

The Role of Leadership Capabilities in Mediating Job Satisfaction and Core Competence on Business Performance

Ni Putu Nila Wahyuni Dewi

*Faculty of Economics and Business, Universitas Mahendradatta, Denpasar, Bali 80115,
Indonesia*

E-Mail: putunila1212@gmail.com

I Ketut Merta

*Faculty of Economics and Business, Universitas Mahendradatta, Denpasar, Bali 80115,
Indonesia*

E-Mail: iketutmerta2270@gmail.com

I Nyoman Suparta

*Faculty of Economics and Business, Universitas Mahendradatta, Denpasar, Bali 80115,
Indonesia*

E-Mail: suparta909@gmail.com

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ABSTRACT

Rural economic institutions play a crucial role in local economies but also pose challenges to achieving economic self-sufficiency in rural areas. This study focuses on Village-Owned Enterprises (Badan Usaha Milik Desa or BUMDes) in Tabanan Regency, Bali, where their increasing presence warrants an in-depth evaluation. Specifically, the research aims to investigate the impact of leadership competence and job satisfaction on BUMDes' business performance. The study utilizes quantitative methods and data analysis through SPSS V24. The findings indicate that leadership capabilities, core competence, and job satisfaction significantly influence business performance. Leadership capabilities play a mediating role in the relationship between core competence and business performance, as well as between job satisfaction and business performance. These results provide valuable insights for BUMDes in Tabanan Regency to enhance their effectiveness and impact on rural economic development. These results provide valuable insights for BUMDes in Tabanan Regency to enhance their effectiveness and impact on rural economic development. The study suggests that, to improve the performance and impact of BUMDes, these organizations should focus on leadership development, core competence enhancement, and measures to enhance job satisfaction among their members.

Keywords: *BUMDes, Rural Economic Development, Leadership Capabilities, Core Competence, Job Satisfaction*

ABSTRAK

Lembaga ekonomi pedesaan memainkan peran penting dalam perekonomian lokal namun juga menimbulkan tantangan dalam mencapai swasembada ekonomi di daerah pedesaan. Penelitian ini berfokus pada Badan Usaha Milik Desa (BUMDes) di Kabupaten Tabanan, Bali, di mana keberadaan mereka yang semakin meningkat memerlukan evaluasi mendalam. Secara khusus, penelitian ini bertujuan untuk menyelidiki dampak kompetensi kepemimpinan dan kepuasan kerja terhadap kinerja bisnis BUMDes. Penelitian ini menggunakan metode kuantitatif dan analisis data melalui SPSS V24. Temuan menunjukkan bahwa kemampuan kepemimpinan, kompetensi inti, dan kepuasan kerja secara signifikan memengaruhi kinerja bisnis. Kemampuan kepemimpinan memainkan peran mediasi dalam hubungan antara kompetensi inti dan kinerja bisnis, serta antara kepuasan kerja dan kinerja bisnis. Hasil ini memberikan wawasan berharga bagi BUMDes di

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Kabupaten Tabanan untuk meningkatkan efektivitas dan dampaknya pada pengembangan ekonomi pedesaan. Penelitian ini menyarankan bahwa, untuk meningkatkan kinerja dan dampak BUMDes, organisasi-organisasi ini sebaiknya berfokus pada pengembangan kepemimpinan, peningkatan kompetensi inti, dan langkah-langkah untuk meningkatkan kepuasan kerja di antara anggotanya.

Kata kunci: BUMDes, Pengembangan Ekonomi Pedesaan, Kemampuan Kepemimpinan, Kompetensi Inti, Kepuasan Kerja

INTRODUCTION

Rural economic institutions continue to be an integral and indispensable part of local economies. Yet, they also represent a potential weakness in the ongoing efforts to achieve economic self-sufficiency in rural areas (García-Gusano et al., 2018). Therefore, systematic, and strategic efforts are still needed to enhance the capabilities of the village institutions to effectively manage vital economic resources at the village level and to develop collaborative networks. These networks, in turn, should be leveraged to improve resilience and, potentially, economic competitiveness (Borda-Rodriguez & Vicari, 2014).

One pragmatic approach that can be taken to address these challenges is to stimulate rural economic activities through village-based entrepreneurship (Lan et al., 2014). In this case, village entrepreneurship is not merely a concept but an actionable strategy for driving the development and growth of community welfare. The establishment of Village-Owned Enterprises (*Badan Usaha Milik Desa* or BUMDes), whether initiated by the government or local communities provides a solid framework for the implementation of such strategies (Alfirdausi & Riyanto, 2019).

Bali province stands out as a region experiencing remarkable and rapid growth in the number of BUMDes. Currently, Bali proudly boasts a total of 612 BUMDes, which marks a significant increase from the previous year when there were just 545 Village-Owned Enterprises in a total of 636 villages. These villages are thoughtfully dispersed across eight regencies and one municipality, a testament to the widespread adoption of this innovative approach to rural development and economic empowerment.

Tabanan Regency, situated within Bali, is a standout example with a substantial number of BUMDes, totaling 127 out of 133 villages. As is commonly known, BUMDes play a pivotal role in driving and enhancing the village economy, thus contributing to the overall well-being of rural communities. Nevertheless, the overarching issue remains that, despite the increasing statistical presence of BUMDes in Indonesia as a whole and in Tabanan Regency in particular, their qualitative contributions to the welfare of rural communities need to be critically examined. This viewpoint was underscored in a report by Nuraeni (2019), highlighting the need for a reevaluation of the impact and effectiveness of these Village-Owned Enterprises.

The aim of this research is to investigate the influence of leadership competence and job satisfaction on the business performance of BUMDes in Tabanan Regency, Bali, with the goal of providing insights and recommendations to enhance the effectiveness and impact of these vital rural economic institutions.

LITERATURE REVIEW

The theory of reasoned action, introduced by Madden et al. (1992), interconnects beliefs, attitudes, intentions, and behaviors. It posits that intention is the most reliable predictor of behavior and emphasizes that understanding an individual's intentions is key to predicting their actions. However, it acknowledges that people can make decisions based on entirely different rationales, suggesting that intentions are not the sole driver of behavior. A central concept in this theory is the salience of attention, which relates to the importance of considering specific factors when assessing intentions. Intentions, in turn, are shaped by a combination of attitudes and subjective norms.

Leadership, according to Winston & Patterson (2006), is defined as "the activity of influencing people to willingly work together to achieve common objectives." It encompasses a wide range of activities aimed at motivating individuals to collaborate effectively in achieving organizational goals. Kartono (1994) describes leadership as a combination of traits, habits, temperament, character, and personality that distinguish a leader in their interactions with others. Alvy & Robbins (2005) characterizes leadership as the ability to influence a group towards a shared vision and specific goals. Leadership, a key element of supervision, plays a pivotal role in quality control.

Kartono (2014) provides indicators for evaluating leadership, which include decision-making, motivation, communication skills, the ability to control subordinates, and a sense of responsibility. Effective decision-making is seen as a systematic approach for evaluating alternative options and selecting the most suitable course of action. Motivation skills are described as the driving force that encourages members of an organization to mobilize their abilities, energy, and time to fulfill their responsibilities and achieve predetermined organizational goals. Communication skills are essential for conveying messages, ideas, and thoughts clearly and effectively. The ability to control subordinates is related to the capacity to influence others using personal or positional authority to ensure tasks are completed successfully. A sense of responsibility towards subordinates is crucial for effective leadership (Erkutlu & Chafra, 2006).

Competency, in the context of job performance, refers to the inherent capability to effectively carry out a job or task (Marino, 1996). This capability is grounded in a combination of specific skills, knowledge, and the necessary work-related attitudes. As suggested by McClelland (1998), competency stands as a pivotal trait that significantly shapes outstanding performance. In essence, it encompasses behaviors that are consistently demonstrated by exceptional performers across a diverse range of situations, ultimately resulting in superior outcomes when compared to their average counterparts.

Rangarajan et al. (2017) categorizes competencies into personal character traits, self-concept, knowledge, skills, and work motivation. Personal character traits involve physical attributes and consistent reactions in specific situations. Self-concept relates to an individual's collection of attitudes, value systems, or self-image. Knowledge encompasses the information one possesses in a particular area, while skills represent the ability to perform specific tasks, both physically and mentally. Work motivation, or motives, involve consistent thoughts and desires that guide individuals in selecting behaviors and pursuing various actions or goals.

Job satisfaction encompasses an individual's holistic sentiment regarding employees' occupation. It essentially mirrors their perception of the equilibrium between the rewards they've received and the ones they anticipated. Elevated job satisfaction is intrinsically tied to a favorable work-related disposition, whereas diminished job satisfaction leads to a pessimistic viewpoint. Several factors hold sway over job satisfaction, among which are compensation, prospects for career progression, interpersonal dynamics with colleagues, the degree of autonomy in task execution, and contentment with supervisory interactions (Sarwar & Abugre, 2013).

Luthans (2002) defines job satisfaction as a positive emotional state derived from an individual's assessment of their job and work experiences. This emotional state is reflected in a positive attitude towards work and experiences in the work environment. Pay satisfaction, which is an indicator of job satisfaction, relates to an employee's wage compared to the effort contributed to the organization and the salaries of peers in similar roles. Opportunities for advancement, relationships with coworkers, and control over work are also key elements that affect job satisfaction.

Performance refers to the outcome of work or the achievement of organizational objectives. Efficient performance is characterized by the optimal balance between inputs and outputs in the delivery of public services. Effective performance indicates the successful attainment of predefined goals, including targets, long-term objectives, and the organization's mission. Performance is a critical measure of individual, team, and organizational success in achieving their objectives.

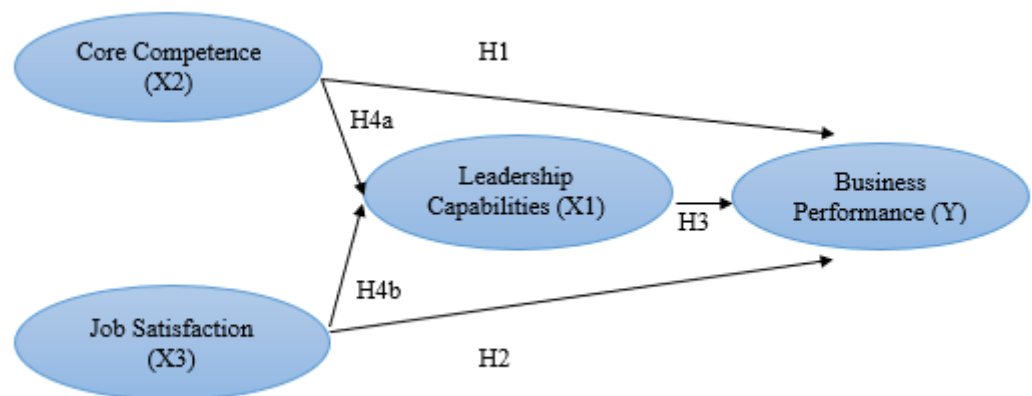


Figure 1. Research Framework

- H1. Core competence has a positive and significant effect on business performance.
- H2. Job satisfaction has a positive and significant effect on business performance.
- H3. Leadership capabilities has a positive and significant effect on business performance.
- H4a. Leadership capabilities mediates the relationship between core competence and business performance
- H4b. Leadership capabilities mediates the relationship between job satisfaction and business performance

RESEARCH METHOD

This research utilizes a quantitative methodology, employing data collection techniques such as questionnaires, observations, and interviews. Data analysis is facilitated through SPSS V24, involving multiple regression, Path Analysis, Data Analysis Technique, validity and reliability tests, t-tests, ANOVA, and determination. The population for this study consists of 127 BUMDes leaders in Tabanan Regency. It's important to note that "population" here encompasses not only individuals but also objects and other natural entities, encompassing all characteristics and properties possessed by the objects/subjects under study.

A sample is a subset of the total population that retains its key characteristics (Sugiyono, 2010). In cases where the population is extensive, and practical constraints such as time, funding, and manpower make it impossible to study every member of the population, researchers use a sample taken from that population. Conclusions drawn from the sample can be applied to the broader population. In this study, given a population size exceeding 100, the application of Slovin's formula has resulted in a sample size of 56 individuals.

RESULTS AND DISCUSSION

Validity testing is performed to ascertain the accuracy of what is being measured. An item is considered valid if it produces a corrected item-total coefficient equal to or greater than 0.60. The results of the validity testing for the research instrument are presented in Table 1.

Table 1. Validity Test Results

Item	Corrected Item Total	Cut Off	Confirmation
X _{1.1}	0.839	0.6	Valid
X _{1.2}	0.777	0.6	Valid
X _{1.3}	0.852	0.6	Valid
X _{1.4}	0.863	0.6	Valid
X _{1.5}	0.902	0.6	Valid
X _{2.1}	0.909	0.6	Valid
X _{2.2}	0.699	0.6	Valid
X _{2.3}	0.918	0.6	Valid
X _{2.4}	0.933	0.6	Valid
X _{2.5}	0.652	0.6	Valid
X _{3.1}	0.618	0.6	Valid
X _{3.2}	0.718	0.6	Valid
X _{3.3}	0.629	0.6	Valid
X _{3.4}	0.669	0.6	Valid
X _{3.5}	0.708	0.6	Valid
Y _{1.1}	0.738	0.6	Valid
Y _{1.2}	0.929	0.6	Valid
Y _{1.3}	0.860	0.6	Valid

The results of the validity tests for all the items in Table 1 indicate that each item is considered valid. This means that each statement in the research instrument has a corrected item-total coefficient equal to or greater than the cut-off value of 0.6, affirming the accuracy of what is being measured.

Based on the data presented in Table 2, reliability testing was performed to evaluate the reliability of each of the valid statement items. In this research, reliability testing was carried out using Cronbach Alpha, with the condition that data is deemed reliable if the Cronbach Alpha value obtained is equal to or greater than 0.60. This criterion signifies the dependability of the variable.

Table 2. Reliability Test Results

Variable	Reliability Statistic		
	Cronbach's Alpha	Item	Confirmation
	0.921	18	
Leadership Capabilities (X ₁)	0.926	5	Reliable
Core Competence (X ₂)	0.918	5	Reliable
Job Satisfaction (X ₃)	0.910	5	Reliable
Business Performance (Y)	0.915	3	Reliable

In Table 2, it is evident that each variable to be tested has a Cronbach Alpha value above 0.60. This indicates that each variable is supported by valid and reliable statement items, enabling the progression to the next data processing stage.

Table 3. Hypothesis Testing

Hypothesis	t-value	p-value	Verification	Confirmation
Leadership capabilities → Business performance	3.259	0.002	<0.05	Accepted
Core competence → Business performance	-0.954	0.344	>0.05	Rejected
Job satisfaction → Business performance	2.080	0.043	<0.05	Accepted

Based on Table 3, the F-test (ANOVA) reveals that the calculated F-value is 14.732, with a significance level of 0.000b. Since the significance value is below or less than 0.05, it can be concluded that the variables, namely leadership capabilities and job satisfaction, each have a significant influence on business performance. This finding aligns with previous research (Gonzalez et al., 2017; Kafetzopoulos et al., 2022), which also emphasized the importance of these variables in determining business performance. Furthermore, the t-test indicates that the leadership capabilities (X₁) variable, with a calculated t-value of 3.259 and a significance level of 0.002, is below or less than 0.05. With a t-value of 3.259, it can be interpreted that leadership capabilities (X₁) have a positive and significant impact on business performance (Y).

On the other hand, the core competence (X2) variable has a significance value of 0.344 and a t-value of -0.954, with a significance level of 0.05, which is above or greater than 0.05. With a t-value of -0.954, it can be understood that the core competence (X2) variable has a negative and non-significant effect on business performance (Y), as suggested by prior studies (Nuryanto et al., 2020). Lastly, the job satisfaction (X3) variable, with a t-value of 2.080 and a significance level of 0.043, is below or less than 0.05. Thus, it can be concluded that job satisfaction (X3) has a positive and significant influence on business performance, consistent with findings from earlier research (Ramli, 2019; Beuren et al., 2022).

Table 4. Indirect Effect Test Results

Hypothesis	t-value	p-value	Verification	Confirmation
Core competence -> Leadership capabilities -> Business performance	3.195	0.000	<0.05	Accepted
Job satisfaction -> Leadership capabilities -> Business performance	2.834	0.004	<0.05	Accepted

Table 4 presents the results of indirect effect tests for two specific hypotheses concerning the mediating role of Leadership capabilities in the relationships between Core competence and Job satisfaction with Business performance. These findings are consistent with prior research by Mumford et al. (2017), which also underscored the mediating effect of Leadership capabilities in similar contexts. For the first hypothesis, there is a significant indirect effect of Core competence on Business performance through its impact on Leadership capabilities. The t-value of 3.195 and a p-value of 0.000 both indicate strong statistical significance, confirming the hypothesis.

Similarly, the second hypothesis, involving Job satisfaction as the antecedent, also shows a significant indirect effect on Business performance through Leadership capabilities. The t-value of 2.834 and a p-value of 0.004 signify statistical significance, supporting the acceptance of this hypothesis. These results further support the research by Arif et al. (2019), highlighting the mediating effect of Leadership capabilities in the relationships between Core competence and Business performance and between Job satisfaction and Business performance.

CONCLUSION

This study concludes that leadership capabilities, core competence, and job satisfaction are significant factors influencing business performance. Leadership capabilities have a positive and noteworthy impact on business performance, while job satisfaction also plays a substantial role. Core competence may need further investigation to understand its specific influence in different organizational contexts.

Based on these findings, BUMDes, particularly those situated in Bali province, are strongly encouraged to place a greater emphasis on enhancing leadership capabilities and enhancing job satisfaction among their employees to enhance business performance. Additionally, these enterprises should conduct in-depth assessments of the role of core competence within their unique settings to better understand its potential impact on overall performance. Future research can further explore the mediating role of leadership capabilities across various organizational settings, allowing for a more comprehensive understanding of their significance in diverse industries and sectors, thus helping organizations make more informed decisions to optimize their performance strategies.

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