The Effect of Incentives, Motivation, and Leadership on Sales through Employee Performance

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Article Info	Abstract
	This research investigates the effects of incentives, motivation, and leadership on sales improvement, considering employee performance as a mediating variable, within the context of CV. Sendy Leather. A quantitative research design was applied, employing the Partial Least Squares Structural Equation Modeling (PLS-SEM) method through SmartPLS 4 software. The study involved 44 participants from both the production and marketing departments. Findings reveal that incentives and leadership significantly impact employee performance, whereas motivation does not. Moreover, only performance demonstrates a significant direct effect on the improvement of sales. The direct influence of incentives, motivation, and leadership on sales was found to be statistically insignificant. Additionally, the mediation analysis indicates that employee performance does not significantly mediate the relationship between the independent variables and sales improvement. The values obtained from R-square, Q-square, F-square, and path coefficient assessments highlight that employee performance plays a central role in enhancing sales outcomes.

Introduction

CV. Sendy Leather is an aggressive business that was initiated by a group of entrepreneurs who were driven by one common idea of producing quality leather items such as bags and wallets. The company places a heavy focus on craftsmanship thus making every piece of the product to offer functional value and at the same time reflecting a high standard of artistry as well. CV has been able to position itself in its production of exclusive leather products. Sendy Leather as a name that does not just represent the offer of use-based products; the products are designed to be a long-lasting investment that will be durable and will not have a short-lived value. This vision has its foundation on the fact that exceptional craftsmanship produces products that last thus making them to be precious assets to the clientele. Through combining durability and classy design, CV. Sendy Leather has been able to establish a niche market that services consumers who want high quality and durable products.

The company history has taken a lot of milestones including its largest sales turnover of Rp. 228,915,734 in December 2024. Nonetheless, this was to be replaced by a sharp decrease in January 2025 where the sales have dropped to Rp. 200,810,858. The acute contraction highlights a significant issue of how to cope with the volatility of the sales and clarify which determinants have been driving the volatility. Although periodic sales variability is not an unusual characteristic of the commercial environment, the need to counter and understand the factors that cause this phenomenon becomes all the more pressing as the company aims at achieving long-term stability and growth. The shrinkage in sales highlights the need to examine the internal variables which could be affecting the performance especially the role of employee efficacy in the equation of sales (Kalra et al., 2025; Lussier et al., 2025; Cattafi et al., 2025).

Employee performance has always been reported to be one of the key drivers of organizational success, as a catalyst that will not only increase efficiency in production but also sales effectiveness (Kimonyo, 2024; Baawain et al., 2025; Alinda, 2024). Employees who do not perform as per expectations of their roles whether regarding production or sales may trigger serious decline in corporate performance. In the case of CV. Sendy Leather, a visible drop in sales was associated with a perceived reduction in performance of the employees hence affecting various departments such as production and marketing. The effectiveness of workforce and the degree to which employees share the company in the achievement of its objectives is what determines the success of an enterprise; therefore, in the case of CV. To not only stop the declining sales, but also to ensure the attainment of sustainable growth and a competitive edge in the market of leather goods, Sendy Leather must improve the performance of the employees.
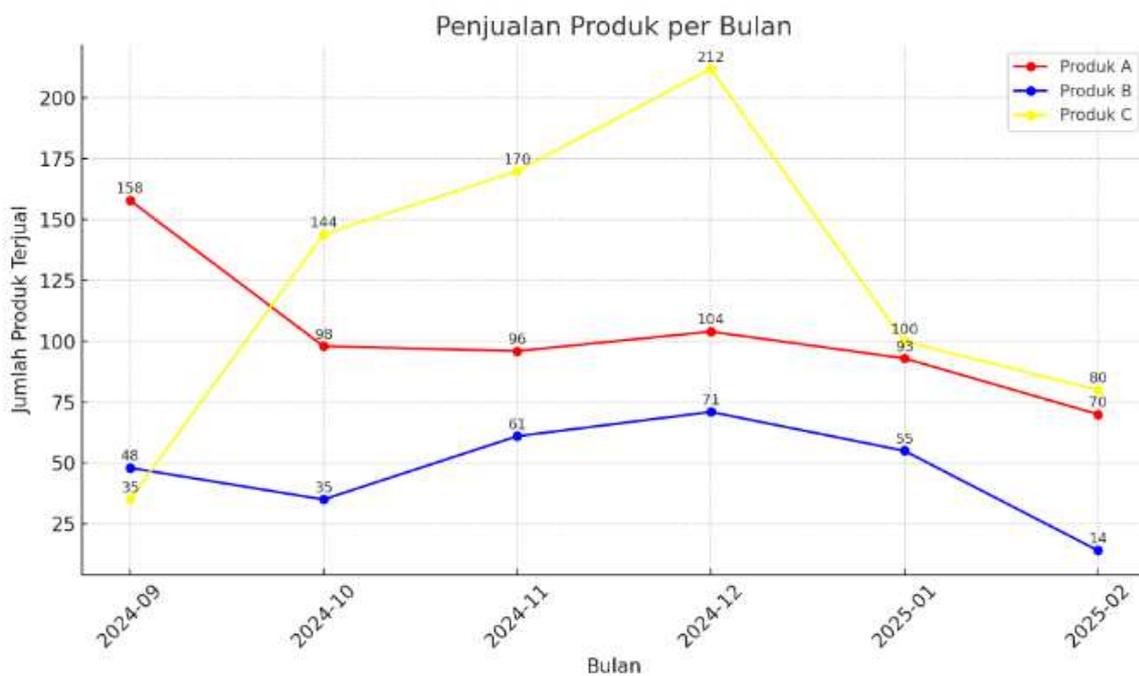

Figure 1. Selling Product

To explore the factors that cause this downfall, the study will concentrate on three major independent variables namely incentives, motivation and leadership (Hidayat et al., 2024; Raza & Shaikh, 2024; Syukur & Marlianingrum, 2025). These parameters are widely considered to have an influence on the employee performance, which in turn has an impact on the overall business performance. The study criticizes the effects of each variable on employee performance and whether individual performance can be converted into high sales. It is critical to understand the relationship that exists between these variables since it brings out knowledge about the organisational practices that can be optimised to create the greatest productivity. The notion of employee performance is thus not simply an individualised input but an organisational output shaped by the organisational environment which in its turn is crafted by the leadership, motivation and incentive (Sismiati et al., 2025; Rapo, 2024; Anno, 2025).

The research involved 44 employees who are working in various departments in CV. Sendy Leather as participants. The sample consisted of a blend of positions, including marketing, operations, and production to the top management, including the CEO to give information on

leadership practice. These individuals make up a cross-section of the company employees, who can afford to have a holistic perspective of interacting factors to determine the performance of employees. The position of the CEO specifically is the most relevant here, since the decisions made by the CEO and the approach to the strategy influence the work environment and the culture of the company significantly. The leadership style used in CV. Sendy Leather can be an essential factor in how employees perceive their job and their duties, and affect their performance and, consequently, the sales of the company.

The current research examines the mediating role of employee performance toward the connection of incentives, motivation, leadership, and improvement of sales (Hidayat et al., 2024; Kim et al., 2024; Dahinine et al., 2024). The operationalisation of sales growth, in its turn, is regarded as the dependent one and the operationalisation of employee performance as the mediating construct, through which the effects of the independent ones are theorised to manifest themselves. A thorough insight into the mechanisms, underlying performance, is needed in order to determine the changes required to the incentives structure, motivation techniques, and leadership behaviours that may lead to optimal sales. These antecedents include a psychological, social, economic, work-environment, and communication competencies variables that may aid or hinder employee performance (Kirana et al., 2023; Umah et al., 2024; Santiago-Torner et al., 2025). In this regard, the proposed research will identify the key drivers that should be addressed so as to create the necessary environment where employee productivity can be optimised and organisational success is promoted (Zehra et al., 2024; Natsir et al., 2024; Ispiryan et al., 2024)

The research goes beyond an evaluation of how the incentives, motivation and leadership influence the sales performance directly (Friess et al., 2024; Conde & Sumlin, 2025; Guenzi & Nijssen, 2024). It is interested in explaining the relationship between these variables and how they depend on each other in the working situation of CV. Sendy Leather. As an illustration, incentives are often seen as short-term rewards to improve performance but their ability to induce long-term changes relies on their conformity to the expectations of employees and organisational strategic goals. Equally, motivation plays a central role in the performance, but it cannot work effectively without a proper organisational culture and strong leadership backing. Management, which plays a significant role in defining organisational culture and setting the tone of interactions of employees, will either foster a conducive working atmosphere or exert unnecessary stress that will kill morale.

The research attempts to capture a refined insight into the processes that inform the performance of employees and sales progress by evaluating the interaction of these variables (Reddy et al., 2024; Necula et al., 2024; Waseel et al., 2024). As it acknowledges, the traditional models generally focus on linear and direct relations, when the impact is usually more intricate and requires a more advanced analytical methodology. Being a mediating construct, the employee performance is the key nexus between organisational practices and business results. In turn, the results will be helpful in CV. Sendy Leather in determining the focal areas to improve in regards to incentives, motivation and leadership and hence this would advise on change which can boost performance and consequently sales.

The expected findings of the research are practical recommendations that will empower CV. Sendy Leather to consolidate its performance-management plans. Such suggestions will be based on the evidence obtained out of the empirical research, which will provide a guideline on how to better match the incentives to the expectations of the employees, how to improve the motivational strategies, and how to implement more efficient leadership approaches. These changes are likely to do not only enhance the performance of the employees, but also maintain the competitiveness of the company in a competitive market. In addition, the research will

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produce findings that have wider application, making it a prospective template to other companies operating in the same sector and experiencing similar performance and sales issues.

Methods

This study was conducted at CV Sendy Leather, a leather product company located at Ruko Permata Tanggulangin Blok R2 No. 17, Sidoarjo, East Java. The research took place between January 31, 2025, and February 27, 2025. The objective of this study is to examine the effect of incentives, motivation, and leadership on product sales through the mediating role of employee performance.

This research adopts a quantitative methodology, utilizing Structural Equation Modeling (SEM) with the Partial Least Squares (PLS-SEM) approach. The analysis was conducted using SmartPLS 4, which is well-suited for studies with limited sample sizes and complex variable relationships. One advantage of this method is its flexibility regarding data normality assumptions, making it ideal for exploratory analysis and the development of theoretical frameworks. The study population comprises 44 employees from various departments, including marketing, operations, production (craft workers), and top-level management. the study employed a saturation sampling method, involving all members of the population as respondents.

Data were collected through both primary and secondary sources. Primary data were obtained from questionnaires distributed online via Google Forms. Secondary data, on the other hand, were derived from internal company documentation such as organizational structure and sales reports. The data collection process also involved interviews with several employees to gain deeper insight into the effects of incentives, motivation, and leadership within the organization.

Table 1.Likert Scale

Evaluation	Scale
Strongly Agree (SS)	5
Agree (S)	4
Netral (KS)	3
Disagree (TS)	2
Strongly Disagree (STS)	1

Source: Anisah & Puspasari, 2024

the questionnaire was distributed in two phases. first, a preliminary survey using dichotomous (yes/no) questions was conducted to validate the indicators and ensure the suitability of the chosen variables. The subsequent main survey implemented a five-level likert scale, with options from "strongly disagree" to "strongly agree." For data analysis, the process began with an outer model evaluation, which involved assessing convergent validity, discriminant validity, and the consistency of each indicator assessed through cronbach's alpha and composite reliability. Once the measurement model fulfilled all required criteria, the inner model analysis was performed to explore the relationships between the latent variables—incentives (X1), motivation (X2), and leadership (X3). The significance and strength of each pathway were determined through a bootstrapping technique. In addition, the model's predictive capability and explanatory strength were evaluated using R-square, F-square, and Q-square values.

Results and Discussion

The outer model is a component of the measurement model within the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach, which serves to explain the relationship between latent constructs and their respective indicators. At this stage, an evaluation of the

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indicators' validity and reliability is conducted to ensure that each indicator accurately represents the intended construct.
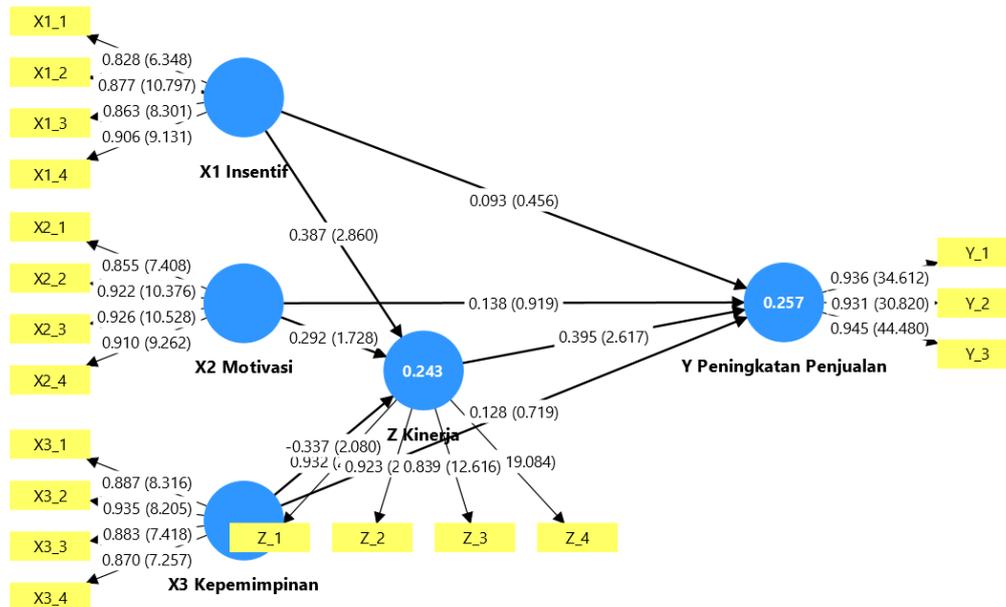

Figure 1. Structural Model

The structural model analysis shows several relationships between incentives, motivation, leadership, employee performance, and sales improvement. The path coefficient from Incentives (X1) to Sales Improvement (Y) is 0.093 with a t-statistic of 0.456, indicating an insignificant effect. Similarly, The pathway from Motivation (X2) to Sales Improvement (Y) yields a coefficient of 0.138 and a t-statistic of 0.919, indicating that the effect is statistically insignificant.

Nevertheless, the relationship between Leadership (X3) and Employee Performance (Z) is statistically significant, marked by a negative coefficient of -0.337 and a t-statistic of 2.080, indicating a notable inverse impact. Meanwhile, Employee Performance (Z) demonstrates a positive and significant effect on Sales Improvement (Y), with a coefficient of 0.395 and a t-statistic of 2.617. These results imply that employee performance acts as a mediating factor in connecting the independent variables to the enhancement of sales performance.

The r-square value for employee performance (Z) is 0.243, indicating that 24.3% of the variation in performance is accounted for by the independent variables (incentives, motivation, and leadership). Meanwhile, the R-square for Sales Improvement (Y) is 0.257, showing that 25.7% of model accounts for a portion of the variance in sales, especially through employee performance.

Overall, the findings imply that the direct relationships (direct effect) of incentives and motivation on sales are not significant, but employee performance serves as an important mediating variable, especially for leadership's impact on sales.

Convergent Validity

The results of the data analysis in this study were obtained through the SmartPLS 4 software, which facilitated the assessment covered the measurement model (outer model), the structural model (inner model), and hypothesis testing. the process started by examining the validity and reliability of the research instruments. All variables in the study—including incentives, motivation, leadership, employee performance, and sales improvement—were proven to be

reliable, as each had a Cronbach's Alpha and Composite Reliability value above the minimum threshold of 0.70.

Table 1. Convergent Validity

Variable	Indicator	Loading Factor Output PLS	Loading Factor Tabel	Keterangan
Incentives	X1.1	0.828	0,70	Valid
	X1.2	0.877	0,70	Valid
	X1.3	0.863	0,70	Valid
	X1.4	0.906	0,70	Valid
Motivation	X2.1	0.855	0,70	Valid
	X2.2	0.922	0,70	Valid
	X2.3	0.926	0,70	Valid
	X2.4	0.910	0,70	Valid
Leadership	X3.1	0.887	0,70	Valid
	X3.2	0.935	0,70	Valid
	X3.3	0.883	0,70	Valid
	X3.4	0.870	0,70	Valid
Performance	Z.1	0.936	0,70	Valid
	Z.2	0.931	0,70	Valid
	Z.3	0.945	0,70	Valid
	Z.4	0.932	0,70	Valid
Sales	Y.1	0.923	0,70	Valid
	Y.2	0.839	0,70	Valid
	Y.3	0.913	0,70	Valid

The convergent validity results indicated that all outer loadings exceeded the minimum threshold of 0.70, while the the average variance extracted (ave) values exceeded 0.50, confirming that the indicators used in this study met the requirements for both convergent and discriminant validity. The convergent validity analysis results revealed that all indicators for incentives, motivation, leadership, and employee performance had factor loadings exceeding the recommended minimum of 0.7. this confirms strong convergent validity, showing that each indicator is well correlated with its respective construct. moreover, all constructs had average variance extracted (ave) values greater than 0.5, indicating that the constructs explain more than 50% of the variance in their indicators.

Discriminant Validity

In terms of discriminant validity, the fornell-larcker approach was used by comparing the square root of the ave of each construct with its correlation values with other constructs. since the square root of ave for each construct was greater than its correlations with others, this shows that the constructs are distinct and capture different concepts, confirming the discriminant validity of the measurement model. These validity tests collectively confirm that the measurement model is reliable and valid, reinforcing the strength of the study's results regarding how incentives, motivation, and leadership affect sales, with employee performance serving as a mediating factor.

Table 2. Discriminant Validity

Indicator	Variable					Desc.
	X1 Incentive	X2 Motivation	X3 Leadership	Y Sales	Z Performance	

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X1.1	0.828	0.139	0.362	0.148	0.280	Valid
X1.2	0.877	0.148	0.234	0.290	0.328	Valid
X1.3	0.863	-0.066	0.297	0.224	0.126	Valid
X1.4	0.906	0.153	0.399	0.269	0.258	Valid
X2.1	0.111	0.855	0.205	0.215	0.183	Valid
X2.2	0,054	0.922	0.152	0.273	0.320	Valid
X2.3	0.116	0.926	0.195	0.313	0.246	Valid
X2.4	0.196	0.910	0.149	0.197	0.219	Valid
X3.1	0.292	0.177	0.887	0.107	-0.110	Valid
X3.2	0.338	0.221	0.935	0.085	-0.177	Valid
X3.3	0.391	0.225	0.883	0.140	-0.079	Valid
X3.4	0.295	0.077	0.870	0.147	-0.122	Valid
Y.1	0.213	0.315	0.186	0.936	0.433	Valid
Y.2	0.233	0.225	0,052	0.931	0.391	Valid
Y.3	0.329	0.248	0.125	0.945	0.418	Valid
Z.1	0.346	0.368	-0.142	0.391	0.932	Valid
Z.2	0.205	0.225	-0.122	0.356	0.923	Valid
Z.3	0.254	0.107	-0,053	0.441	0.839	Valid
Z.4	0.258	0.254	-0.171	0.417	0.913	Valid

Reliability Test

reliability was evaluated through cronbach's alpha and composite reliability. The Cronbach's Alpha values for all constructs were above 0.7, indicating acceptable internal consistency. Furthermore, the Composite Reliability values were also above 0.7, confirming that the indicators of each construct are consistently assessing the same basic concept.

These results demonstrate that the measurement model is both reliable and valid. Therefore, the subsequent structural model analysis can be conducted with confidence, allowing meaningful interpretation of the relationships among incentives, motivation, leadership, employee performance, and sales.

Table 3. Cronbach's Alpha Test

Variable	Cronbach's alpha	Description
Insentive	0.893	Reliabel
Motivation	0.926	Reliabel
Leadership	0.917	Reliabel
Performance	0.931	Reliabel
Sales	0.924	Reliabel

Table 4. Composite Reliablitiy Test

Variabel	Composite Reliability (ρC)	Composite Reliability (ρA)	Description
Insentive	0.926	0.925	Reliabel
Motivation	0.952	0.947	Reliabel
Leadership	0.925	0.941	Reliabel
Performance	0.939	0.956	Reliabel
Sales	0.941	0.946	Reliabel

Inner Model (R-Square, F-Square, Q Square, Path Coefficients)

The inner model illustrates the relationships among the latent constructs identified in the study, determining both the direction and strength of influence between constructs. The analysis of the inner model involves testing structural hypotheses to assess the path coefficients, which indicate the magnitude of influence one construct has on another. In addition, structural model evaluation includes the examination of R-Square values to assess the model's predictive capability, as well as statistical significance testing to ensure that the identified relationships are statistically meaningful.
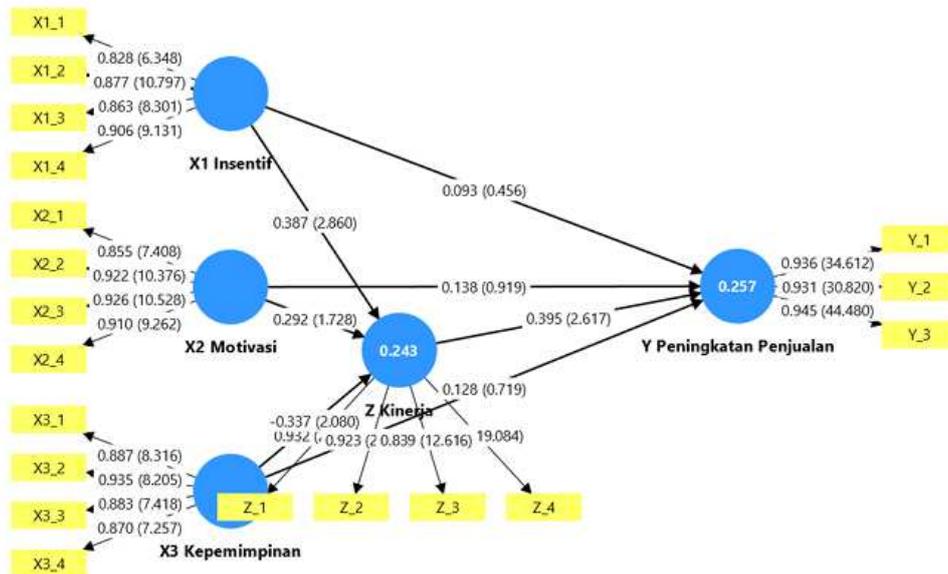

Figure 2. Path Bootstrapping Diagram

The analysis of the structural model (inner model) examined the connections after bootstrapping process between latent variables. The R-square value for employee performance was 0.257, and for product sales improvement, it was 0.243, indicating a weak explanatory power of the model. However, Q-square values for both constructs were above 0.15, suggesting moderate predictive relevance of the model.

Table 5. R-Square

Variable	R-Square	Description
Performance (Z)	0,257	Weak
Sales (Y)	0,243	Weak

Table 6. Q-Square

Variabel	SSO	SSE	Q² (=1-SSE/SSO)	Description
Performance (Z)	176,000	148,548	0,156	Moderate
Sales (Y)	132,000	106,886	0,190	Moderate

Table 7. F-Square

Variabel	(Y) Sales	Performance (Z)	Description
Insentive (X1)	0.009	0.171	Moderate
Motivation (X2)	0.022	0.108	Weak
Leadership (X3)	0.017	0.127	Weak
Performance (Z)	-	-	Moderate

Sales (Y)	0.159	-	Moderate

To assess effect size, the F-square (f^2) values were calculated. Incentives had the strongest effect on employee performance with an f^2 value of 0.171 (medium effect). Leadership and motivation followed with smaller effect sizes of 0.127 and 0.108, respectively. In terms of sales improvement, only employee performance had a meaningful contribution, indicated by an f^2 of 0.159, also categorized as medium. In contrast, the direct effects of incentives, motivation, and leadership on sales showed minimal f^2 values—0.009, 0.022, and 0.017 respectively—which fall into the weak to very weak effect range

The path coefficient results (direct effects) revealed that incentives significantly influenced employee performance ($\beta = 0.387$, t = 2.860, p = 0.004), and leadership also had a significant (though negative) effect on performance ($\beta = -0.337$, t = 2.080, p = 0.038). Meanwhile, motivation did not significantly impact performance ($\beta = 0.292$, t = 1.728, p = 0.084). The only variable with a significant direct effect on sales improvement was employee performance ($\beta = 0.395$, t = 2.617, p = 0.009). Incentives, motivation, and leadership did not significantly influence sales directly, as their p-values were all above 0.05. This implies that performance plays a mediating role in translating organizational practices into sales outcomes.

Hypothesis testing was conducted using the bootstrapping method. The first hypothesis (H1) tested the effect of incentives on employee performance, yielding a t-statistic of 2.860 and a p-value of 0.004. This result confirmed a significant positive effect. Similarly, the third hypothesis (H3) showed that leadership significantly influenced performance (t = 2.080, p = 0.038). However, motivation (H2) did not have a significant effect on performance (t = 1.728, p = 0.084), leading to the rejection of that hypothesis.

Furthermore, the fourth hypothesis (H4) confirmed that employee performance significantly affects product sales (t = 2.617, p = 0.009). In contrast, direct effects of incentives, motivation, and leadership on sales (H5, H6, and H7) were found to be statistically insignificant. This indicates that these factors only impact sales indirectly, through performance.

To explore indirect effects, a mediation test was performed. The indirect effect of incentives on sales through performance (X1 → Z → Y) yielded a t-statistic of 1.842 and a p-value of 0.065, which was not statistically significant. Similarly, motivation and leadership also did not show significant indirect effects on sales through employee performance. These findings suggest that although incentives and leadership improve performance, the improvement was not strong enough to translate into a statistically significant increase in sales via mediation.

Overall, the results indicate that employee performance plays a crucial role in driving sales. However, its mediating effect was insufficient to establish a full indirect relationship between the exogenous variables (incentives, motivation, leadership) and the sales outcome. These findings emphasize the importance of strengthening performance-oriented strategies to effectively boost sales, while also acknowledging that other external factors may influence the sales metrics.

mathematical equation model

here is the structural equation model for direct and indirect effects:

Direct Effect of performance (Z)

$$Z = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_1$$

Z= 0,387·X1+·0,292X2−0,337·X3

Direct Effect of sales (Y)

$$Y = \beta_4 Z + \beta_5 X_1 + \beta_6 X_2 + \beta_7 X_3 + \epsilon_2$$

$Y = 0{,}395(0{,}387 \cdot X1 + \cdot 0{,}292 X2 - 0{,}337 \cdot X3)$

$Y = 0{,}152 \cdot X1 + 0{,}115 \cdot X2 - 0{,}133 \cdot X3$

Indirect effect of sales (Y) with performance (Z)

Rumus :

$$Y = \beta_4 Z + \beta_5 X_1 + \beta_6 X_2 + \beta_7 X_3 + \epsilon_2$$

$Y = 0{,}093 \cdot X_1 + 0{,}138 \cdot X_2 + 0{,}128 \cdot X_3 + (0{,}395(0.387 \cdot X_1 + 0.292 \cdot X_2 - 0.337 \cdot X_3))$

$Y = (0{,}093 X_1 + 0{,}152 X_1) + (0{,}138 X_2 + 0{,}115 X_2) + (0{,}128 X_3 - 0{,}133 X_3)$

Note :

X_1 = Insentive

X_2 = Motivation

X_3 = Leadership

Z = Performance

$\beta_1 > 0$ dan significant (t = 2,860, p = 0,004) H0 accepted

$\beta_2 > 0$ dan not signifikan (t = 1,728, p = 0,089) H1 rejected

$\beta_3 <$ dan significant (t = 2,080; p = 0,038) meaning H0 accepted

$\beta_4 > 0$ dan significant (t = 2,617; p = 0,009) meaning H0 accepted

$\beta_4 \approx 0$ dan not significant (t = 0,456; p = 0,649) meaning) H1 rejected

$\beta_4 \approx 0$ dan not significant (t = 0,919; p = 0,358) meaning) H1 rejected

$\beta_4 \approx 0$ dan not significant (t = 0,719; p = 0,472) meaning) H1 rejected

Indirect effect $X_1 = \beta_1 \cdot \beta_4$ dengan t = 1,842, p = 0,065 = not significant

Indirect effect $X_2 = \beta_2 \cdot \beta_4$ dengan t = 1,425, p = 0,154 = not significant

Indirect effect $X_3 = \beta_3 \cdot \beta_4$ dengan t = 1,605, p = 0,108 = not significant

Explanation :

Direct Effect of Incentives (X1) → Performance (Z): Significant Positive Incentives significantly and positively impact employee performance at CV. Sendy Leather (P = 0.004; t = 2.860). This shows that the higher the incentive, the better the performance. Most respondents are staff earning below the local minimum wage, so incentives act as crucial motivators. This supports Aisyah et al. (2022).

Direct Effect of Motivation (X2) → Performance (Z): Not Significant Motivation does not significantly affect performance (P = 0.084; t = 1.728). Despite theories supporting the importance of motivation (e.g., Muflihin, 2024), operational realities—like distant outlets, indirect supervision, and the partnership system—limit its effect. Most respondents are Gen X and Y with high operational roles, requiring more personalized motivation strategies.

Direct Effect of Leadership (X3) → Performance (Z): Significant but Negative Leadership significantly but negatively affects performance (P = 0.038; t = 2.080). This

suggests a mismatch between leadership style and employee expectations. Many employees are experienced craftsmen or long-term staff who find leadership pressure misaligned with their work culture. Though leadership is statistically significant, the direction is negative.

Direct Effect of Performance (Z) → Sales (Y): Significant Positive
Performance has a significant positive effect on sales (P = 0.009; t = 2.617). Employees with longer tenures show better discipline and responsibility, supporting Rahadi (2023) that performance mediates the impact of X1, X2, X3 on sales (Y). Despite its statistical significance, the negative direction of the relationship indicates a misalignment between the applied leadership style and employee expectations. This is supported by respondent demographics, with 34.1% working as partner-based craftsmen and 54.5% having more than one year of tenure, implying a level of experience and personal expectations toward leadership. A leadership approach that is excessively target-oriented may foster negative perceptions, thereby diminishing its effectiveness in enhancing employee performance.

Direct Effect of Incentives (X1) → Sales (Y): Not Significant
Incentives have no significant direct effect on sales (P = 0.649; t = 0.456). This is because incentives are not distributed evenly and are seen more as income supplements rather than sales drivers. This aligns with Seger Santoso (2022).

Direct Effect of Motivation (X2) → Sales (Y): Not Significant
Motivation does not significantly affect sales (P = 0.358; t = 0.919). Limited communication from leaders across dispersed locations and partner-based craft systems reduce motivational impact. This supports Parashakti & Noviyanti (2021).

Direct Effect of Leadership (X3) → Sales (Y): Not Significant
Leadership does not significantly affect sales (P = 0.472; t = 0.719). The lack of structured communication between leadership and operational-level staff, especially craft partners, results in minimal leadership impact on sales. This supports Hafiz & Soleha (2023).

Indirect Effect of Incentives (X1) → Performance (Z) → Sales (Y): Not Significant
Indirect effect of incentives on sales through performance is weak and not statistically significant (P = 0.065; t = 1.842). This may be due to incentives being concentrated only on skilled employees and perceived as income compensation rather than a sales booster.

Indirect Effect of Motivation (X2) → Performance (Z) → Sales (Y): Not Significant
Motivation has no significant indirect effect on sales through performance (P = 0.154; t = 1.425). The partner system and minimal direct motivation strategies limit this path.

Indirect Effect of Leadership (X3) → Performance (Z) → Sales (Y): Not Significant
Leadership has a negative but not significant indirect effect on sales through performance (P = 0.108; t = 1.605). Leadership style misalignment and pressure for sales targets cause friction rather than motivation. Leadership that does not meet employee expectations—especially among craftsmen, salesgirls (SPG), and workshop staff—results in suboptimal performance. Consequently, its indirect effect on sales is also negative and not significant. This is supported by the fact that many employees (25% of respondents) have worked for over 5 years, leading to higher expectations toward leadership that go beyond formal authority.

Conclusion

This study investigates the influence of incentives, motivation, and leadership on sales performance, mediated by employee performance at CV. Sendy Leather. The findings reveal that incentives have a significant positive impact on employee performance but do not significantly influence sales directly. Motivation shows no significant effect on either

performance or sales. Interestingly, leadership negatively and significantly affects performance, and its impact on sales is also not significant.

Meanwhile, employee performance emerges as a key mediating variable. It significantly affects sales improvement and acts as a crucial bridge between the independent variables (incentives, motivation, leadership) and the dependent variable (sales). The structural equation model supports this with a performance equation of $Z = 0.387X1 + 0.292X2 - 0.337X3$ and an indirect effect on sales modeled as $Y = (0.093X1 + 0.152X1) + (0.138X2 + 0.115X2) + (0.128X3 - 0.133X3)$.

In practical suggestions, CV. Sendy Leather is encouraged to enhance its incentive systems and reevaluate its leadership strategies to positively influence employee performance. Special attention should be given to the nature of motivation and other external factors not covered in this study, which may play a role in improving sales outcomes.

In theoretical suggestions given the pivotal role of employee performance in driving sales, management should invest in performance-enhancing programs such as training, clear task structuring, and performance monitoring. These initiatives could help maintain consistency in sales growth.

Future incentive programs should ensure fair distribution and consider personal recognition and improved communication to sustain their impact on performance. Leadership approaches must be aligned with the characteristics and expectations of employees, preferably shifting towards more participative styles.

Since this study explains only about 50% of the variance in sales performance, future research should explore additional variables such as marketing strategy, customer satisfaction, product quality, and market trends, which are expected to significantly contribute to sales improvement.

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