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WHEN INCENTIVES FALL SHORT: LEADERSHIP AND MOTIVATION AS THE REAL ENGINES OF EMPLOYEE PERFORMANCE IN A REGIONAL GOVERNMENT INSPECTORATE

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Abstract

This study examines the effect of leadership, motivation, and incentive on employee performance at Inspektorat Daerah Kota Batam (the Regional Inspectorate of Batam City), Indonesia's local-government internal oversight agency. Regional inspectorates within Indonesia's local government apparatus depend on stable human-resource conditions to sustain oversight and audit quality, yet the relative contribution of leadership, motivation, and incentive to employee performance in such public oversight bodies is rarely disentangled empirically. A quantitative associative design was used, with a census of all 72 employees as respondents. Data were collected through a structured Likert-scale questionnaire and analyzed using multiple linear regression in SPSS 23, following classical assumption testing. The results show that leadership ($t = 9.745$; $p = .000$) and motivation ($t = 3.353$; $p = .012$) each have a positive and significant partial effect on employee performance, while incentive does not ($t = 1.295$; $p = .136$). The three variables jointly explain 95.1 percent of the variance in employee performance ($R^2 = .951$; $F = 120.116$; $p = .000$). Leadership is the most dominant predictor ($\beta = .436$), followed by motivation ($\beta = .257$), with incentive contributing only a small and statistically non-significant increment ($\beta = .049$). The findings suggest that in this agency, performance is driven principally by leadership quality and employee motivation, while the incentive scheme in its current form does not yet translate into a measurable performance gain, carrying implications for how regional inspectorates structure their reward practices.

Keywords: Leadership, Motivation, Incentive, Employee Performance, Regional Government Inspectorate

1. Introduction

Regional inspectorates occupy a distinctive position within Indonesia's local government apparatus: as the internal oversight arm responsible for auditing and supervising the administrative, financial, and performance accountability of regional government agencies, they depend on a stable, motivated, and well-led workforce to carry out this mandate credibly. Unlike routine administrative operations, oversight and audit work carries a higher cost of error, making employee performance in this sector especially sensitive to the quality of leadership and the strength of employee motivation (Karimi et al., 2023). Inspektorat Daerah Kota Batam (the Regional Inspectorate of Batam City) illustrates this dependency: management has observed a decline in employee performance alongside employee reports of strained leader-subordinate relationships, limited upward communication, and stagnant incentive levels relative to workload.

Employee performance is broadly defined as the quality and quantity of work an employee accomplishes in fulfilling assigned duties within a given period (Atatsi et al., 2019). Leadership the process of influencing followers to pursue organizational goals, encompassing directive, supportive, participative, and achievement-oriented styles is one of the most consistently studied antecedents of employee performance, with cross-national evidence showing that leadership dimensions shape both organizational citizenship behavior and, through it, employee performance (Asiedu-Appiah et al., 2023; Hamdani et al., 2024). Motivation, a set of values and attitudes that drive an individual toward specific goal-directed behavior, is likewise consistently linked to performance, including through its interaction with leadership style, as transactional and transformational leadership have both been shown to influence job satisfaction and performance via employees' motivational states (Aljumah, 2023; Chi et al., 2023). Incentive, understood as a stimulus an organization provides to encourage members to work with greater effort toward organizational goals, is conventionally expected to raise performance, though the strength of this relationship varies by context and reward design (Nguyen Kim & Nguyen Thi Hang, 2024).

A research gap identified from prior studies is that leadership, motivation, and incentive have been found to significantly affect employee performance in some settings, while other evidence suggests some of these relationships do not hold uniformly across contexts — motivating an agency-specific empirical test rather than an assumption that all three levers operate identically in every setting. This study accordingly tests whether leadership, motivation, and incentive at Inspektorat Daerah Kota Batam exert the expected positive effects, both individually and in combination. Based on the foregoing, the study tests four hypotheses: H1, leadership has a positive and significant effect on employee performance; H2, motivation has a positive and significant effect on employee performance; H3, incentive has a positive and significant effect on employee performance; and H4, leadership, motivation, and incentive simultaneously have a positive and significant effect on employee performance.

2. Literature Review

Employee performance is the outcome of work, in both quality and quantity, that an individual achieves while carrying out assigned duties within a specified period (Atatsi et al., 2019). In regional government inspectorates, this outcome is closely tied to the accuracy, independence, and timeliness of audit and supervisory findings, since errors or lapses in oversight carry direct accountability and public-trust implications. A systematic review of the employee-performance literature identifies ability, motivation, and opportunity-related antecedents as jointly shaping performance across organizational types (Atatsi et al., 2019), a structure consistent with the leadership–motivation–incentive model tested in this study, since leadership shapes opportunity, motivation drives effort, and incentive is intended to reinforce both.

Leadership is the process of influencing others toward the achievement of organizational goals, encompassing directive, supportive, participative, and achievement-oriented styles that produce different outcomes depending on follower needs and context. Cross-national evidence from Ghanaian workplaces shows that leadership dimensions shape organizational citizenship behavior among employees (Asiedu-Appiah et al., 2023), and responsible leadership has similarly been shown to mediate organizational citizenship behavior in ways that ultimately support performance-relevant outcomes (Hamdani et al., 2024). Servant-leadership research further shows that leadership style shapes perceived organizational support among employees in structured, rule-bound settings specifically (Shetty et al., 2022) and shapes performance through affective and cognitive trust (Saleem et al., 2020) — evidence directly relevant to an oversight agency where trust in supervisory judgment and independence is operationally consequential.

Motivation is a set of values and attitudes that drive an individual to pursue a specific, goal-directed outcome. The relationship between motivation and performance is often studied jointly with leadership style, since the leadership an employee experiences shapes the type and strength of motivation that follows: transactional leadership has been shown to influence job satisfaction through its effect on employees' extrinsic and intrinsic motivation (Aljumah, 2023), and both financial and non-financial rewards have been shown to mediate the relationship between transformational leadership, job satisfaction, and job performance (Chi et al., 2023). In a public oversight agency where caseloads vary and supervisory feedback is frequent, motivation plausibly functions as a proximate driver of the discretionary effort that shapes performance beyond minimum task compliance.

Incentive is a stimulus provided by an organization to encourage its members to work with greater seriousness toward organizational goals. Incentive is conventionally expected to raise performance, and evidence from Vietnamese banking shows that rewards can shape individual work performance, particularly through knowledge-sharing behavior (Nguyen Kim & Nguyen Thi Hang, 2024). However, the strength of the incentive-performance relationship is not uniform: its effect depends on how closely incentive is tied to effort and how proportionate employees perceive it to be relative to workload and risk, conditions that plausibly vary between white-collar service settings and audit-based, accountability-driven government work.

Building on this review, the conceptual framework below (Figure 1) positions leadership (X1), motivation (X2), and incentive (X3) as independent variables jointly predicting employee performance (Y). Based on the framework above, the study proposes the following hypotheses:
H1: Leadership has a positive and significant effect on employee performance.
H2: Motivation has a positive and significant effect on employee performance.
H3: Incentive has a positive and significant effect on employee performance.
H4: Leadership, motivation, and incentive simultaneously have a positive and significant effect on employee performance.

3. Research Method

This study employs a quantitative, associative research design intended to test causal relationships between independent and dependent variables through statistical hypothesis testing. The population comprises all employees of Inspektorat Daerah Kota Batam (the Regional Inspectorate of Batam City), totaling 72 individuals. Given the accessible size of the population, a census (total sampling) technique was used, meaning all 72 employees served as respondents. Three independent variables were operationalized: leadership (X1), measured through indicators of directive, supportive, participative, and achievement-oriented leadership behavior; motivation (X2), measured through indicators including a sense of security at work, competitive pay, a comfortable environment, and recognition of achievement; and incentive (X3), measured through indicators of perceived adequacy and fairness of incentive relative to workload. The dependent variable, employee performance (Y), was measured through indicators of work quality, quantity, timeliness, and task responsibility. All items used a five-point Likert scale from strongly disagree (1) to strongly agree (5), administered via a structured questionnaire supported by observation and interview.

The instrument was assessed for validity and reliability prior to hypothesis testing, and the regression model was checked against the classical assumptions of normality, multicollinearity, and heteroscedasticity. Multiple linear regression was used to estimate Y = a + b1X1 + b2X2 + b3X3 + e, with partial effects assessed via the t-test, joint effect via the F-test, and explained variance via the coefficient of determination (R^2), computed in SPSS 23 at a 95 percent confidence level ($\alpha = .05$).

4. Results and Discussion

Questionnaires were distributed to all 72 employees of Inspektorat Daerah Kota Batam, all of which were returned complete and valid. Table 1 summarizes the respondent profile.

Table 1. Respondent Profile (n = 72)

Characteristic	Category	n	%
Gender	Male	68	94.4
	Female	4	5.6
Age	21–30 years	30	43.0
	31–40 years	30	43.0
	41–50 years	12	14.0
Tenure	> 5 years	60	83.0
	< 5 years	12	17.0
Education	Senior secondary (SMA)	55	76.0
	Bachelor's degree (S1)	17	24.0

Source: Primary data, processed.

The sample is predominantly male (94.4%), with an even split between the 21–30 and 31–40 age brackets (43.0% each). Most employees are long-tenured (83.0% with more than five years of service), while formal educational attainment is concentrated at the secondary-school level (76.0%), with the remainder holding a bachelor's degree (24.0%) — indicating that institutional experience, rather than formal credentials alone, characterizes a large share of this workforce.

Table 2. Multiple Linear Regression Results

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	18.356	1.353	-	-	-
Leadership (X1)	.245	.036	.436	9.745	.000
Motivation (X2)	.246	.036	.257	3.353	.012
Incentive (X3)	.467	.076	.049	1.295	.136

Dependent Variable: Employee Performance. Source: Primary data, processed.

Holding other predictors constant, a one-point increase in leadership is associated with a 0.245-point increase in employee performance, and a one-point increase in motivation with a 0.246-point increase; both are statistically significant. The unstandardized coefficient for incentive (0.467) is numerically the largest, but its standardized effect is small (β = .049) and, critically, it does not reach statistical significance (p = .136 > .05) — indicating that incentive's apparent raw association with performance is not reliably distinguishable from zero once sampling variability is taken into account. The standardized coefficients accordingly rank leadership as the strongest relative predictor (.436), followed by motivation (.257), with incentive a distant and non-significant third (.049).

$$Y = 18.356 + 0.245X1 + 0.246X2 + 0.467X3 + e$$

Table 3. F-Test (ANOVA) Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4868.164	3	1622.721	120.116	.000
Residual	250.304	68	3.681		
Total	5118.467	71			

Dependent Variable: Employee Performance. Predictors: (Constant), Leadership, Motivation, Incentive. Source: Primary data, processed.

With F = 120.116 exceeding the critical F-table value of 2.48 at a significance level of .000 (p < .05), H0 is rejected and H4 is supported: leadership, motivation, and incentive simultaneously exert a significant effect on employee performance, even though incentive's individual partial contribution is not significant on its own.

Table 4. Coefficient of Determination (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975	.951	.949	1.696

Predictors: (Constant), Leadership, Motivation, Incentive. Dependent Variable: Employee Performance. Source: Primary data, processed.

The model yields $R^2 = .951$, indicating that leadership, motivation, and incentive jointly account for 95.1 percent of the variance in employee performance, with the remaining 4.9 percent attributable to factors outside the model. Given that incentive's individual contribution is statistically negligible, this very high explained variance is driven almost entirely by leadership and motivation.

Leadership shows a positive and significant partial effect on employee performance (t = 9.745 > t-table 1.662; p = .000 < .05), supporting H1 and confirming leadership as by far the most dominant predictor in the model (β = .436). This is consistent with cross-national evidence that leadership style shapes performance-relevant employee behavior, including organizational citizenship behavior (Asiedu-Appiah et al., 2023; Hamdani et al., 2024), and with servant-leadership evidence showing that leadership shapes both perceived organizational support in manufacturing settings (Shetty et al., 2022) and performance through employee trust (Saleem et al., 2020). Given that employees at this firm reported strained leader-subordinate relationships, the strength of this effect suggests leadership development is the single highest-leverage intervention available to management.

Motivation shows a positive and significant partial effect on employee performance (t = 3.353 > t-table 1.662; p = .012 < .05), supporting H2. This aligns with evidence that leadership style shapes performance partly through its effect on employee motivation (Aljumah, 2023) and that both financial and non-financial rewards operate through motivational and satisfaction-related pathways to influence job performance (Chi et al., 2023). The comparatively strong role of motivation alongside leadership, but ahead of incentive, suggests that at these firm employees respond more to the psychological experience of being led and valued than to the size of any financial incentive on offer.

Incentive does not show a statistically significant partial effect on employee performance (t = 1.295 < t-table 1.662; p = .136 > .05); H3 is therefore not supported. This is a substantively important finding rather than a null result to be discounted: it indicates that, at current levels, the incentive scheme at Inspektorat Daerah Kota Batam does not translate into a measurable performance gain, even though incentive is conventionally expected to raise performance in the broader literature (Nguyen Kim & Nguyen Thi Hang, 2024). One plausible explanation, consistent with employee reports gathered during the study, is that incentive is often distributed indirectly and irregularly rather than being closely tied to individual effort or risk, which would blunt its incentive value regardless of its nominal size a pattern also noted in the source data, where employees described current incentive levels as disproportionate to workload. This result cautions against if any incentive scheme will automatically improve performance; its design and perceived fairness appear to matter more than its existence.

Taken together, leadership, motivation, and incentive simultaneously exert a significant effect on employee performance (F = 120.116 > F-table 2.48; p = .000 < .05; R^2 = .951), supporting H4 at the model level even though incentive alone does not reach significance. This pattern a highly significant joint model driven overwhelmingly by two of three predictors illustrates why simultaneous and partial tests can diverge and is consistent with the broader employee-performance literature's emphasis on ability, motivation, and opportunity as jointly necessary but individually unequal contributors to performance (Atatsi et al., 2019). For this firm, it implies that leadership and motivation, not incentive redesign alone, should anchor any performance-improvement strategy.

5. Conclusion and Recommendations

This study finds that leadership and motivation each have a positive and significant partial effect on employee performance at Inspektorat Daerah Kota Batam, while incentive does not, even though the three variables jointly explain 95.1 percent of the variance in performance. Leadership is the most dominant predictor by a wide margin, followed by motivation, with incentive contributing a small and statistically non-significant increment.

For agency management, the findings imply that leadership development broadening leaders' problem-solving perspective and strengthening leader-subordinate relationships is the highest-priority intervention, followed by sustained attention to employee motivation. The non-significant incentive result should not be read as license to withdraw incentive altogether; rather, it suggests the current scheme is not well-calibrated to effort or workload, and that redesigning incentive to be more direct, proportionate, and consistently applied may be a precondition for it to register a measurable performance effect. Because this study draws on the full population of a single regional inspectorate, generalization to other regional government inspectorates should be made cautiously, and the non-significant incentive finding in warrants replication before being treated as a general pattern. Future research could extend the model with a role-behavior or engagement variable and could test whether incentive redesign changes its relationship with performance over time.

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