

## The Influence of Digital Leadership and Compensation on Employee Performance at Direct Selling Company

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### A R T I C L E I N F O

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### A B S T R A C T

Digital transformation has driven significant changes in the operational models of Multilevel Marketing (MLM) companies, particularly in leadership and human resource management. Leaders are required to integrate technology into coaching, communication, and decision-making processes, while compensation systems must remain relevant and competitive to keep employees and their support networks motivated. This study aims to analyze the influence of digital leadership and compensation on employee performance at PT. Milagros Indonesia Megah, an MLM company that markets energy boosting drinking water and technology-based skincare products in Bandung. The research approach used a qualitative method with a case study, involving 40 informants consisting of leaders, administrative staff, and support employees directly involved in digital operations and sales processes. The research results show that effective digital leadership is characterized by clear virtual communication, technology-based emotional support, and the leader's ability to direct the use of digital platforms, thus positively contributing to improved employee performance and adaptation to change. Furthermore, a fair, transparent, and performance-based compensation system has been shown to strengthen motivation, loyalty, and a sense of belonging to the company. These findings imply that technology-based MLM companies need to strengthen their leaders' digital competencies and improve their compensation structures to achieve optimal performance.

## INTRODUCTION

The development of digital technology over the past decade has brought about fundamental changes in various dimensions of organizational management, including direct sales and Multilevel Marketing (MLM) business models. Digitalization has shifted the operational paradigm from a previously face-to-face approach to a work pattern supported by virtual communication technology, integrated data, and a network management platform that can be accessed anytime. These changes not only impact marketing and product distribution strategies but also work patterns, social relationships, and coaching systems within MLM organizations. In the Indonesian context, the MLM industry continues to grow because its business model is considered flexible, does not require large capital, and is based on social networks, making it accessible to various segments of society. PT. Milagros Indonesia Megah, an MLM company that markets energy-boosting drinking water and skincare products, is an interesting example of how digital transformation affects organizational dynamics, particularly in the aspects of leadership and compensation. In today's competitive era, MLM companies compete not only through product quality but also through the quality of digital leadership and compensation mechanisms that can maintain employee motivation and performance.

However, the adoption of digital technology presents new challenges to the leadership process. Coaching and communication activities, previously conducted through face-to-face seminars and networking gatherings, have now shifted to platforms like Zoom, WhatsApp Business, Google Workspace, and dashboard-based reporting systems. This shift has resulted in a faster, more intense, and sometimes confusing flow of information for employees unfamiliar with digital technology. At PT. Milagros Indonesia Megah, the intensity of digital communication and the demand for rapid responses often lead to digital fatigue, especially when messages, promotional content, and networking announcements are sent in large volumes. This has implications for the quality of employee performance, as they face varying levels of technological adaptation pressure. Therefore, a leader's ability to manage digital leadership—through streamlining communication flows, providing data-driven direction, and providing emotional support in virtual spaces—is crucial. These issues demonstrate that digitalization not only brings efficiency but also creates psychological and structural challenges that need to be managed through an adaptive, communicative, and employee-sensitive leadership approach.

In management literature, digital leadership is considered a leader's ability to utilize technology to achieve organizational goals, improve communication effectiveness, and create a collaborative work culture. The transformational leadership theory developed by Bass and Riggio (2006) emphasizes that leaders must be able to inspire, motivate, and provide individualized attention to team members. This concept later evolved in the digital context into e-leadership, as introduced by Avolio, Kahai, and Dodge (2014), which refers to a leader's ability to influence team members through technology-mediated interactions. Recent research (Northouse, 2021; Salo et al., 2022) emphasizes that digital leaders must develop emotional intelligence, virtual communication skills, technological literacy, and digital empathy to maintain employee engagement. Meanwhile, compensation theory according to Milkovich &

Newman (2019) explains that fair, transparent, and performance-based compensation can increase employee satisfaction, loyalty, and productivity. Previous research has shown that a clear compensation system in MLM companies can strengthen work motivation, especially in network-based work environments (Coughlan & Grayson, 2016). However, research integrating digital leadership, compensation, and employee performance in the context of MLM is still very limited, requiring in-depth study to understand the interaction between the three.

A recent literature review shows that digitalization in MLM companies presents both opportunities and challenges. Recent studies emphasize that effective digital leadership can improve employee adaptation to technology, strengthen communication, and increase work flexibility. However, research also indicates the phenomena of technostress and information overload, which can weaken work motivation if not managed properly (Tarafdar et al., 2020). Furthermore, compensation systems in MLMs are often influenced by factors such as clarity of commission structures, target achievability, and reporting transparency. The literature suggests that non-transparent compensation can reduce performance and foster distrust within the network (Bromley, 2021). This indicates a clear research gap: few studies have combined digital leadership and compensation as complementary factors influencing employee performance, particularly in MLM companies undergoing digital transformation. The need to develop a digital leadership model aligned with the compensation system is crucial for companies to maintain competitiveness and improve human resource performance.

Based on the above description, this study was conducted to analyze the influence of digital leadership and compensation on employee performance at PT. Milagros Indonesia Megah, a technology-based MLM company. This study aims to fill the research gap regarding how leaders utilize technology to develop employees, how compensation influences motivation in the digital work context, and how the combination of the two contributes to organizational performance. Therefore, the purpose of this study is to understand digital leadership practices in depth, evaluate the effectiveness of compensation, and explain the relationship between these two factors and improving employee performance in the digital era.

## **METHOD**

This research approach uses a qualitative approach with a case study design that aims to understand in depth how digital leadership and compensation affect employee performance at PT. Milagros Indonesia Megah as an MLM company that integrates technology in its operational activities. This research design focuses on exploring the experiences, perceptions, and understanding of employees and leaders regarding digital leadership practices, compensation systems, and their implications for performance. The main research variables include digital leadership and compensation as factors that influence changes in work behavior, motivation, and the quality of employee performance. Because this research is exploratory, the relationship between variables is not formulated mathematically, but rather analyzed

in depth through empirical interpretation. Thus, the hypothesis is not stated explicitly, but the pattern of relationships between variables is analyzed through field findings and naturally emerging data.

The research targets included internal employees and network leaders actively involved in PT. Milagros Indonesia Megah's digital operational activities. The research population included all administrative employees, support staff, and division leaders directly involved in the use of digital platforms and network development systems. From this population, 40 informants were selected as research samples through a purposive sampling technique, which selects informants based on their relevance, experience, and knowledge of the phenomenon being studied. The sample consisted of 3 leaders (network leader, operational manager, and digital training manager) and 12 employees including administrative staff, digital marketing employees, and operational support staff. This technique was chosen because it allows researchers to obtain rich, specific, and relevant information regarding the dynamics of digital leadership and compensation within the company environment.

Data collection was conducted through three main techniques: in-depth interviews, observation, and document analysis. The in-depth interviews were semi-structured to provide informants with flexibility in explaining their experiences while maintaining the research focus on key issues. Observations were conducted on digital activities such as virtual meetings, sales dashboard usage, and communication patterns within internal coordination groups. Document analysis was used to examine the company's standard operating procedures (SOPs), compensation structure, digital training materials, and policies related to technology use within the sales network. This combination of data collection techniques enabled researchers to capture phenomena holistically, from both behavioral and structural perspectives.

This research model is built on a conceptual framework that states that digital leadership and compensation are two factors that shape the quality of employee performance. This model is developed from transformational leadership theory (Bass & Riggio, 2006), the concept of e-leadership (Avolio et al., 2014), and the compensation theory of Milkovich and Newman (2019), which emphasizes fairness, transparency, and the relevance of compensation to work motivation. This framework is then contextualized within a technology-based MLM company environment, where work dynamics are heavily influenced by network systems, digital literacy, and operational flexibility. The research model is developed by integrating these theories with previous research findings on digitalization in organizations, work motivation, and the phenomenon of technostress in virtual environments.

Data analysis was conducted through a thematic analysis approach using the Miles, Huberman, and Saldaña (2014) model, which includes three main stages: data reduction, data presentation, and conclusion drawing. In the data reduction stage, researchers sorted relevant information related to digital leadership practices, perceptions of compensation, and the influence of both on performance. Data presentation was carried out by compiling patterns, themes, and categories that emerged from interviews and observations.

The final stage, drawing conclusions, was carried out iteratively by examining the relationships between themes to explain how digital leadership and compensation affect employee performance. Data validity was strengthened through source triangulation, data collection technique triangulation, and member checking with key informants to ensure accurate interpretation.

## **RESULT AND DISCUSSION**

### **Digital Leadership**

Digital leadership is a leadership approach that has developed rapidly over the past decade, particularly since organizations entered a digital transformation phase that impacts the way they work, communicate, and collaborate. Digital leadership theory increasingly emphasizes the role of leaders in creating clear communication, providing emotional support through technology, utilizing digital data for performance coaching, and building a work culture that adapts to technological change. These aspects align with research findings on PT. Milagros Indonesia Megah, which showed that digital leaders play a role in increasing the clarity of instructions, strengthening motivation, and reducing employee confusion amidst the high flow of digital information.

One of the latest digital leadership theories relevant to the research findings is the concept of digital clarity. According to Elia, Poce, & Quadrana (2023), effective digital leaders are able to organize complex digital information flows and convey them simply, concisely, and easily understood. Digital clarity is crucial in organizations that use multiple communication platforms such as WhatsApp, Zoom, and the Milagros digital dashboard. Their study emphasized that leaders must select important information, regulate the rhythm of messages, and ensure that each instruction is unambiguous. Research findings at PT. Milagros Indonesia Megah indicate that employees benefit when leaders provide clear direction through digital platforms and structure information. This aligns with the theory that communication clarity is a key predictor of performance in a digital work environment.

The next aspect highly relevant to the research findings is digital empathy. Since 2020, this concept has become a central focus of digital leadership theory. Ertiö & Komulainen (2022) explain that digital empathy is a leader's ability to read employees' emotions through digital signals, such as response patterns, message writing, or frequency of activity. In a virtual work environment like Milagros, leaders cannot always meet in person, making the ability to read employees' emotional states through digital platforms crucial. Research shows that Milagros leaders provide emotional support through voice notes, private messages, and virtual discussions to maintain employee morale. Digital empathy theory asserts that emotional attention through technology can increase engagement, trust, and work motivation, aligning with research findings that employees feel more cared for and motivated by the personal attention of their digital leaders.

Furthermore, the latest digital leadership theory emphasizes the importance of digital communication management skills. According to Salo, Mäntymäki, & Islam (2022), digital leaders must be able to manage communication flows, avoid information overload, and choose the most effective digital medium for each need. In MLM companies, which typically utilize multiple communication channels simultaneously, information overload is a common problem. This is evident in research findings that indicate some Milagros employees experienced confusion due to the rapid and overwhelming flow of messages. Modern digital communication theory states that effective leaders must be able to establish appropriate communication structures, message delivery intervals, and content formats to avoid cognitive stress. Research findings support this theory, as employees reported that leaders who filter information helped them work more effectively.

In the digital era, leaders must also possess data-driven decision-making skills (data-driven leadership). Wang et al. (2021) emphasize that digital leaders not only use intuition but also rely on digital dashboards, performance metrics, and behavioral data to provide direction, evaluation, and coaching. This theory is highly relevant to the findings of research at Milagros, where leaders utilized commission dashboards, network progress reports, and real-time sales data to provide evidence-based evaluations. Employees acknowledged that data-driven instructions made it easier to understand targets, predict potential commissions, and improve work practices. This reinforces the theory that digital leaders who integrate data into the decision-making process can increase transparency and objectivity in performance.

Research findings indicate that digital leadership at PT. Milagros Indonesia Megah plays a crucial role in improving communication clarity among organizational members. Leaders utilize various digital platforms such as Zoom, WhatsApp Business, Google Workspace, and network dashboards to communicate information, targets, and work directions. Employees acknowledge that the clarity of information, data-driven instructions, and streamlined communication flow make it easier for them to adapt to changes in the work system.

**Table 1. Findings related to Digital Leadership (data processed by the author)**

Themes	Findings	Informant Statement
Clarity of communication	More structured assignment information through digital platforms	Leaders' directions are clearer thanks to the sales dashboard. Dhita Risma
Technology adaptation	Digital training helps understanding the system	Training via Zoom helped me quickly understand new features. Opan Koswara
Digital empathy	Leaders provide motivation via voice notes/DM	The leader always checks on my condition through private messages. Tiara Larasati

These findings support the e-leadership theory (Avolio et al., 2014) that digital leaders are able to expand their influence through technology. Furthermore, leaders' ability to demonstrate digital empathy has been shown to increase employee trust and emotional engagement, in line with Bass & Riggio's (2006) transformational concept.

### **Fair and Transparent Compensation Strengthens Work Motivation**

Compensation in human resource management has undergone significant developments in the last decade, particularly following the advent of the digital era and increasing employee expectations for transparency and organizational fairness. Compensation is no longer understood solely as a financial reward, but as a strategic reward system aimed at fostering motivation, improving performance, fostering loyalty, and building positive psychological relationships between employees and the company. In contemporary literature, compensation is defined as a series of direct and indirect rewards provided by an organization based on employee contributions (Milkovich, Newman, & Gerhart, 2019). This definition is enhanced by modern approaches that emphasize that compensation must be designed adaptively to technological changes, the preferences of new generations of workers, and flexible work systems. In the context of PT. Milagros Indonesia Megah, a multi-layered compensation system such as commissions, bonuses, network rewards, and digital incentives demonstrates the strategic role compensation plays in driving performance in modern MLM companies.

One of the key developments in modern compensation theory is the focus on fairness and transparency as key motivating factors. Research by Bromley (2021) shows that perceptions of fairness in compensation have a direct impact on job satisfaction and organizational commitment, particularly in industries with complex pay structures like MLM. Consistent with this study, Adams' Equity Theory, updated in a digital context by Laundon & Williams (2018), explains that perceptions of fairness are now also influenced by employee access to compensation data based on a digital dashboard. This is relevant to research findings at PT. Milagros Indonesia Megah, where employees felt more trusting and motivated because they could monitor commissions in real time through the company's digital system. This transparency increases perceptions of fairness and eliminates the assumption of data manipulation that is often a problem in traditional MLM companies.

Furthermore, modern compensation theory is closely linked to contemporary motivational theory, particularly Expectancy Theory, redeveloped by Van Eerde & Thierry (2016). This theory states that motivation arises when employees believe that their efforts lead to performance, that performance leads to compensation, and that compensation is valuable to them. In a digital work environment, instrumentality – the relationship between performance and compensation – is increasingly evident through instantly available data. At PT. Milagros Indonesia Megah, tools such as commission dashboards, network progress reports, and individual contribution tracking reinforce these expectations, giving employees an accurate picture of their earning potential. This provides empirical evidence that compensation managed using technology has a stronger motivational effect than manual systems.

Compensation is also influenced by employee psychological considerations, particularly in the context of digital work, which brings new challenges such as digital fatigue, flexible working hours, and increased target-based performance demands. A study by Tautz et al. (2020) emphasized that compensation needs to be designed to address digital work pressures, for example by providing well-being-based incentives (digital wellness rewards), free digital training, and recognition for digital competency. In technology-based MLM companies like Milagros, incentives in the form of bonuses for best content, digital sales rewards, or recognition for successfully building online networks are examples of non-financial compensation that can increase employee engagement. The findings of this study confirm the view that compensation that responds to the challenges of the digital era is preferred by the millennial and Gen-Z workforces that dominate modern MLM networks.

From an organizational strategy perspective, compensation is understood as a crucial retention tool. A global study by Shaw (2019) shows that a clear and competitive compensation structure can reduce turnover rates, especially in organizations that rely on a flexible or network-based workforce. In MLM companies, turnover is often a significant challenge because not all network members remain long-term. Research by Aboramadan (2020) confirms that transparent, performance-based compensation has a high correlation with employee commitment and retention in the direct selling industry. This is relevant to the situation at PT. Milagros Indonesia Megah, where a fair and monitorable compensation system encourages employees to stay and increase their efforts to achieve sales targets.

The relationship between compensation and digital leadership has also become a significant focus in modern theory. A study by Salo, Mäntymäki, & Islam (2022) showed that effective digital leadership acts as a mediator explaining the relationship between digital performance and compensation. Digital leaders not only guide employees in the use of technology but also help them understand how to maximize their performance to achieve optimal compensation. In this study, employees of PT. Milagros Indonesia Megah stated that their leaders' guidance regarding digital sales strategies, time management, and the use of digital tools helped them improve their performance, thus increasing their compensation. These findings reinforce the view that compensation and digital leadership are inseparable in digitalized organizations.

Overall, modern compensation theory emphasizes that compensation should be designed as a strategic, adaptive, and technology-based reward system. Compensation is not only a financial tool, but also a psychological and managerial tool that influences performance, motivation, and retention. In the context of PT. Milagros Indonesia Megah, the integration of transparent compensation and digital leadership is key to organizational success in improving employee performance. A digitally supported compensation system strengthens fairness, increases trust, and provides a clearer understanding of the relationship between effort and results. Consistent with modern theories (Milkovich et al., 2019; Bromley, 2021; Salo et al., 2022), this study emphasizes that effective compensation is adaptive to the needs of the digital era, easily monitored, and provides both intrinsic and extrinsic motivation to employees.

Compensation in MLM companies is often considered sensitive, particularly regarding commissions, network bonuses, and incentives. At PT. Milagros Indonesia Megah, the compensation structure is considered fair and transparent by most employees, as the company provides an easy-to-monitor commission dashboard. Employees can view their sales progress, performance bonuses, and potential commissions in real time.

However, it has been noted that some new employees take time to understand the compensation scheme due to its complex formula. This highlights the need to simplify compensation training materials to make it more accessible to all employees.

**Table 2. Employee Perceptions of the Compensation System (processed by the author)**

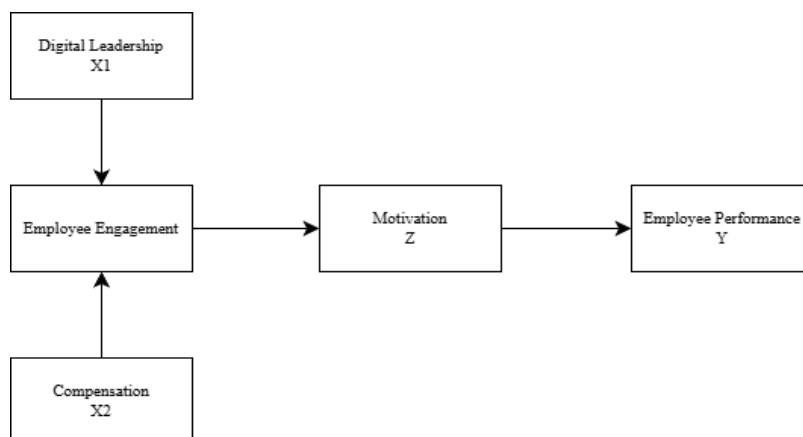
Aspect	Findings	Impact
Transparency	Commissions are visible in real time in the dashboard	Increase trust
Justice	Bonuses are in line with target achievement	Increase job satisfaction
Complexity	Some employees had difficulty understanding the initial structure.	Requires additional training

This finding is consistent with Milkovich & Newman's (2019) compensation theory which emphasizes that clarity, fairness, and transparency of compensation are the main determinants of satisfaction and performance.

### Synergy of Digital Leadership and Compensation Drives Employee Performance

The research's core finding is the synergy between digital leadership and compensation. These two factors complement each other and together drive improved employee performance. Digital leaders provide direction, motivation, and coaching through digital platforms, while compensation provides tangible incentives for employee effort and achievement.

The following diagram illustrates this relationship pattern:



### Diagram 1. Interaction Between Digital Leadership, Compensation, and Performance

#### Impact on Performance: Increased Productivity, Responsiveness, and Work Quality

PT Milagros Indonesia Megah's employee performance has improved in several key areas:

Table 2. Employee Perceptions of the Compensation System (processed by the author)

Indicator Performance	Impact	Field Evidence
Productivity	Increased monthly target achievement	Employees are able to achieve targets because digital directions are clear.
Responsiveness	Faster response time through digital platforms	Leaders report improved coordination between teams
Quality of work	Increased reporting accuracy and reduced errors	Using a dashboard helps with data validation.

These results support research by Salo et al. (2022), which found that digital leaders improve efficiency and performance through the use of technology and emotional support.

## DISCUSSION

### Integration of Field Findings with Previous Theory and Research

The findings of this study expand the literature on digital leadership in the context of MLM, an area that has previously been very understudied. Previous studies have focused heavily on motivation and networking aspects, but have not integrated digital leadership and compensation as two interconnected strategic variables.

This discussion confirms::

1. Digital leadership influences individual engagement (Northouse, 2021).
2. Compensation strengthens work motivation (Milkovich & Newman, 2019).
3. The combination of both has a big impact on employee performance (Breevaart et al., 2014).
4. The findings add novelty to the research:
  - a. The findings add novelty to the research
  - b. Transparent dashboard as a motivation booster
  - c. The challenge of digital fatigue, a new element in digital MLM companies, utilizes various digital platforms such as webinars, WhatsApp Business, Instagram, sales apps, and downline tracking

systems as primary coordination tools. Digital empathy has been shown to increase distributor engagement, especially those working remotely. A creative work culture through skincare educational content and live selling drives increased sales. However, the challenge of information overload persists, requiring leaders to manage communication flows more effectively.

## CONCLUSION

Based on the research results discussed, it can be concluded that digital leadership and compensation play a significant role in shaping employee performance at PT. Milagros Indonesia Megah, a technology-based MLM company. Digital leadership, characterized by clear virtual communication, technological adaptability, simplified digital workflows, and emotional support through technology-mediated interactions, has been shown to increase employee motivation, engagement, and work effectiveness. Meanwhile, fair, transparent, and performance-aligned compensation provides additional reinforcement for employee motivation and loyalty, while simultaneously creating a positive perception of the company. The integration of digital leadership and compensation creates a synergy that strengthens productivity, responsiveness, and the quality of individual and team performance. These findings address the research problem and achieve the research objectives by demonstrating that the success of MLM organizations in the digital era is largely determined by the leader's ability to strategically utilize technology and the company's ability to provide transparent and motivational compensation. This research contributes to the development of digital leadership literature in the context of MLM, which is still rarely studied, and provides practical implications for companies to optimize the use of technology and improve compensation systems to improve employee performance sustainably.

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