The Influence of Compensation and Work Motivation on Employee Performance through Employee Discipline

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Abstract

Work motivation is the starting point for achieving good employee performance because with good motivation, individuals are internally driven to take action, even without external factors. Therefore, work motivation is crucial in the process of achieving organizational goals. In other words, good motivation will have an impact on good employee performance, which will automatically contribute to the achievement of organizational goals. Work discipline refers to employees' adherence to organizational rules. With this discipline, employees will always strive to carry out their assigned tasks to the best of their ability. Therefore, the importance of employee discipline needs to be considered and improved. With disciplined employees, their performance in carrying out tasks and functions will be positively impacted. Thus, the researcher aims to determine the influence of compensation and work motivation on the dependent variable, which is individual employee performance, through employee discipline at PT. Urchindize, Madura Branch. The research objective is to determine the influence of the independent variables, namely motivation, on the dependent variable, which is employee performance, through employee discipline at PT. Urchindize, Madura Branch. The study sample consists of 80 employees. Path analysis is used for data analysis in this research. Based on the results of the analysis, it is found that compensation, motivation, and employee work discipline significantly influence employee performance, and motivation significantly influences performance through work discipline at PT. Urchindize, Madura Branch.

Keywords: Compensation, Motivation, Discipline, Employee performance

Introduction

Human resources (SDM) are crucial for an organization in its business activities, as qualified employees have an impact on achieving organizational goals. This, in turn, affects the sustainability of the organization. Employees play multiple roles as planners,

implementers/performers, and determinants of organizational objectives. In carrying out their tasks, employees are expected to maintain high levels of work discipline. Compensation serves as a form of appreciation for employees' contributions to the organization, ensuring that the organization's goals are met. Therefore, it is crucial to focus on improving the individual performance of employees and pay attention to the rewards provided to them so that employees, who are assets to the organization, can work to their maximum potential and be retained effectively.

According to Dessler (2008: 321), lower-level needs are fulfilled by extrinsic factors such as salary, supervision, and working conditions, while higher-level needs are fulfilled intrinsically through factors like challenges and achievements within a job. Based on the explanation above, the motivation variable is a driving force that leads individuals/employees to behave in ways that contribute to the achievement of desired goals. When goals are achieved, there is a sense of satisfaction. Behaviors that satisfy needs tend to be repeated, strengthening them over time. Therefore, work discipline needs to be observed and improved. It is essential to have a good and qualified workforce to achieve this. Understanding employee work motivation is crucial to obtaining a good and qualified workforce because positive work motivation automatically leads to good performance in carrying out tasks and responsibilities.

Hence, the researcher aims to determine the influence of compensation and motivation variables on the dependent variable of performance through employee work discipline at PT. Urchindize, Madura Branch.

Literature Review
Compensation

The compensation received by individual employees can be classified into two types based on their nature, as follows:

1. Financial compensation: This refers to the compensation or remuneration received by employees in the form of money or something of monetary value, such as wages, salaries, bonuses, insurance, medical benefits, etc., provided by the organization.
2. Non-financial compensation: This refers to something given to employees to retain them in the long term (Triton, 2007). Some indicators of compensation include wages/salary, incentives, allowances, and facilities (Simamora, 2004).

Motivation

Maslow's motivation theory explains the efforts made by individuals to fulfill human needs (Mathis and Jackson, as cited in Murti, 2020). Maslow grouped human needs into five categories:

1. Physiological needs: such as food, clothing, and basic physical needs.
2. Safety needs: related to protection from physical and emotional harm.
3. Social needs: including a sense of belonging, love, and friendship.
4. Esteem needs: such as self-esteem, self-respect, and achievement.
5. Self-actualization needs: related to personal growth and fulfillment of one's potential. The indicators for the motivation variable include job variety, responsibility, development, rewards, facilities, and co-workers (Davis Keith Davis & John W. Newstroom, 2000:75).

Work Discipline

Work discipline is one of the most important operative functions of human resource management. Good work discipline influences good job performance (Simanjuntak, 2011). Without good work discipline, it becomes difficult to achieve organizational goals. Work discipline is beneficial for both the organization and employees. For the organization, it ensures the maintenance of rules and regulations and the smooth implementation of tasks, while for individual employees, it provides a pleasant working environment (Liyas, 2018). Indicators of work discipline include punctuality, neat appearance, proper use of office facilities, adherence to company rules, and responsibility (Hasibuan, 2005).

Performance

According to Sari & Hadijah (2016), "employee performance is the overall result of an employee's work over a certain period, both in terms of quality and quantity, based on predetermined and agreed-upon criteria." Some indicators of employee performance include punctuality, initiative, ability, communication, and teamwork (Sedarmanti, 2001).

Research Method

This study is a quantitative research. The type of data used in this study is primary data. The data collection technique used in this study is subject data obtained through direct observation and survey by distributing questionnaires to the respondents. The population in this study is PT. Urchindize Branch Madura with a total of 80 individuals. The determination of the sample size in this study uses the Slovin's formula as follows:

$$n \frac{N}{1 + Ne^2}$$

$$67 \frac{80}{1 + 80(e)^2}$$

n = Sample size
N = Population
e = Standard error (5%)

Therefore, the sample size in this study is 67 employees. The sampling technique used is simple random sampling.

Result and Discussion

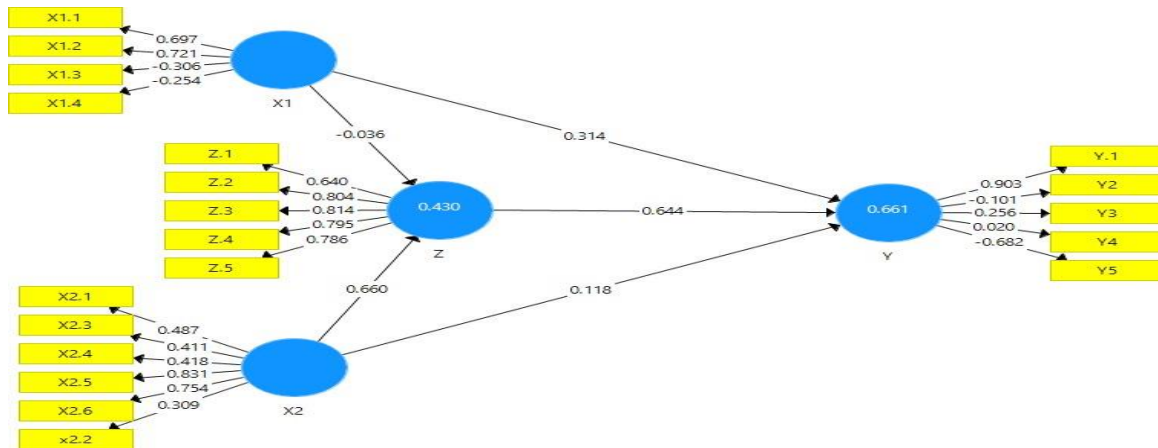This study uses SEM SmartPLS to test the established hypotheses.

Figure 1. Factor loading analysis

Figure 1 shows many indicators that are not valid. This can be seen from the output of the convergent validity test, where some indicators have factor loading values below 0.5, indicating the need for their removal. After removing the indicators with factor loading values below 0.5, Figure 2 is obtained as shown below.
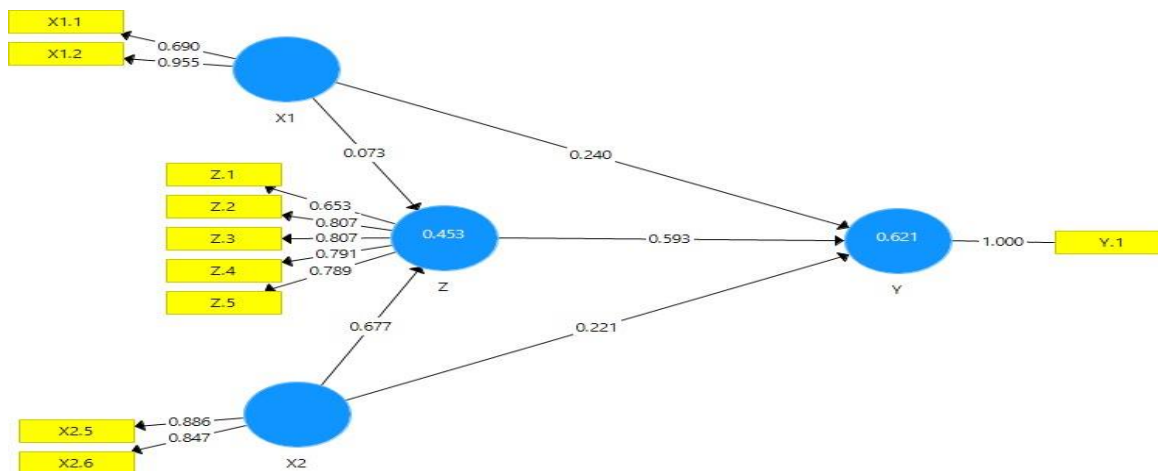

Figure 2. Model fit factor loading analysis

Figure 2 shows the output of the convergent validity test, where all indicators have factor loading values above 0.5, indicating that the indicators are capable of explaining their respective factors.

The Influence of Compensation and Work Motivation on Employee Performance through Employee Discipline
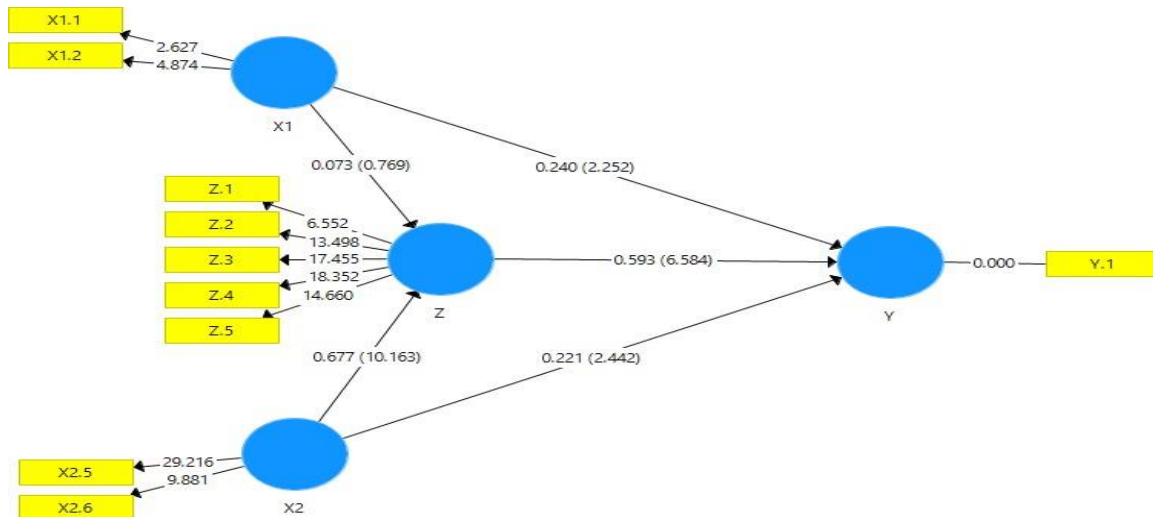

Figure 3. T-value analysis

Figure 3 shows that X1 has a T-value of 2.252 (>1.96), indicating that X1 has a significant effect on Y. X2 has a T-value of 2.442 (>1.96), indicating that X2 has a significant effect on Y. Z has a T-value of 6.584 (>1.96), indicating that Z has a significant and substantial effect on Y. X1 has a value of 0.769 (less than 1.96), indicating that X1 does not have a significant effect on Z. X2 has a T-value of 10.163 (>1.96), indicating that X2 has a significant effect on Z. Since the path from X1 to Z is not significant, it is then removed. After removing the path from X2 to Z, Figure 4 is obtained, representing the model fit T-value analysis.
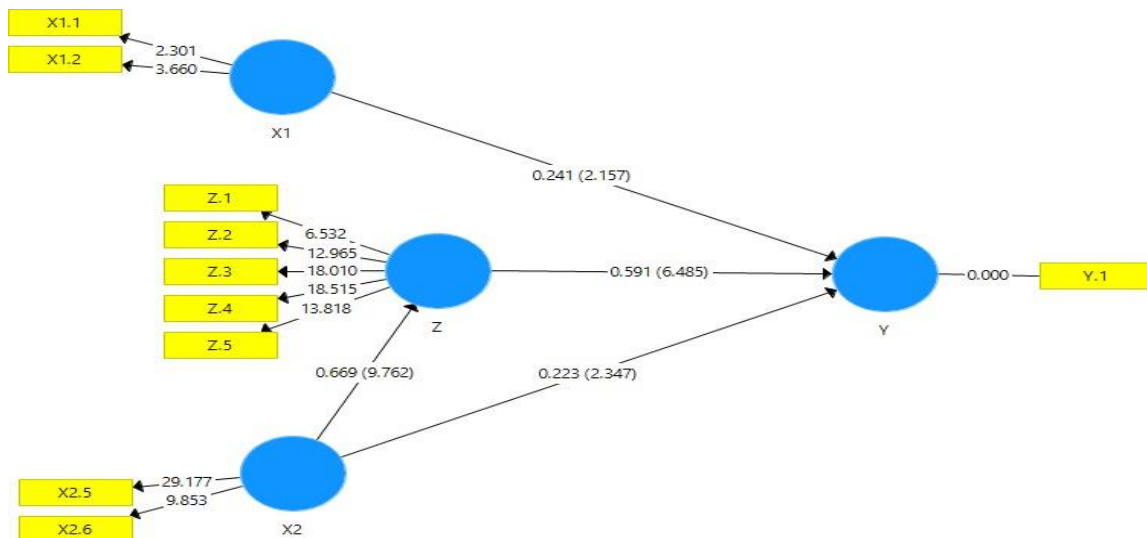

Figure 4. Model fit T-value analysis

Conclusion

Based on the analysis of the collected data, it can be concluded that the variables of compensation, motivation, and work discipline have a significant influence on employee performance. Additionally, the variable of motivation has an impact on employee performance through work discipline as an intervening variable.

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