



How Work Motivation Shapes the Effects of Leadership, Compensation, and Job Satisfaction on Employee Performance: Evidence from Timor-Leste

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ABSTRACT

Employee performance is widely recognized as a key determinant of organizational effectiveness, yet empirical evidence on the roles of leadership style, compensation, job satisfaction, and work motivation remains inconclusive. This study examines the effects of leadership style, compensation, and job satisfaction on employee performance and evaluates the moderating role of work motivation. A quantitative explanatory design was employed using survey data collected from 200 employees of organizations in Timor-Leste through purposive sampling. The hypotheses were tested using Moderated Regression Analysis (MRA). The results show that leadership style and compensation have positive and significant effects on employee performance, whereas job satisfaction does not significantly influence performance. Work motivation strengthens the positive effects of leadership style and compensation, indicating that motivated employees benefit more from effective leadership and equitable compensation. By contrast, work motivation weakens the relationship between job satisfaction and employee performance, suggesting that highly motivated employees rely less on job satisfaction to sustain their performance. These findings extend Social Exchange Theory by showing that the role of work motivation depends on the organizational context and the antecedents of employee performance.

INTRODUCTION

Employee performance has long been regarded as a critical factor in determining organizational success (Miswanto, Tesa, et al., 2021). A substantial body of research has examined the organizational factors that shape employee performance, with leadership style, compensation, and job satisfaction emerging as the most frequently investigated determinants. Leadership characterized by transformational and participative behaviors is associated with stronger employee commitment, higher motivation, and greater productivity, all of which contribute to improved performance (Iddrisu & Mohammed, 2025; Miswanto, 2008, 2016). Similarly, compensation practices that employees perceive as equitable and aligned with their contributions encourage greater motivation and organizational commitment, leading to superior work performance (Ali et al., 2025). Job satisfaction has likewise been linked to favorable work attitudes, including stronger engagement, greater organizational commitment, and higher-quality job outcomes (Phong & Anh, 2024). Beyond these direct relationships, work motivation has attracted increasing attention because it influences the extent to which employees invest effort, persist in completing their tasks, and pursue organizational goals (Girdwichai & Sriviboon, 2020). Taken together, the existing literature suggests that leadership style, compensation, job satisfaction, and work motivation represent key organizational factors that shape employee performance.

Although the relationships among leadership style, compensation, job satisfaction, and employee performance have been widely examined, empirical findings remain inconclusive. While many studies have reported positive effects of leadership, compensation, and job satisfaction on employee performance, others suggest that the effect of job satisfaction is contingent upon organizational conditions and individual characteristics (Adi et al., 2020). Moreover, most previous studies have emphasized the direct relationships among these variables, whereas the extent to which work motivation strengthens or weakens these relationships has received relatively little attention and produced inconsistent findings. This research gap is particularly relevant because most empirical evidence has been drawn from countries with well-established human resource management systems (Singh et al., 2013), whereas evidence from emerging economies such as Timor-Leste remains limited. Differences in organizational culture, labor market conditions, and human resource management practices may generate patterns of relationships that differ from those reported in other national settings.

Understanding the factors that drive employee performance has become increasingly important for organizations in developing countries, including Timor-Leste, where improving workforce productivity and competitiveness remains a major challenge amid a changing business environment (Bashar et al., 2024). The inconsistent findings reported in previous studies indicate that the relationships among leadership style, compensation, job satisfaction, and employee performance cannot be adequately explained without considering the contextual factors underlying these relationships (Mefi & Asoba, 2020). This study adopts an integrated perspective by examining work motivation as a

moderating variable to identify the conditions under which leadership style, compensation, and job satisfaction contribute to higher employee performance. Using empirical evidence from organizations in Timor-Leste, this study examines the effects of leadership style, compensation, and job satisfaction on employee performance and assesses the moderating role of work motivation. The findings are expected to extend the literature by clarifying the role of work motivation as a boundary condition linking human resource management practices to employee performance while offering practical guidance for managers in developing more effective leadership, compensation, and motivational strategies to improve organizational performance in developing-country contexts.

LITERATURE REVIEW

Social Exchange Theory (SET)

This study draws on Social Exchange Theory (SET) (Blau, 1964), which argues that relationships between organizations and employees are shaped by the norm of reciprocity, whereby favorable treatment received by employees is reciprocated through attitudes and behaviors that benefit the organization (Musleh & Cross, 2025). From this perspective, effective leadership signals organizational support and concern for employees (Poor & Taylor, 2024), whereas fair compensation reflects recognition of their contributions (Kamat et al., 2025). These organizational practices are expected to enhance job satisfaction by encouraging positive evaluations of employees' work experiences, which subsequently improve employee performance. However, the strength of these relationships may vary across individuals because it depends on their level of work motivation. Employees with higher work motivation are more likely to respond favorably to leadership practices, compensation systems, and working conditions, leading to better performance than those with lower levels of motivation.

Leadership style on employee performance

SET (Blau, 1964) posits that the relationship between leaders and employees is grounded in the principle of reciprocity, whereby employees tend to reciprocate favorable treatment received from their leaders through enhanced work performance. When leaders provide clear guidance, demonstrate fairness in decision-making, offer continuous support, and foster a positive working environment, employees are more likely to exert greater effort toward achieving organizational goals. This theoretical perspective is supported by empirical studies reporting that leadership style exerts a positive and significant influence on employee performance (Abiddin, 2024; Siahaan et al., 2025; Miswanto, Purwasari, et al., 2021). Accordingly, the first hypothesis of this study is formulated as follows:

H1: Leadership style positively affects employee performance.

Compensation on employee performance

Social Exchange Theory (SET) (Blau, 1964) conceptualizes compensation as an organizational mechanism through which employees are rewarded for their contributions, thereby reinforcing reciprocal exchange relationships between employees and the organization. When employees perceive that the compensation they receive is equitable and reflects their efforts and contributions, they are more inclined to respond by demonstrating stronger work commitment and improved job performance. In this regard, compensation systems that are perceived as fair and competitive can motivate employees to perform more effectively in support of organizational goals. This theoretical argument is corroborated by empirical findings indicating that compensation exerts a positive and significant influence on employee performance (Madiistriyatno et al., 2017; Sukandi et al., 2019; Syahreza et al., 2017). Drawing upon both the theoretical perspective and prior empirical evidence, the second hypothesis is proposed as follows:

H2: Compensation positively affects employee performance.

Job satisfaction on employee performance

SET (Blau, 1964) explains job satisfaction as employees' positive appraisal of the organization's treatment in fulfilling their expectations and work-related needs. According to the principle of reciprocity, employees who perceive favorable treatment from their organization are inclined to reciprocate by exhibiting higher levels of performance. Consequently, employees with greater job satisfaction are expected to contribute more effectively to the achievement of organizational objectives through improved job performance. This theoretical perspective is supported by empirical studies demonstrating that job satisfaction has a positive influence on employee performance (Efendi et al., 2023; Ramasamy et al., 2023; Saeid & Fakhir, 2026). Based on this theoretical foundation and supporting empirical evidence, the third hypothesis is formulated as follows:

H3: Job satisfaction positively affects employee performance.

Work motivation as a moderator of the relationship between leadership style and employee performance

SET (Blau, 1964) maintains that leader-employee relationships are founded on the norm of reciprocity, whereby favorable treatment from leaders is reciprocated through improved employee performance. The magnitude of this relationship is contingent upon employees' level of work motivation. Employees with stronger work motivation are more likely to respond constructively to leadership behaviors, including guidance, support, and recognition, thereby strengthening the positive influence of leadership style on employee performance. Conversely, the positive influence of leadership style tends to weaken among employees with lower levels of work motivation. This theoretical argument is supported by empirical evidence indicating that work motivation enhances the effectiveness of leadership in improving employee performance (Udin, 2023; Kusumah et al., 2021). Accordingly, the following hypothesis is proposed:

H4: Work motivation positively moderates the relationship between leadership style and employee performance.

Work motivation as a moderator the relationship between compensation and employee performance

SET (Blau, 1964) conceptualizes compensation as a form of organizational reward that recognizes employees' contributions and reinforces reciprocal exchange relationships. The performance-enhancing effect of compensation is likely to be more pronounced among employees with higher levels of work motivation, as they are more inclined to interpret compensation as meaningful recognition of their efforts and achievements. Such perceptions encourage them to reciprocate by exerting greater effort and delivering superior job performance. Conversely, employees with lower levels of work motivation may respond less positively to compensation, thereby reducing its influence on performance outcomes. This theoretical argument is supported by empirical studies indicating that work motivation strengthens the positive relationship between compensation and employee performance (Chahar, 2020; Omar et al., 2021). Based on this theoretical rationale and empirical evidence, the following hypothesis is proposed:

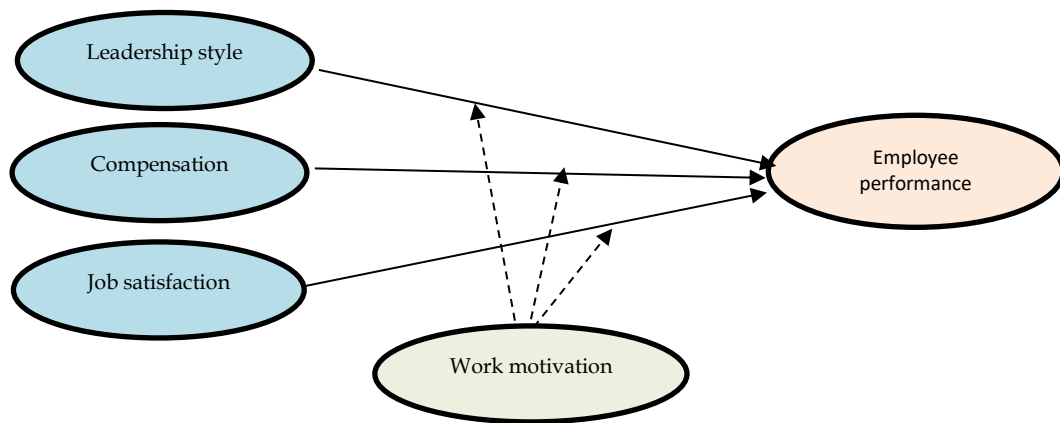
H5: Work motivation positively moderates the relationship between compensation and employee performance.

Work motivation as a moderator of the relationship between job satisfaction and employee performance

SET (Blau, 1964) maintains that job satisfaction reflects employees' favorable evaluations of organizational treatment, reinforcing the norm of reciprocity through improved performance. The strength of this relationship, however, is contingent upon employees' work motivation. Employees with higher work motivation are more likely to convert job satisfaction into superior performance, whereas the effect of job satisfaction on performance tends to be weaker among those with lower work motivation (Mascarenhas & Indiyati, 2026). This theoretical argument is reinforced by empirical studies demonstrating that work motivation enhances the positive relationship between job satisfaction and employee performance (Dysvik & Kuvaas, 2011; Kuvaas, 2006). These findings suggest that employees with higher levels of work motivation are more likely to translate their job satisfaction into improved performance outcomes. Accordingly, the following hypothesis is proposed:

H6: Work motivation positively moderates the relationship between job satisfaction and employee performance.

The hypotheses H1, H2, H3, H4, H5, and H6 are related. The relationship can be seen in a research model image as below.



Picture 1. Research Model

METHODOLOGY

Research Design

This study employed a quantitative research approach using an explanatory design to investigate the causal relationships among leadership style, compensation, job satisfaction, and employee performance, while also examining the moderating effect of work motivation. A quantitative approach was deemed appropriate because it enables the objective testing of theoretical hypotheses through statistical analysis of data collected from respondents (Ervina et al., 2025). The research adopted a cross-sectional survey design, whereby data were gathered at a single point in time using a structured questionnaire. This design was considered suitable for capturing employees' perceptions of the study variables and for empirically testing the relationships proposed in the conceptual framework. Data analysis was conducted using Moderated Regression Analysis (MRA), which enabled the estimation of the direct effects of leadership style, compensation, and job satisfaction on employee performance, as well as the evaluation of the moderating role of work motivation in influencing these relationships. Consequently, the research design provides a comprehensive assessment of both the direct effects among the study variables and the extent to which work motivation alters the strength of these relationships within the organizational context of Timor-Leste.

Population and Research Sample

The target population comprised employees working in the organizations included in this study in Timor-Leste. Because the exact size of the target population could not be determined and obtaining access to all eligible employees was not feasible, a purposive sampling technique was adopted. This sampling approach enabled the selection of respondents who met the predefined inclusion criteria and were considered appropriate for addressing the objectives of the study (Hasan et al., 2025; Kusumawati & Triska Sari, 2023). The selected respondents had sufficient work experience and were familiar with their organizations' leadership practices, compensation systems, and working

conditions, enabling them to provide reliable assessments of the variables examined. A total of 200 employees participated in this study. The sample size was considered adequate for Moderated Regression Analysis (MRA), as it satisfied the minimum sample requirement recommended for quantitative studies examining causal relationships among variables (Hair et al., 2019).

Data Collection Procedure

Data were collected using a structured questionnaire developed to measure respondents' perceptions of leadership style, compensation, job satisfaction, work motivation, and employee performance. The measurement items for each construct were adapted from established instruments reported in previous studies (Amalia et al., 2025) to ensure their conceptual relevance and content validity. Prior to statistical analysis, all completed questionnaires were carefully reviewed to verify the completeness and consistency of the responses. Only questionnaires that satisfied the data quality requirements were retained for further analysis. The validated responses were subsequently coded, organized into a database, and processed using IBM SPSS. The analytical procedures included instrument validity and reliability assessments, classical assumption testing, Moderated Regression Analysis (MRA), and hypothesis testing to evaluate the proposed relationships among the study variables.

Measurement of Research Variables

The study variables were operationalized using a structured questionnaire developed from the indicators of each construct and adapted from the relevant literature and prior empirical studies. The constructs of leadership style, compensation, job satisfaction, work motivation, and employee performance were measured using a five-point Likert scale, with response options ranging from 1 (*strongly disagree*) to 5 (*strongly agree*) (Putri et al., 2026). This response format was selected because it provides a reliable and systematic approach for capturing respondents' perceptions and attitudes toward the constructs examined in the study while facilitating consistent quantitative analysis. Before the analysis, all measurement instruments were evaluated for validity and reliability to verify that each indicator measured its intended construct accurately and consistently.

Instrument Validity and Reliability Test

Before hypothesis testing, all measurement instruments were evaluated to establish their validity and reliability. Validity testing examined whether each questionnaire item adequately represented the intended construct, whereas reliability testing assessed the internal consistency of the measurement instrument (Jatinugroho et al., 2025). All statistical procedures were conducted using IBM SPSS. An instrument was considered valid if each item demonstrated a statistically significant correlation coefficient at the 5% significance level, whereas reliability was assessed using Cronbach's alpha, with a coefficient of 0.70 or above indicating satisfactory internal consistency for subsequent analyses (Hair et al., 2019). Only instruments that met both validity and reliability requirements were retained for testing the proposed research model.

Data Analysis Techniques

The statistical analyses were performed using IBM SPSS. The analytical procedure commenced with descriptive statistics to provide an overview of the respondents' demographic characteristics and the distribution of the study variables. Subsequently, the quality of the measurement instrument was evaluated through validity and reliability assessments. Prior to hypothesis testing, the data were subjected to classical assumption tests, including normality, multicollinearity, and heteroscedasticity, to verify the suitability of the dataset for regression analysis. The proposed hypotheses were examined using Moderated Regression Analysis (MRA), which enabled the estimation of the direct effects of leadership style, compensation, and job satisfaction on employee performance, as well as the assessment of the moderating effect of work motivation on these relationships. Statistical significance was determined by examining the regression coefficients, t-statistics, and p-values using a significance threshold of 5% (Pane et al., 2024).

RESULT

Respondent Characteristics

The study included 200 employees drawn from various organizations in Timor-Leste. In terms of age, the largest proportion of respondents was between 25 and 30 years old (103 respondents, 51.5%), followed by those aged 30–35 years (45 respondents, 22.5%), younger than 25 years (30 respondents, 15.0%), and older than 35 years (22 respondents, 11.0%). The gender distribution was relatively balanced, comprising 103 male respondents (51.5%) and 97 female respondents (48.5%), thereby providing balanced representation across both groups. Regarding work experience, most respondents had been employed for 1–3 years (82 respondents, 41.0%), followed by 3–6 years (45 respondents, 22.5%), more than 6 years (39 respondents, 19.5%), and less than 1 year (34 respondents, 17.0%). Overall, these characteristics indicate that the respondents were predominantly employees of productive working age with sufficient organizational experience to assess leadership practices, compensation systems, job satisfaction, work motivation, and employee performance within their organizations, thereby supporting the objectives of this study.

Table 1. Age Characteristics of Respondents

Age	Number of Respondents	Percentage (%)
Under 25	30	15.5%
25 - 29	103	51.5%
30 - 35	45	22.5%
Above 35	22	10.5%
Total	200	100%

Table 2. Gender Characteristics of Respondents

Gender	Number of Respondents	Percentage
Male	103	51.5%
Female	97	48.5%
Total	200	100%

Table 3. Characteristics of Respondents' Length of Work

Length of Work	Number of Respondents	Percentage
Less than 1 year (minimum 6 months)	34	17.0%
1 - 2.9 years old	82	41.0%
3 - 6 years	45	22.5%
Over 6 years old	39	19.5%
Total	200	100%

Descriptive Statistics of Variables

Descriptive statistics showed that all study variables exhibited relatively high mean scores, ranging from 3.94 to 4.34 on a five-point Likert scale. Job satisfaction recorded the highest mean score (4.34), followed by employee performance (4.13), compensation (3.99), work motivation (3.97), and leadership style (3.94). For all variables, the observed values ranged from 1 to 5, whereas the standard deviations varied between 0.852 and 0.985, indicating limited variability in respondents' perceptions of the constructs examined. Overall, these results suggest that respondents reported favorable perceptions of leadership style, compensation, job satisfaction, work motivation, and employee performance.

Table 4. Descriptive Data for Respondents

Descriptive Data	Leadership Style	Compression	Job Satisfaction	Work Motivation	Employee Performance
Mean	4.13	3.97	4.34	3.94	3.99
Minimum	1	1	1	1	1
Maximum	5	5	5	5	5
Standard deviation	0.852	0.979	0.985	0.919	0.951

Validity and Reliability Test Results

Validity and reliability tests were performed to determine whether the measurement instruments accurately and consistently measured the constructs examined. The validity test showed that all questionnaire items produced correlation coefficients (not reported) exceeding the critical r-table value (0.138) and were statistically significant at the 5% level, indicating that all indicators were valid. The reliability test further demonstrated that the Cronbach's alpha coefficients for all variables exceeded 0.70, confirming satisfactory internal consistency and supporting the use of the instruments for subsequent analyses (Jatinugroho et al., 2025). Accordingly, all measurement instruments satisfied the required validity and reliability criteria for hypothesis testing.

Table 5. Reliability Test Results

Research Variables	Cronbach's Alpha	Remarks
Leadership Style	0.750	Reliable
Compensation	0.799	Reliable
Job Satisfaction	0.812	Reliable
Work Motivation	0.919	Reliable
Employee Performance	0.939	Reliable

Classical Assumption Test Results

Before hypothesis testing, the regression model was evaluated using classical assumption tests, including tests of normality, multicollinearity, and heteroscedasticity. The results indicated that the data were normally distributed, no multicollinearity was detected among the independent variables, and no evidence of heteroscedasticity was observed. As these assumptions were satisfied, the regression model fulfilled the Best Linear Unbiased Estimator (BLUE) criteria under the Gauss–Markov theorem, indicating that the estimated regression coefficients were linear, unbiased, and efficient (Miswanto, 2025; Maharani & Setyaningsih, 2023). Accordingly, the regression model was considered appropriate for examining the effects of leadership style, compensation, and job satisfaction on employee performance, as well as the moderating role of work motivation using Moderated Regression Analysis (MRA).

Model F Test Results and Coefficient of Determination

The model evaluation results showed that the regression model was statistically significant, with an F-statistic of 31.764 and a significance level of 0.000 ($p\text{-value} < 0.05$), indicating that the model adequately explained the relationships among leadership style, compensation, job satisfaction, work motivation, their interaction terms, and employee performance. Furthermore, the adjusted R^2 value of 0.573 indicates that 57.3% of the variance in employee performance was explained by the variables included in the model, whereas the remaining 42.7% was attributable to factors not incorporated into the present study.

Analysis of Hypothesis Test Results

Hypothesis testing was conducted using Moderated Regression Analysis (MRA) to evaluate both the direct relationships among the study variables and the moderating role of work motivation, with statistical significance determined at the 5% level. The results revealed that leadership style had a positive and significant influence on employee performance ($\beta = 0.412$, $*p^* < 0.05$), providing empirical support for H1. Likewise, compensation was found to positively and significantly affect employee performance ($\beta = 0.382$, $*p^* < 0.05$), confirming H2. In contrast, the effect of job satisfaction on employee performance was not statistically significant ($\beta = 0.033$, $*p^* > 0.05$); therefore, H3 was rejected. Regarding the moderating effects, work motivation significantly strengthened the positive relationship between leadership style and employee performance ($\beta = 0.043$, $*p^* < 0.05$), supporting H4. A similar moderating pattern was observed in the relationship between compensation and employee performance, where work motivation enhanced the positive effect of compensation ($\beta = 0.028$, $*p^* < 0.05$), thereby supporting H5. However, the interaction between job satisfaction and work motivation produced a significant negative coefficient ($\beta = -0.021$, $*p^* < 0.05$), indicating that work motivation weakened rather than strengthened the relationship between job satisfaction and employee performance. Consequently, H6, which predicted a positive moderating effect, was not supported. Taken together, these findings demonstrate that work motivation functions as a significant moderator, although its moderating influence on the relationship between job satisfaction and employee performance operates in the opposite direction to that originally hypothesized.

Table 6 Hypothesis Testing Results

No	Hypothesis	Regression coefficient (β)	p-value	Supported/Unsupporte d
H1	Leadership style has a positive effect on employee performance.	0.412	0.001	Supported
H2	Compensation has a positive effect on employee performance.	0.382	0.000	Supported
H3	Job satisfaction has a positive effect on employee performance.	0.033	0.665	Unsupporte d
H4	Work motivation positively moderates the relationship between leadership style and employee performance	0.043	0.001	Supported
H5	Work motivation positively moderates the relationship between compensation and employee performance.	0.028	0.007	Supported
H6	Work motivation positively moderates the relationship between job satisfaction and employee performance.	-0.021	0.000	Unsupporte d

DISCUSSION

The Influence of Leadership Style on Employee Performance

The results indicate that leadership style exerts a positive and significant influence on employee performance, providing empirical support for the first hypothesis (H1). This finding suggests that effective leadership enhances employee performance by providing clear direction, organizational support, effective communication, and opportunities for employee participation in achieving organizational goals. The present findings are consistent with earlier studies identifying leadership style as a key determinant of employee performance (Abiddin, 2024; Siahaan et al., 2025; Sunil et al., 2025). They also reinforce the propositions of Social Exchange Theory (SET) (Blau, 1964), which posits that positive reciprocal relationships between leaders and employees encourage employees to reciprocate through stronger commitment, greater loyalty, and improved performance. Consequently, effective leadership functions not only as a managerial mechanism but also as a means of cultivating high-quality social relationships that enhance employee performance.

The Effect of Compensation on Employee Performance

The statistical analysis revealed a positive and significant relationship between compensation and employee performance, thereby confirming the second hypothesis (H2). This finding suggests that fair compensation commensurate with employees' contributions enhances work motivation and improves employee performance. The present findings are consistent with those reported by Madiistriyatno et al. (2017), Sukandi et al. (2019), and Zafar et al. (2021), who identified compensation as a key determinant of employee performance. They also support the central proposition of Social Exchange Theory (Blau, 1964), which maintains that employees are likely to reciprocate fair organizational rewards through stronger commitment and higher levels of performance. Accordingly, a fair and competitive compensation system constitutes an important managerial approach to improving employee performance.

The Effect of Job Satisfaction on Employee Performance

The results indicate that job satisfaction did not exert a statistically significant influence on employee performance; consequently, the third hypothesis (H3) was not supported. This finding implies that a higher level of job satisfaction does not automatically translate into improved employee performance, as performance outcomes are shaped by multiple organizational and individual factors, including leadership style, compensation, work motivation, and broader organizational conditions. The present result is consistent with the findings of Ariani (2023) and Cantú et al. (2023), who likewise concluded that job satisfaction was not a significant determinant of employee performance. From the perspective of Social Exchange Theory (SET) (Blau, 1964), these findings suggest that employees' perceptions of job satisfaction alone are insufficient to sustain reciprocal exchange relationships that encourage higher levels of performance. Within the context of this study, the degree of satisfaction experienced by employees did not provide a strong enough basis for reciprocal behavior in the form of enhanced work performance, indicating that other organizational and

motivational factors played a more substantial role in influencing employee performance.

Work Motivation Moderates the Relationship of Leadership Style to Employee Performance

The empirical results indicate that work motivation significantly strengthened the positive relationship between leadership style and employee performance, providing support for the fourth hypothesis (H4). This finding suggests that the effectiveness of leadership in improving employee performance is greater among employees who possess higher levels of work motivation. In other words, motivated employees are more responsive to leadership behaviors, enabling leadership practices to generate stronger performance outcomes. These findings are consistent with previous studies by Udin (2023) and Kusumah et al. (2021), which likewise reported that work motivation enhances the positive influence of leadership on employee performance. From the perspective of Social Exchange Theory (SET) (Blau, 1964), this result reinforces the notion that leadership behaviors characterized by support, recognition, and genuine concern cultivate reciprocal exchange relationships, encouraging employees to reciprocate favorable treatment by demonstrating higher levels of work performance. When such relationships are reinforced by high work motivation, employees are more likely to reciprocate favorable organizational treatment through stronger commitment, greater engagement, and improved performance, thereby amplifying the positive effect of leadership style on employee performance.

Work Motivation Moderates the Relationship of Compensation to Employee Performance

The results indicate that work motivation significantly strengthened the positive relationship between compensation and employee performance, thereby providing empirical support for the fifth hypothesis (H5). This finding suggests that the contribution of compensation to employee performance becomes more substantial when employees exhibit higher levels of work motivation. Employees with stronger motivation are more likely to perceive compensation as meaningful recognition of their efforts and achievements, which encourages them to reciprocate through enhanced job performance. These findings are consistent with the empirical evidence reported by Chahar (2020) and Omar et al. (2021), both of whom found that work motivation amplifies the positive effect of compensation on employee performance. From the perspective of Social Exchange Theory (Blau, 1964), fair and equitable compensation represents an organizational investment in employees, prompting them to reciprocate by demonstrating greater commitment, stronger motivation, and improved performance. Consequently, work motivation serves as a reinforcing mechanism that enhances the effectiveness of compensation in promoting higher levels of employee performance.

Work Motivation Moderates the Relationship of Job Satisfaction to Employee Performance

The empirical results reveal that work motivation exerted a significant negative moderating effect on the relationship between job satisfaction and employee performance. Consequently, the sixth hypothesis (H6), which predicted a positive moderating influence, was not supported. These findings indicate that higher levels of work motivation weakened, rather than reinforced, the positive association between job satisfaction and employee performance. This pattern differs from previous empirical evidence, which generally suggests that work motivation enhances the influence of favorable organizational conditions on employee performance (Dysvik & Kuvaas, 2011; Kuvaas, 2006). Moreover, the findings are not fully aligned with the assumptions of Social Exchange Theory (Blau, 1964), which argues that employees who experience positive organizational treatment, reflected in higher job satisfaction, are expected to reciprocate by demonstrating superior job performance. The present results imply that, within the context of this study, work motivation may have altered the mechanism through which job satisfaction translates into performance, suggesting that highly motivated employees rely on factors beyond job satisfaction when determining their level of work performance. Accordingly, the findings suggest that, within the organizational context examined, work motivation is driven more by factors other than job satisfaction in shaping employee performance.

Theoretical and Practical Implications

The present findings lend further support to Social Exchange Theory (SET), indicating that leadership style and compensation, as forms of organizational support, contribute to improved employee performance by fostering positive reciprocal relationships (Mansoor et al., 2022; Rakic & Rakocevic, 2025). However, the finding that work motivation attenuated the relationship between job satisfaction and employee performance suggests that the social exchange process may not operate uniformly across organizational contexts. From a managerial perspective, organizations should promote effective leadership, establish equitable compensation systems, and strengthen work motivation to optimize employee performance while aligning job satisfaction initiatives with broader human resource management practices.

CONCLUSION

This study examined the influence of leadership style, compensation, and job satisfaction on employee performance while assessing the moderating role of work motivation. The empirical findings indicate that both leadership style and compensation exerted positive and statistically significant effects on employee performance, whereas job satisfaction did not demonstrate a significant relationship with employee performance. In addition, work motivation enhanced the positive effects of leadership style and compensation on employee performance but weakened the relationship between job satisfaction and employee performance. These findings suggest that enhancing employee performance depends not only on effective leadership and equitable compensation but also on the extent to which work motivation strengthens or weakens the relationships between these factors and employee performance.

This study contributes to the theoretical development of Social Exchange Theory (SET) by providing additional evidence of its relevance in explaining the effects of leadership style and compensation on employee performance, while demonstrating that the moderating role of work motivation is contingent upon the organizational context, particularly in the relationship between job satisfaction and employee performance. From a managerial perspective, the findings highlight the importance of fostering effective leadership, implementing equitable compensation systems, and managing work motivation strategically to improve employee performance, thereby supporting more effective human resource management practices.

FURTHER STUDY

This study is subject to several limitations that should be acknowledged. First, the use of a cross-sectional research design limits the ability to establish causal relationships and does not capture potential changes in employee behavior over time. Second, because the study was conducted exclusively within organizations in Timor-Leste, the applicability of the findings to other organizational contexts or geographical settings should be interpreted with caution. To address these limitations, future studies are encouraged to adopt longitudinal research designs, include respondents from a broader range of industries and regions, and incorporate additional explanatory variables, such as organizational commitment, organizational culture, and employee engagement, in order to provide a more comprehensive understanding of the determinants of employee performance.

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