
Compensation, Motivation and Performance of Employees: Evidence from Indonesia

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ABSTRACT

The purpose of the study is to look at the relationship between compensation, motivation, and satisfaction fast food restaurant employees in the Indonesian province of Banten. In addition, this study also explores the influence of selected indicators of each variable so that analysis and policy suggestions for more detail. The study population is all employees on fast food restaurant in the province of Banten. The study subjects are scattered on the counter 24 with the number of employees for 144 people. The data collection is done by using questionnaires in September 2016 through the company's Human Resources. Data were analyzed by Structural Equation Modelling (SEM) software for data processing while using SMART Partial Least Square (PLS) ver2.0. The results of the study concluded that compensation has positively significant influence on motivation. Motivation does not have a significant influence on the performance and motivation does not mediate the relationship between compensation and performance.

JEL Classification: J33; M12; M52.

Keywords: Compensation; Motivation; Performance; Indonesia.

1. INTRODUCTION

Especially for positions with larger amounts of autonomy and responsibility (i.e., managerial), highly conscientious individuals are more likely to report using strategies of loss-based selection and compensation and that these strategies in turn lead to higher levels of performance. However, the strategies of loss-based selection and compensation did not fully mediate the conscientious-performance relationship. Nevertheless, these strategies did contribute unique variance of their own in predicting work place performance. In fact, these strategies accounted for almost as much unique variance as conscientiousness and support the role of selective optimization with compensation (SOC) as a unique predictor of job performance (Bajor & Baltes, 2003). Intrinsic motivation is not affected by the design of monetary compensation, but by promotion opportunities. The compensation system also significantly affects work satisfaction and turnover intent (Van Herpen et al., 2005).

There are several reasons for the importance of this study: first, the study was able to explain motivation as a mediating variable in the relationship between compensation and performance in the past food business. Second, this study analyzed job satisfaction as a mediating variable in the relationship between compensation and performance in the fast food business. Third, this study is able to investigate the relationship between compensation, motivation, and job satisfaction as independent variables and performance as the dependent variable. Fourth, this study also analyzes the indicators of each variable and rank the level of influence of each indicator variable. Fifth, this study contributes to the fast food entrepreneur in the making of policies to improve employee performance by taking into account indicators of the most influential.

2. LITERATURE REVIEW

Compensation is a benefit received by workers from a job done. Compensation or remuneration is any form of salary or remuneration as well as any awards received by a worker in reply to a job covering all forms of rewards / cash or services tangible, benefits, and rewards arising from the work is designed and managed by the personnel as reply of the work for the benefit of any person or legal entity. Motivation is the psychological characteristics of willpower, perseverance, and stimulation in a person who became the strength and commitment to promote and mobilize all abilities to achieve organizational goals (Stoner et al., 2003; Robbins 2001). Motivation is also understood as follows: process that describes the intensity, direction, and persistence of an individual to Achieve his goal. (Mitchell, 1982).

Motivation may also be defined as the natural tendency of a person drawn towards another person, situation or event without being forced. In the context of work, motivation may be defined as the natural tendency for a person to develop the will to work and improve productivity without any element of force or coercion (Akinmayowa, 2006). Traditional motivation theories focus on specific elements that motivate employees in pursuit of organizational performance. For example, motives and needs theory states that employees have five levels of needs (physiological, safety, social, ego, and self-actualizing), while equity and justice theory states that employees strive for equity between themselves and other employees.

Performance is a function of the interaction ability, motivation, and opportunity to perform. Performance is measured by comparing the results of that work, visible with labor standards established by the company. This form of the quantity or quality of goods or services produced by a worker in the organization which is a function of the interaction ability, motivation, and opportunity (Robbins, 2001)

Vroom's (1964) expectancy theory is based on the belief that employee effort will lead to performance and performance will lead to rewards. Rewards may be either positive or negative. The more positive the compensation (reward) the more likely the employee will be highly motivated. Empirical work on expectancy theory generated substantial interest in the 1960s but declined substantially in the 1990s (Ambrose & Kulik, 1999). Cognitive evaluation theory (Deci, 1971) is designed to explain the effects of external consequences on internal motivation. That is, intrinsically motivated employees attribute the cause of their behavior to internal needs and perform behaviors for intrinsic rewards and satisfaction. However, external elements (e.g., the reward system) may lead the employee to question the true causes of his/her behavior. Therefore, employees should be most intrinsically motivated in work environments that minimize attributions of their behavior to "controlling" external factors (Deci, 1971). A majority of research published using cognitive evaluation theory is during the 1970s and 1980s (Ambrose & Kulik, 1999).

Motivation correlated with performance (Oldham, 1976; Mitchell, 1982): Okoh (1998), outlined Certain things managers and management can do to MOTIVATE workers, the which include financial reward; that is regular payment of wages, Salaries, incentives, and the likes. Inadequate pay can have a negative impact on an organization and employees' performance

Skinner (1938) Bonus plans are variable pay plans. They have three classic objectives:

1. Adjust labor cost to financial results – the basic idea is to create a bonus plan where the company is paying more bonuses in 'good times' and less (or no) bonuses in 'bad times'. By having bonus plan budget adjusted according to financial results, the company's labor cost is automatically reduced when the company isn't doing so well, while good company performance drives higher bonuses to employees.
2. Drive employee performance – the basic idea is that if an employee knows that his/her bonus depends on the occurrence of a specific event (or paid according to performance, or if a certain goal is achieved), then the employee will do whatever he/she can to secure this event (or improve their performance, or achieve the desired goal). In other words, the bonus is creating an incentive to improve business performance (as defined through the bonus plan).
3. Employee retention – retention is not a primary objective of bonus plans, yet bonuses are thought to bring value with employee retention as well, for three reasons: a) a well designed bonus plan is paying more money to better performers; a competitor offering a competing job-offer to these top performers is likely to face a higher hurdle, given that these employees are already paid higher due to the bonus plan. b) if the bonus is paid annually, employee is less inclined to leave the company before bonus payout; often the reason for leaving (e.g. dispute with the manager, competing job offer) 'goes away' by the time the bonus is paid. the bonus plan 'buy' more time for the company to retain the employee. c) employees paid more are more satisfied with their job (all other things being equal) thus less inclined to leave their employer. The concept saying bonus plans can improve employee performance is based on the work of Skinner (1938), perhaps the most influential psychologist of the 20th century. Using the concept of Operant Conditioning, Skinner (1938) claimed that an organism (animal, human being) is shaping his/her voluntary behavior based on its extrinsic environmental consequences – i.e. reinforcement or punishment. The Conceptual Model is presented in Figure 1.



Figure 1.
Conceptual Model

From the above framework, the research hypotheses can be formulated as follows:

H1: There will be a positive relationship between compensation and motivation.

H2: There will be a positive relationship between motivation and performance.

H3: Motivation will mediate the effect of compensation on performance.

H4: There will be a positive relationship between compensation and performance.

3. METHODOLOGY

Four variables were analyzed in this study are: compensation, motivation, job satisfaction, and performance. Data were collected through a questionnaire compiled by using ratings (rating scale). Unit of the analysis in this study is the fast food Restaurant in Banten Province. Based on data from the company's research subject population scattered on the counter 24 with the number of employees 144 people. Participants in the studi a demographic section of the questionnaire wich include: gender, age, and education. Demographic data by gender: 69 percent were male and 31 percent are women. By education level: junior and senior high school is 99 percent, a bachelor degree 1 persen. Masa job less than one year 64 percent, 33 percent. Tenure 1- 3 years, and cook over 3 years of work by 3 percent.

4. RESULTS AND DISCUSSION

The data in this study using Structural Equation Modeling (SEM) based SMART Partial Least Square (PLS) versi2.0. SEM is an analytical tool that meruapakan combination of factor analysis and regression analysis. SEM Model consists of two models: the measurement models and structural models. The model is the relationship anantara receipt tural construct independent and dependent constructs, while the measurement is the relationship (loading value) between the indicator with the constructs (latent variables). An indicator is valid if the loading factor above 0.5 to construct the destination. Output SmartPLS2 for loading factors provide the following results:

Testing the validity of reflective indicators using the correlation between the scores of items with a score konstruknya. Measurements with reflective indicators indicate a change in an indicator in a construct if other indicators of the same construct are changed (or removed from the model). Table 1 shows that the loading factor gives a value above the recommended value that is equal to 0.5. The values are invalid loading factor (<0.5) are indicators of the performance construct namely: EF2 (0489) and EF6 (.480) and must be removed in the model.

Table 1. Result of Outer Loading

	Motivation	Performance	compensation
C1			0.822830
C2			0.694571
C3			0.737599
C4			0.746478
C5			0.844162
C6			0.691894
C7			0.708105
EF1		0.694418	
EF10		0.498582	
EF11		0.829924	
EF2		0.489301	
EF3		0.697574	
EF5		0.581268	
EF6		0.480305	
EF7		0.604897	
MV1	0.714911		
MV2	0.599907		
MV3	0.840195		
MV4	0.786419		
MV5	0.846772		
MV6	0.668392		
MV7	0.726201		
MV8	0.704846		

Means the indicators used in this study is only valid indicators meet the convergent validity.

Table 2. Cross Loading

Cross Loadings

	Motivation	Performance	compensation
C1	0.237521	0.190471	0.822830
C2	0.399184	0.292557	0.694571
C3	0.418394	0.171052	0.737599
C4	0.330451	0.167377	0.746478
C5	0.263003	0.200905	0.844162
C6	0.080179	0.217189	0.691894
C7	0.366652	0.283674	0.708105
EF1	-0.016857	0.694418	0.202541
EF10	-0.025128	0.498582	-0.013317
EF11	0.115928	0.829924	0.291468
EF2	-0.054757	0.489301	0.011496
EF3	-0.050863	0.697574	0.116396
EF5	0.095736	0.581268	0.210684
EF6	0.125035	0.480305	0.130059
EF7	0.092178	0.604897	0.154080
MV1	0.714911	0.050978	0.291753
MV2	0.599907	-0.012756	0.216196
MV3	0.840195	0.087262	0.349803
MV4	0.786419	0.075238	0.235785
MV5	0.846772	0.093676	0.371048
MV6	0.668392	0.002141	0.258356
MV7	0.726201	0.159110	0.452313
MV8	0.704846	0.005418	0.295047

An indicator declared invalid if it has the highest loading factor to construct the intended loading factor compared to other constructs. The above table shows that the loading factor for compensation indicator (C1 through C7) has a loading factor to construct higher compensation than to construct another. For example, loading factor C1 to the compensation amounted to 0.822830 higher than the loading factor to motivation (0.237521), performance (0.190471). It is also seen in other indicators. Thus, the latent contract predicts the indicator on the block they are better than the other indicators on the block. Another method to see the discriminant validity is to look at the value

of the square root of average variance extracted (AVE). Recommended value is above 0.5. Here are the values AVE in the study:

Table 3. Average Variance Exetracted (AVE)

AVE	AVE
Motivation	0.547914
Performance	0.385008
compensation	0.564786

AVE value for the variable performance is 0.385008 is smaller than 0.5 (recommended value) berrati performance variable is invalid.

Significant test of the indicators with each variable if the value of significance test above 1.96 as shown in the following Figure:

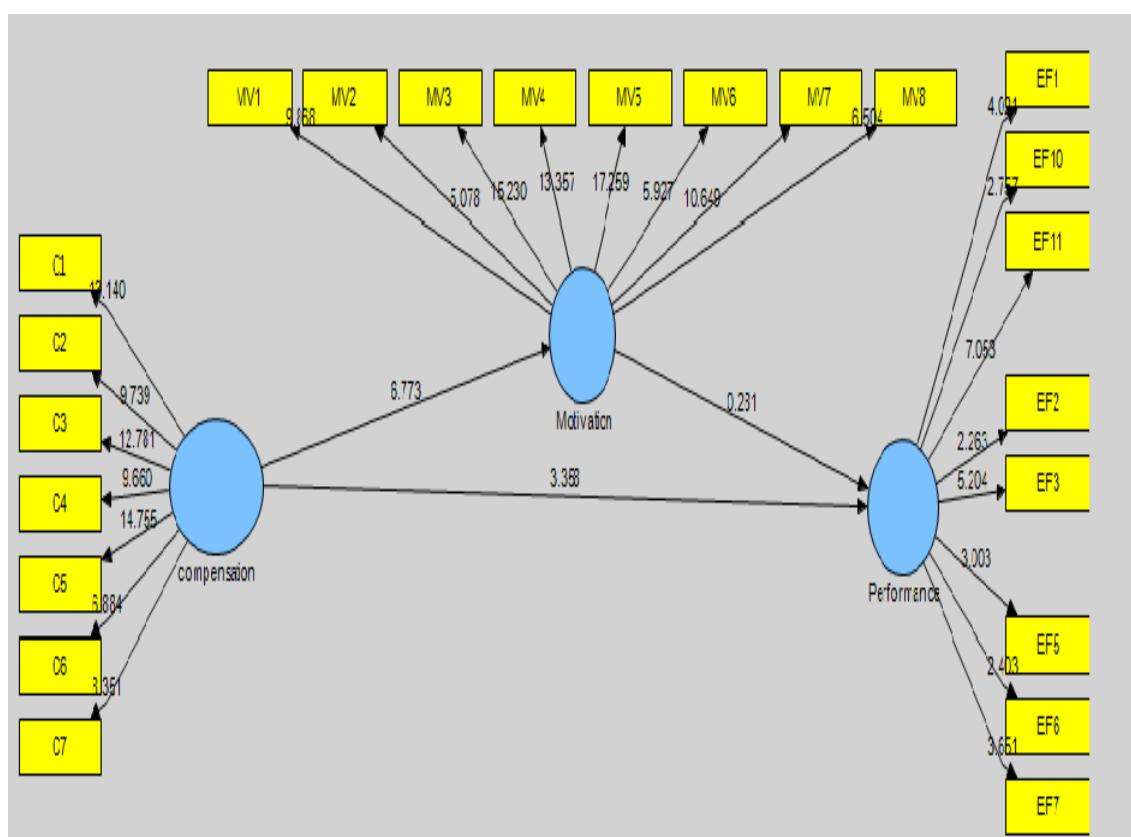


Figure 2. Significant Tests

All significant value test between the indicator with latent variables is greater than 1.96 means a significant influence on the indicator latent variables. Almost all indicators except indicators EF4, EF8, and EF9 no significant influence on the latent variable performance. This causes the indicator is removed from the model SEM. Significant test between latent variables such as: the relationship between compensataion the performance is 3:58 pengaruhnya mean significant compensasi to performance. The test results significantly between variables compensasi the motivation variable is 6773 means the two variables had a significant relationship. The test results significantly between the variables of motivation and performance is 0291 means the relationship between two variables is not significant.

Structural models to measure the relationship between latent variables in SEM to test the significance and value of the correlation between latent variables as shown in the following Figure:

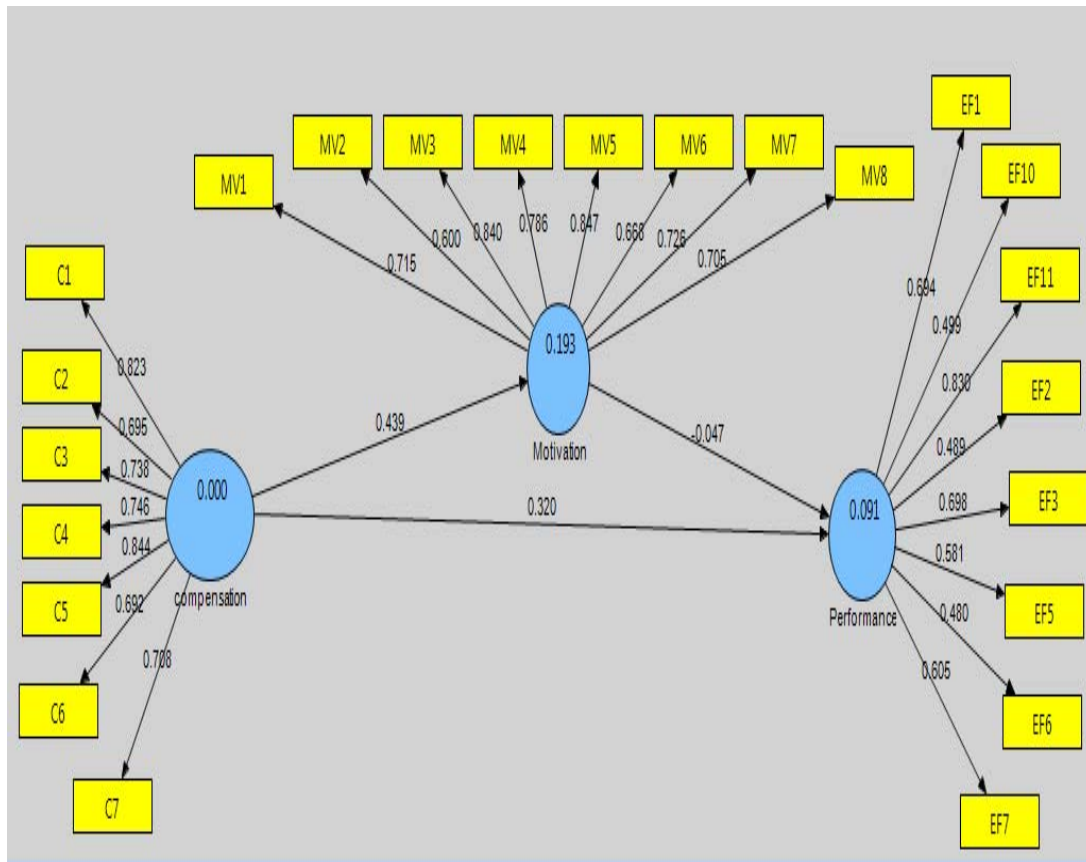


Figure 3.
Correlation Output

The correlation between the variable compensation with performance is 0.320 and significant. The correlation between compensation at 0:43 and motivation is significant. The different results on the correlation between motivation and performance is -0047 and insignificant, as in Figure 4.

Significant test results in Figure 3 in the structural models are as follows:

1. There is a positive and significant relationship between compensation with performance.
2. There is a positive and significant relationship between compensation and motivation.
3. Motivation can mediate the relationship between compensation and performance.
4. There is a positive and significant relationship between motivation and performance.

5. CONCLUSION

The purpose of the study is to look at the relationship between compensation, motivation, and satisfaction fast food restaurant employees in the Indonesian province of Banten. In addition, this study also explores the influence of selected indicators of each variable so that analysis and policy suggestions for more detail. The conclusions of hypotheses test are as follows:

1. There is a positive and significant relationship between compensation and employee motivation fast food restaurant in the Indonesian province of Banten. This means that if an increase in compensation for the increased employee motivation in the work to achieve organizational goals.
2. There is no significant relationship between employees' motivation and performance. Increased compensation increase employee motivation but increased motivation does not improve the performance of employees.
3. Increased compensation increase employee motivation but increased motivation does not improve the performance of employees, it means the motivation can not mediate the relationship between compensation and employee performance.
4. There is a positive and significant relationship between compensation with performance. Increased compensation will improve employee performance.

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