



# Optimizing Employee Performance: A Comprehensive Analysis of Work Motivation and Compensation in South Sumatra Organizations

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## ABSTRACT

*This research explores the nexus between work motivation, compensation, and employee performance in South Sumatra, emphasizing the imperative for organizations to strategically leverage human resources in a competitive landscape. The study aims to inform effective human resource management strategies by delving into financial incentives, career development, and recognition of achievements. Hypotheses posit that work motivation and compensation individually and jointly influence employee performance. Sampling in South Sumatra City from September to October 2022, the analysis, conducted using SPSS version 22, reveals a robust positive relationship between work motivation, compensation, and employee performance. Regression coefficients show low significance values, indicating a substantial impact. The linear regression model attributes approximately 33.5% of the variation in employee performance to work motivation and compensation. This research underscores the critical role of these factors in enhancing productivity, offering valuable insights for organizations to optimize performance. Recommendations include prioritizing work motivation and ensuring adequate compensation, acknowledging the study's limitations while providing guidance for comprehensive human resource management strategies.*

**Keywords:** *Work motivation, Job compensation, Employee performance, Human resource management*

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## 1. | INTRODUCTION

Companies often consider that an employee is an important asset in the company. Human resources (HR) include all people who work in the company, and have a very important role in achieving company goals (Samsuni, 2017). This is due to HR management to ensure that human resources in the company can work productively, efficiently and in accordance with the company's vision and mission. In supporting the achievement of these goals, it is appropriate for an organization to be able to carry out every job optimally so that what is expected by the organization is realized. Therefore, companies must realize that to produce maximum employee performance, productive employees are needed (Yandi & Havidz, 2022).

Every company will utilize its human resources in various ways to create maximum value to achieve a goal and for its stakeholders. In the context of management and development efforts in the company, of course, human resources will have a very important role in order to survive. (Utama, 2020). Based on a previous and inherent thought that human resources are the determining factor and the main element that can create a business opportunity, management must ensure that every human resource must get satisfaction and comfort at work to improve performance in the company. Motivation and compensation are two crucial aspects in understanding employee performance in various industrial contexts. (Winukasto et al., 2022).

Work motivation can be defined as an internal force that drives individuals to achieve goals and improve their productivity. (Trang & Lumintang, 2023). It involves psychological, social, and environmental factors that motivate employees to strive to achieve optimal results in their work. Meanwhile, compensation refers to the entire package of rewards, including salary, benefits, and other incentives, given to employees in recognition of their contributions and performance in the organization. Compensation is not only a financial recognition of good work, but it can also act as a powerful motivational instrument.

Motivation does not only come from financial factors alone. Non-financial factors such as recognition, career development and job satisfaction also play an important role in shaping

employee motivation. Therefore, effective management must integrate work motivation strategies and compensation systems in line to create a productive and fulfilling work environment. A holistic approach that takes into account employee needs and expectations can have a positive impact on human resource performance, creativity and retention. In delving deeper into work motivation and compensation, this research will explore how these two factors interact and influence employee performance in the context of modern organizations.

This research has significant relevance to the needs of modern organizations that increasingly focus on optimizing human resources to achieve strategic goals. In an era where business competition is intensifying, organizations need to understand that employee performance is one of the key elements in achieving competitive advantage. By deeply understanding how work motivation and compensation interact, organizations can design more effective human resource management strategies. This research can provide insights on how to create a work environment that encourages employees to make maximum contributions, not only financially but also through career development and recognition of their achievements.

## 2. | LITERATURE REVIEW

### Work Motivation

Arikunto (2021) defines work motivation as the drive that moves a person to do something and directs his behavior towards a certain goal. Work motivation, as the key to understanding employee behavior in a work environment, can be defined as a combination of intrinsic and extrinsic drives. Robbins and Judge (2019) assert that intrinsic motivation comes from personal satisfaction and interest in the job, while extrinsic motivation involves the influence of external factors, such as financial rewards or recognition. There is also Deci and Ryan's (2000) organismic theory framework, which emphasizes the importance of intrinsic motivation in achieving sustainable performance. Indicators of work motivation may include the level of employee engagement and job satisfaction. Robbins and Judge (2019) suggest that the level of employee engagement can be measured through a balance between intrinsic and extrinsic motivation, while

Spector (1997) provides a job satisfaction scale that can be used to measure this dimension.

### Work Compensation

Work compensation is any form of reward given to employees, either directly or indirectly, as a reward for the work they do (Sumantri et al. 2022). Compensation, as an internal part of human resource management, includes both financial and non-financial rewards provided to employees. Milkovich and Newman (2020) identified that financial compensation involves salary, bonuses, and benefits, while Lawler (2018) emphasized the importance of the match between compensation and performance. Indicators of compensation include fairness of reward distribution, linkage between compensation and performance, and flexibility in reward packages. Jawahar & Stone (2011) provides a scale of distribution fairness that can be used, and the fit between compensation and organizational values can be measured as an indicator of flexibility in rewards.

### Employee Performance

Employee performance includes an overall evaluation of the extent to which individuals or teams achieve the goals and standards set by the organization (Ahmed et al., 2013; Decramer et al., 2013; Saffar & Obeidat, 2020; Sitopu et al., 2021). Robbins and Judge (2019) highlight performance dimensions that include productivity, quality of work, innovation, and contribution to organizational goals. Evaluation of individual or team performance can involve regular appraisals

as well as the achievement of long-term targets. Employee performance indicators include achievement of individual or team goals, evaluation of work results, and contribution to organizational projects or initiatives (Amjad et al., 2021). Gallup, Inc. has developed the Gallup Q12, an employee performance evaluation tool that includes employee engagement and productivity factors. In addition, the level of employee engagement, as a performance indicator, can be measured through employees' level of participation and commitment to their work.

### Previous Research

Based on research by Sumantri et al. (2022), the physical work environment, leadership, work motivation, and compensation partially have a positive and significant effect on employee performance. Nurhayati's research (2022) shows that work motivation has a significant effect on the performance of accounting department employees. In contrast, financial compensation and organizational commitment have no significant effect on employee performance (Rizal et al., 2014). This shows that work motivation is the most important factor in determining employee performance. Trang & Lumintang (2023) found that *employee engagement*, compensation, and work motivation have a positive and significant influence on the performance of tourism sector employees at Hotel Aston Manado. The three factors are interrelated and mutually reinforce each other. Based on the literature review above, the framework in this study is set as in Figure 1.

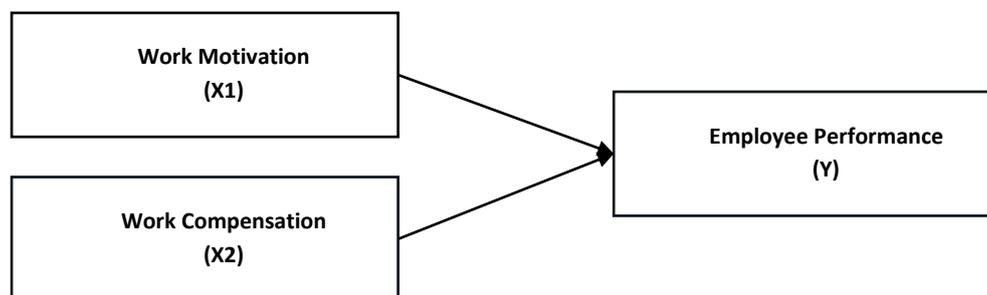


Figure 1. Framework of Thought

Based on the conceptual framework above, the research hypothesis is as follows:

*H1: Work motivation has an influence on employee performance.*

*H2: Compensation has an influence on employee performance.*

*H3: Work motivation and compensation have an influence on employee performance.*

### 3. | METHODS

This research adopts a quantitative approach based on the philosophy of positivism to explore in the context of a particular population or sample (Sugiyono, 2014). The research location involved several points in South Sumatra City, Banten, with sampling conducted from September to the end of October 2022. The purpose of this analysis is to test the hypotheses proposed in the study, using a statistical approach to provide more objective and measurable results regarding the relationship between workforce diversity and employee job satisfaction in South Sumatra.

Data is collected through research instruments, and statistical analysis is used to test hypotheses. This approach allows the researcher to adopt a more objective and quantitative viewpoint in understanding the phenomenon under study. The sampling method used was non-probability sampling, specifically by way of purposive sampling, which allows the researcher to select the sample in the most accessible or practical way. This study successfully collected data from 80 employees, and in the selection of respondents only employees located in South Sumatra were included in this study. The sample size was considered adequate and representative, providing an in-depth understanding of employee motivation, compensation, and performance in a specific business context.

### 4. | RESULTS

The 80 employee samples obtained reflect diversity in several dimensions. In terms of gender, the majority of respondents were male, about 52 people (65%), while female respondents amounted to about 28 people (35%). This analysis reflects the male dominance in the research sample. Mapping the age of the respondents resulted in a diverse distribution.

The age group of <25 years consisted of 15 people (18.75%), the age group of 25-35 years had 32 people (40%), the age group of 36-45 years totaled 20 people (25%), the age group of 46-55 years consisted of 7 people (8.75%), and the age group of >55 years had 6 people (7.5%). This analysis provides a diverse age picture among the respondents.

In terms of marital status, the majority of respondents were married, namely around 55 people (68.75%), while those who were single amounted to around 25 people (31.25%). In terms of education, respondents with a high school education amounted to about 42 people (52.5%), 18 people (22.5%) had a diploma, and 20 people (25%) had a bachelor's degree. This analysis illustrates the diverse education levels within the sample.

Finally, when viewed from the location of domicile, respondents who live in South Sumatra or Jakarta totaled 65 people (81.25%), with a significant dominance from South Sumatra at around 52 people (65%). This analysis shows a significant distribution of respondents based on their domicile location in the South Sumatra area. This respondent profile provides a comprehensive picture of the variety of characteristics within the research sample and will provide a strong basis for interpreting the results of further analysis related to work motivation, compensation and employee performance.

To measure validity, it can be done by comparing  $r$  count with  $r$  table where: If  $r$  count >  $r$  table, then the question item or indicator is declared valid. And if  $r$  count <  $r$  table, then the question item or indicator is declared invalid. To get the value of  $r$  table we can see the validation significance data which consists of 5% and 1%. In this study the authors used 5% validation. For 80 respondents the value of  $r$  table is 0.220 to get the value of  $r$  count we use the SPSS 25 application. The results of the validity of the question instrument can be seen in Table 1. Based on the results of the instrument validity trial where  $N = 80$  and  $r$ -table is 0.220, based on the analysis above, it shows that all question items can be used because  $r$  count is greater than  $r$  table so that it can be said to meet the validity requirements.

The provisions of the reliability test according to (Ghozali, 2015) are, if Cronbach's Alpha ( $\alpha$ ) > 0.60 then the question item is declared unreliable. And if Cronbach's Alpha ( $\alpha$ ) < 0.60 then the question item is declared reliable. Table 2 is the results of the calculation of instrument reliability.

**Table 1.** Instrument Validity Test

| Variable             | Item | r-count | r-table | Description |
|----------------------|------|---------|---------|-------------|
| Work Motivation      | 1    | 0.736   | 0.220   | Valid       |
|                      | 2    | 0.800   | 0.220   | Valid       |
|                      | 3    | 0.763   | 0.220   | Valid       |
|                      | 4    | 0.769   | 0.220   | Valid       |
|                      | 5    | 0.506   | 0.220   | Valid       |
| Work Compensation    | 1    | 0.537   | 0.220   | Valid       |
|                      | 2    | 0.308   | 0.220   | Valid       |
|                      | 3    | 0.690   | 0.220   | Valid       |
|                      | 4    | 0.701   | 0.220   | Valid       |
|                      | 5    | 0.785   | 0.220   | Valid       |
| Employee Performance | 1    | 0.360   | 0.220   | Valid       |
|                      | 2    | 0.721   | 0.220   | Valid       |
|                      | 3    | 0.804   | 0.220   | Valid       |
|                      | 4    | 0.898   | 0.220   | Valid       |
|                      | 5    | 0.807   | 0.220   | Valid       |

**Table 2.** Instrument Reliability Test

| Variables            | Cronbach's Alpha | Terms | Description |
|----------------------|------------------|-------|-------------|
| Work Motivation      | 0.749            | 0.60  | Reliable    |
| Work Compensation    | 0.676            | 0.60  | Reliable    |
| Employee Performance | 0.792            | 0.60  | Reliable    |

The results of testing the reliability of service satisfaction and customer loyalty respectively have an alpha coefficient value of 0.749, 0.676, and 0.792. So, it can be concluded that the test results are reliable, and each question item can be used because it has a Cronbach's Alpha value above 0.6.

The F test, or model reliability test, is the first step to assess whether a regression model is feasible or not. A feasible model is a model that can be relied upon to explain the effect of the independent variables on the dependent variable. If the probability value of F is smaller than the

error rate of 0.05, it indicates that the regression model is feasible, while a larger value indicates otherwise. The F test results can be found in the ANOVA table, especially in the last column which shows the probability value (sig.) (Table 3).

The calculated F probability value (sig.) in the table above is 0.003, which is smaller than the significance level of 0.05. Thus, it can be concluded that the estimated linear regression model is feasible to be used to explain the effect of motivation and compensation on employee performance.

**Table 3.** Model Reliability Test (F Test)

| Model |            | Sum of Squares | df | Mean Square | F     | Sig.              |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1     | Regression | 76.499         | 2  | 38.249      | 5.998 | .003 <sup>b</sup> |
|       | Residuals  | 491.051        | 77 | 6.377       |       |                   |
|       | Total      | 567.550        | 79 |             |       |                   |

*a. Dependent Variable: Employee Performance*

*b. Predictors: (Constant), Motivation, Compensation*

In the regression coefficient table, the value in the (Sig) column shows the statistical significance of each independent variable on the dependent variable. If the Sig. value is less than the predetermined error rate (alpha) (0.05), it indicates that the independent variable has a significant influence on the dependent variable (Table 4).

The test results show that Motivation has a Sig. value of 0.001, and Compensation has a Sig. value of 0.003. Both of these values are smaller than the error rate of 0.05. Therefore, it can be concluded that both Motivation and Compensation have a significant influence on Employee Performance. Thus, this result can be interpreted as a significant relationship between Motivation, Compensation,

and Employee Performance in this regression model.

The findings from the regression coefficient analysis support the research hypotheses. First, work motivation significantly has a positive effect on employee performance (H1). Second, Compensation also has a significant positive

influence on Employee Performance (H2). These results support the hypothesis that Work Motivation and Compensation, when combined, have a greater positive impact on Employee Performance than the influence of each factor individually (H3).

**Table 4.** Regression Coefficient Test (T Test)

| Model |              | Coefficients                |                           |      | Sig. |
|-------|--------------|-----------------------------|---------------------------|------|------|
|       |              | Unstandardized Coefficients | Standardized Coefficients |      |      |
|       |              | B                           | Std. Error                | Beta |      |
| 1     | (Constant)   | 7.390                       | 2.124                     |      | .001 |
|       | Motivation   | .157                        | .145                      | .140 | .001 |
|       | Compensation | .359                        | .171                      | .270 | .003 |

*a. Dependent Variable: Employee Performance*

The coefficient of determination illustrates the extent to which the variation that occurs in the dependent variable can be explained by the independent variables. In other words, the coefficient of determination can be interpreted as

the proportion of the total influence that comes from the independent variables on the dependent variable. Measurement of the coefficient of determination can be done through the RSquare value.

**Table 5.** Determination Coefficient Test

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .567 <sup>a</sup> | .335     | .312              | 2.125                      |

*a. Predictors: (Constant), Motivation, Compensation*

Based on the R-Square value of 0.335, it can be concluded that 33.5% of the variation in the Employee Performance variable can be explained by the influence of the Work Motivation and Work Compensation variables. This means that most of the variation in Employee Performance can be attributed to Work Motivation and Work Compensation, while the remaining 66.5% is influenced by other factors not included in the linear regression model.

## 5. | CONCLUSION

The results of this study indicate that work motivation and work compensation play crucial roles in determining employee performance. This finding is supported by the low significance values on the regression coefficients for both variables, signifying a strong positive relationship with employee performance. The utilization of a linear regression model underscores that approximately 33.5% of the variation in employee performance can be attributed to work motivation and work compensation.

This insight provides a profound understanding of the pivotal factors organizations should focus on to enhance employee productivity and contribution. Elevating Work Motivation and ensuring adequate work compensation are recommended strategies for achieving optimal performance levels. However, it is essential to acknowledge that there are additional factors influencing employee performance beyond the scope of this study.

In future research, the authors are encouraged to explore additional dimensions that could deepen the understanding of factors influencing employee performance. Incorporating specific variables relevant to a particular industry or organization can enhance the research's value. Furthermore, providing a more detailed explanation of factors outside the research framework will offer a comprehensive and holistic view of the complexity of employee performance.

Based on the research findings, companies can enhance human resource management by implementing more effective strategies in employee motivation and compensation.

Initiatives such as incentive or bonus programs, employee satisfaction surveys, and employee development can enhance team productivity. Flexibility in compensation and consideration of contextual factors, such as company culture, can foster a supportive and productive work environment. By integrating these suggestions, companies can achieve more optimal employee performance.

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