b>

Table 3 shows that the Fornell Larcker value in each latent variable has a value greater than the AVE value in the lieutenant variable itself. On Islamic leadership variable  $0.750 > 0.577$ , employee performance  $0.874 > 0.764$ , employee commitment  $0.745 > 0.556$  and Islamic compensation  $0.861 > 0.741$ . With these

results, the variables of Islamic leadership, Islamic compensation, employee commitment and employee performance meet the requirements of discriminant validity.

**Reliability**

Construction reliability is measured by composite value reliability. The indicator consistently measures its latent variables if the construct is reliable if the composite reliability value and Cronbach alpha are above 0.70. Table 4 shows the results. The test results show that all variables' construct (variable) has a value Cronbach alpha and composite reliability greater than 0.7. So that all variables are declared reliable.

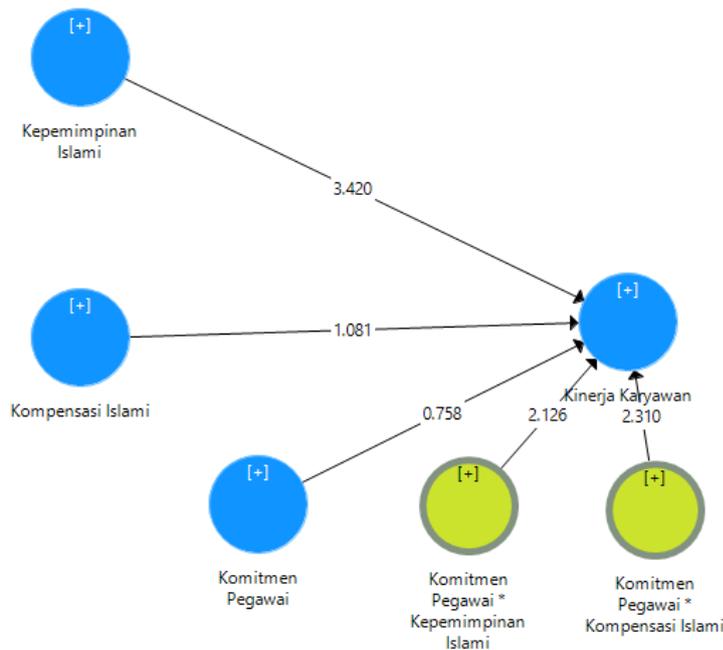
**Table 4**  
Constructive Reliability Testing

Variables	Cronbach's Alpha	Composite Reliability
Islamic Leadership	0.957	0.961
Employee performance	0.982	0.983
Employee Commitment	0.967	0.969
Islamic Compensation	1,000	1,000

**Hypothesis test**

**Inner Model Testing Phase or Structural Model**

The structural model stage aims to determine whether there is an influence between variables or not. Testing is done using the t-test. The variable is said to influence if the significance value of t is less than 0.05. The calculation results can be seen in Figure 1. Table 5 shows the estimated value of each relationship between the research variables.



**Figure 1 Inner / Structural Model Test**

**Table 5**  
**Hypothesis test**

<b>Relations Between Variables</b>	<b>Coefficient</b>	<b>Value of t</b>	<b>P Values</b>	<b>R Square</b>
Islamic Leadership □ Employee Performance	0.545	3,420	0.001	
Islamic Compensation è Employee performance	-0,182	1,081	0.280	
Commitment * Islamic Leadership è Employee performance	-0.248	2,126	0.034	0.303
Commitment * Islamic Compensation è Employee performance	0.299	2,310	0.021	

Statistical testing shows that there are path coefficients that show positive and negative directions. The positive effect means a unidirectional relationship. The more exogenous variables increase, the endogenous variables also increase. The more Islamic leadership increases, the higher the employee's performance. The results of the t-test on Islamic leadership on employee performance obtained a significance of 0.001. This value is below 0.05, so the positive influence of Islamic leadership on employee performance is significant. Increasing Islamic leadership will have a significant impact on higher employee performance.

Then the interaction between moderation of commitment and Islamic leadership on performance shows negative results. It means that employee commitment weakens the influence of Islamic leadership on employee performance. The t-test results on the role of moderation of commitment on the influence of Islamic leadership on employee performance obtained a significance of 0.034. This value is below 0.05, so that commitment significantly moderates Islamic leadership on employee performance. It means that the influence of Islamic leadership on employee performance is weakened or decreased by employee commitment.

Different results are shown in the Islamic compensation variable on employee performance. The direction of the coefficient is negative. It means that the increase in Islamic compensation, the lower the employee's performance. The results of the t-test on Islamic compensation for employee performance obtained a significance of 0.280. This value is above 0.05, so the negative effect of Islamic compensation on employee performance is not significant. So that the increasing Islamic compensation, employee performance tends to decrease but not significant.

The results of the interaction between commitment moderation and Islamic compensation on the performance show positive results. It means that employee commitment strengthens the negative effect of Islamic compensation on employee performance. The results of t-test on the role of moderation of commitment on the effect of Islamic compensation on employee performance obtained a significance of 0.021. This value is below 0.05, so that commitment moderates Islamic compensation to employee performance. It means that the effect of Islamic compensation on employee performance becomes stronger or increases with employee commitment.

The results showed the magnitude of the influence of Islamic leadership, Islamic compensation, and the moderating role of employee commitment to leadership and employee compensation on employee performance by 0.303% or 30.3%.

### ***Goodness of Fit***

PLS testing also ensures whether the model is fit. Testing the fit model with predictive relevance and GoF.  $Q^2$  generates the predictive relevance value. The value of the Q-square can be calculated with the following calculation:  $Q^2 = 1 - (1 - 0.303) = 0.303$ . Based on the results of the Q-square calculation, it can be seen that the Q-square value is 0.281. because the value of  $Q^2 > 0$ , the model is fit or has matched the data with the model. The second is to find the Goodness of Fit (GoF) value. Calculating the average value of AVE is 0.642, while the average  $R^2$  is 0.303, so that the GOF value is 0.489.

## **DISCUSSION**

### **The Influence of Islamic Leadership on Employee Performance**

The results showed that Islamic leadership had a significant effect on employee performance. Islamic leadership has a significant effect on the direction of a positive relationship on employee performance. The Kopontren manager applies the better Islamic leadership, the higher the employee's performance towards co-training. The results of this study are in line with research by [Jumaing \(2020\)](#), which shows that there is a positive influence between Islamic leadership on employee performance. Islamic leadership practices are well demonstrated by a trustworthy leader and carry out leadership to enable employees to complete their jobs truly. It also shows more optimal work results. Other research by [Ithri \(2018\)](#) and [Astuti \(2020\)](#) also shows that there is a positive influence between Islamic leadership and employee performance. Research that contradicts these results is the research conducted by [Supriyanto \(2020\)](#) which states that there is no direct influence between Islamic leadership on employee performance. However, he found an indirect effect through job satisfaction and organisational culture.

Leadership is a key element in organisations to move people. As a key element in the organisation, leadership attitudes and behaviours will affect employee performance. [Jayaram and Shawnee \(1999\)](#) state that leadership is a process of giving meaning (meaningful direction) to collective efforts and which results in a willingness to make the desired effort to achieve goals. Achievement of targets in the narrow sense is the achievement of performance targets. The leader is a mirror of the society he leads, and he is always close and with the community in joy and sorrow. A kyai who is a leader in the Islamic boarding school has become a role model and is always involved in all strategic decision-making activities at the Kopontren. This happened because of the involvement of the kyai as an influential cottage leader with what had been done to become a mirror for the students to imitate their selfless behaviour, which was implemented in their performance. The leadership factor has mobilised the energy of the entire cottage to produce the best results for all cottage stakeholders. The leader's steps become an impetus to

motivate the students to work and work. So that with Islamic leadership, capital is able to motivate employees to perform better.

### **The Effect of Islamic Compensation on Employee Performance**

The results of hypothesis testing indicate that Islamic compensation has no significant effect on employee performance. This means the size of the Islamic compensation results of this study are in line with research conducted by [Bagis \(2020\)](#), which shows that there is no effect of compensation on employee performance of educational institution employees. However, these results contradict research by [Saleh \(2017\)](#), [Darma \(2017\)](#), [Hadjri \(2019\)](#), [Sidabutar \(2020\)](#), and [Saban \(2020\)](#), which show that compensation has a significant positive effect on employee performance. Compensation is stated as a network of various sub-processes to provide compensation to employees for the performance of work and motivate employees to achieve the desired level of achievement—more work compensation and service benefits in the form of salaries, incentives, benefits and work facilities.

The inconsistency of the results with previous research can occur because the higher financial compensation provided by the boarding school cooperative in the form of salaries and allowances does not necessarily make employee performance higher or vice versa. First, the performance of employees who have been in the Kopontren has not been fully measured clearly. So whether the performance is proven to be increasing or decreasing, the employees themselves are still not able to determine. Second, that what employees do is fully what their duties are. Employees see work as a dedication to the cottage. So that the size of the money given will still make employee performance good because fixed money is not everything that will make employee performance increase. If they fully depend on compensation, it becomes counterproductive with the understanding that work must be based on sincerity. Kopontren employee performance is influenced precisely by the leadership of the boarding school leader, who incidentally is a kyai.

### **The Role of Employee Commitment Moderation on the Effect of Islamic Leadership on Employee Performance**

The results showed that employee commitment moderated the influence of Islamic leadership on employee performance. The direction of moderation of commitment is negative, which means that it weakens the leadership in influencing performance. With this result, the original hypothesis that thought it would strengthen was rejected. [Ali \(2009\)](#) argues that commitment is built when each individual develops three interrelated attitudes towards the organisation, namely: understanding or appreciation of company goals (identification), feeling involved in a job (involvement), work is fun, feeling loyal (loyalty), the company is a place of work and a place to live. So, commitment can be built from the individuals concerned, based on influence or coercion from other people, including leaders. Islamic boarding school as a centre for education, study, and a cadre of obedient and tough Muslim individuals, are expected to be able to practice Islamic values when running a business, including in leadership practices. Employee commitment, which weakens the leadership role, is due to the employees or employees of the Islamic

boarding school who increasingly emulate the leader will try to implement it not in the boarding school but the community or the next place of service. Pondok is not the final place for employees to career and study. However, life after the hut, namely in the community and in their huts which will be built later, is the final target of this employee's commitment. If employees only stop serving at the Islamic boarding school and have not returned to the community, it shows that the learning process is still ongoing, and this is not the final goal of every student. The hope of the Islamic boarding school itself is that all boarding students will be able to develop the abilities obtained from the Islamic boarding school to be practised in the next place so that the higher the commitment to the Kopontren will reduce the influence of leadership on employee performance.

### **The Role of Employee Commitment Moderation on the Effect of Islamic Compensation on Employee Performance**

The results showed that employee commitment moderated the effect of Islamic compensation on employee performance. The direction of moderation of commitment is positive. So that the employee's commitment ability is able to make the influence of Islamic compensation stronger on performance, with these results, the initial hypothesis that the commitment will strengthen the positive influence of the financial compensation variable on employee performance is accepted. Organisations in business units that are managed by pesantren at the individual level emphasise the value of altruism or dedication. This service value is the basis of the employees who work at the Pesantren. So that with this value, the benefits or materials obtained do not become motivation or goals. The commitment that is built-in employees is a commitment to practice and implement the knowledge gained while at the cottage in real life outside the cottage, namely after being in the community or at the time of owning their cottage. Becoming an employee in a pesantren cooperative is only one of the lessons from the overall learning of knowledge while at the boarding school so that students are able to manage the economy and get to know more about economic problems apart from religious material.

Financial compensation is not a base of behaviour that changes and becomes a learning process for employees in shaping performance. The results of this study are in line with [Azmi \(2010\)](#), who concluded that in developing countries, the aspect of financial compensation is the basic motivator for realising employee work behaviour.

### **CONCLUSION**

Based on the research that has been done, the conclusion that can be drawn is the role of commitment as a moderating factor for Islamic leadership and Islamic compensation in Islamic boarding schools is less than optimal. In Islamic leadership, commitment weakens the influence of Islamic leadership on employee performance, whereas, in compensation, it strengthens compensation for employee performance. Pondok pesantren cooperative employees are employees who fully give their service to the boarding school, and compensation is not the goal of work. For employees of a community service cooperative or real commitment is when

they are able to develop their own cooperative or cottage after graduating from the Pondok.

The object of this research is the Islamic boarding school cooperative employees who are still a student. In future research, it would be better to conduct research on a student who became alumni from Islamic boarding school who later established cooperatives or other financial or economic institutions so that the commitment to the cooperative organisation or other financial institutions that were established can be explored more.

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