

THE EFFECT OF COMPENSATION ON EMPLOYEE PERFORMANCE WITH MOTIVATION AS AN INTERVENING VARIABLE CV. MILLENIA TOTAL SOLUTION PALEMBANG

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Abstract : The purpose of this study was to determine the effect of compensation on employee performance with motivation as an intervening variable at CV Millenia Total Solution Palembang. The results showed that the first simple regression analysis that compensation has a positive and significant effect on motivation, compensation has a positive and significant effect on performance. Based on the results of both simple regression analysis can be done with intervening so that it is known that the value of t count 5.396 t table 2.040 can be concluded that motivation is able to become an intervening variable with the calculation of standardized coefficients for the indirect effect of compensation on performance.

Keywords: Compensation, Performance and Motivation

INTRODUCTION

In the current era of globalization in the business world, companies are required to further improve employee performance in order to develop the company. Where the success of a company is influenced by several factors, one of which is an important factor is human resources, because human resources are behavior from all levels of planning to evaluation that is able to utilize other resources owned by an organization or company.

Compensation is also a reward given by employees, both direct and indirect, financial and non-financial, which is fair to employees for their contribution in achieving organizational goals, so that compensation is needed by the company as well as to improve employee performance. The forms of financial compensation are salaries, allowances, bonuses, and commissions.

Meanwhile, according to Marihot (2016: 93) performance is the result of work produced by employees or real behavior displayed in accordance with their role in the organization. Dealing with the performance of Veithzal Rival (2017: 85), confirms that performance is the real behavior that each person displays as a work achievement produced by employees in accordance with their role in the company.

CV. Mellenia Total Solusi Palembang is a private company engaged in the procurement of goods and general trading and is a business partner of PT Bank Sumsel Babel. To analyze realizing the importance of having quality human resources and having a high commitment to be able to encourage organizational performance which increasingly requires strong support in an effort to achieve its mission and goals. The following is a list of procurement of goods and services of CV. Mellenia Total Solution Palembang with PT Bank Sumsel Babel as follows:

Table 1
List of Recapitulation of Goods / Services Procurement
CV. Millennia Total Solusi with Bank Sumsel
2018-2022

No	work package	Activities
1.	Internet Access Services and Interconnection Network Redundancy Link	Internet and intranet management
2.	Internet Access Services and Interconnection Network main link	Internet and intrane managementt
3	Pengadaan Firewall dan Virtual Private Network (VPN)	Network and Data Center Management
4	Building Maintenance and Maintenance	Routine and periodic maintenance activities
5	Procurement of official cars and office operations	Activities to purchase and maintain operational and office cars
6	Procurement of office stationery	Routine activities for office needs
7	Expenditure on publication services package	Improved public information management
8	Expenditures for Publication Services Billboard Rental (Large)	Improved public information management
9	Rent Whatsapp Service	Application development and management
10	Managable Switch Procurement	Network and Data Center Management
11	Data Center Maintenance	Network and Data Center Management

Source : CV. Millenia Solusi Total Palembang 2022

Based on table 1 above, that there are many work projects obtained by CV. Mellenia Total Solution Palembang that must be completed so that it requires excellent employee performance. How important it is to improve employee performance, especially at CV. Mellenia Total Solution Palembang, but reality shows that employee performance at CV.Mellenia Total Solution Palembang tends to vary and not a few employees tend to be low-performing. Based on the results of preliminary observations, the author observed the performance of employees of CV. Mellenia Total Solution Palembang who were less motivated. This can be seen in the following table:

Tabel 2
Pre Survey
Lack of employee motivation
CV. Mellenia Total Solusi Palembang

No	Circumstances Occurring	Should be
1.	There are still employees who arrive late	Come on time at 08.00 WIB in accordance with what is set by the company.
2.	There are still employees who are not in place during working hours.	Always available at the workplace, when needed.

No	Circumstances Occurring	Should be
3	Lack of employee inspiration in creating work passion	Employees should have inspiration in completing the tasks assigned by the company.
4	Lack of employee loyalty to the company	Employees should have high loyalty to the company so that all work can be completed on time without delay..

Source: Author's pre-survey results on July 20 2023.

Apart from motivation as a factor that affects employee performance is compensation. Where the compensation provided by CV. Mellenia Total Solution Palembang is in the form of salaries, incentives. The following is a list of salaries for employees of CV. Mellenia Total Solution Palembang as follows:

Table 3
Staff's Salary CV. Mellenia Total Solusi Palembang
Period 2022

Position	Salary After Increase	Information
IT Support Officer	5.000.000	Compensation > UMK
Network Administrator	4.800.000	Compensation > UMK
Networking	4.500.000	Compensation > UMK
Technology & Systems Development Section	4.000.000	Compensation > UMK
Technology & Information Systems Operational Section	3.200.000	Compensation < UMK
Electrical Products Sales Department	3.000.000	Compensation < UMK

Source : CV. Mellinnia Total Solusi Palembang (2023)

Based on table 3 above, employee compensation provided by the company can be said to be inadequate because for some employees the wages received have not been able to meet the needs of family life. Besides, it is still below the Palembang City Minimum Wage for 2022 of 3,289,409-.

Based on the phenomena described, the authors are interested in conducting research and making the phenomenon of employee performance a research topic with the title "The Effect of Compensation on Employee Performance with Motivation as an Intervening Variable at CV. Millenia Total Solution Palembang".

THEORY REVIEW

Compensation

a. definition of compensation

According to Hasibuan (2017: 118) compensation is all income in the form of money, direct or indirect goods received by employees in return for services provided to the company. The purpose of providing compensation is as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline, and the influence of labor unions and government. According to Nawawi (2016: 96) compensation is

a reward or reward for workers who have contributed to realizing their goals, through activities called work.

b. Types of Compensation

c. Indikator Kompensasi

There are several types of compensation provided by companies to their employees. The following are the types either in financial or non-financial form (Garry Dessler, quoted by Lies Indriyatni, 2019: 97)

- a. Definition of direct compensation
Direct compensation means all kinds of rewards in the form of money, such as salaries, allowances, THR, bonuses, commissions, incentives, merit pay, company profit sharing, and stock options.
- b. The meaning of indirect compensation is as follows
Indirect compensation means, arguably, indirect type compensation can also be in the form of money, but not in cash, but the company provides it through a third party.
- c. Nonfinancial Compensation
This compensation is also compensation that is often given by companies. While non-financial is given to employees not in the form of money, but in a positive form that can be useful for employees.

Compensation is all income in the form of money, direct or indirect goods received by employees as compensation or remuneration for services provided to the company. The following are compensation indicators: Hasibuan (2017:124). Suggests the dimensions and indicators of compensation in general, namely:

1. Direct Compensation
 - a. Salary
 - b. Incentives
 - c. Bonus
 - d. Allowances
2. Indirect Compensation
 - a. Office Facilities
 - b. Health Insurance, Labor Insurance
 - c. Awards
 - d. Promotion
 - e. Training

Motivation

a. definition of motivation

According to Siagian (2015: 145) Motivation is a driving force that causes a person to be willing and willing to mobilize abilities in the form of expertise or skills of energy and time to carry out various activities that are his responsibility and adjust his obligations in order to achieve the goals of various predetermined goals..

b. Factors Affecting Motivation

According to Sutrisno (2015: 102) Motivation as a psychological in a person is influenced by several factors, both internal and external.

1. Internal factors (originating from within the employee) that affect the provision of motivation in a person, including:
 - a. The desire to be able to live
 - b. The desire to be able to have
 - c. The desire for recognition
 - d. Desire for recognition
 - e. The desire for power
2. External factors (originating from outside the employee) that can affect motivation include, among others:
 - b. A pleasant work environment
 - c. Adequate compensation
 - d. Good supervision
 - e. Job security
 - f. Status and responsibility
 - g. Flexible regulations

c. Motivation Indicators

According to Danang Sunyoto (2015: 13-17) there are seven indicators of motivation, namely:

1. Promotion
2. Work Achievement
3. The job itself
4. Reward
5. Responsibility
6. Recognition
7. Success at Work

Performance

a. Definition Of Performance

According to Mangkunegara (2015: 62) that employee performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given.

b. Performance appraisal

According to Desler (2013:87) there are five factors in popular performance appraisals, namely:

1. Worker performance which includes accuracy, thoroughness, skill and acceptance of output.
2. Quantity of work which includes, requiring advice, direction or improvement.
3. Discipline which includes, attendance, sanctions, paperwork, regulations, trustworthiness or reliability and punctuality.
4. Communication includes, relationships between employees and leaders and communication media.

c. Performance Indicators

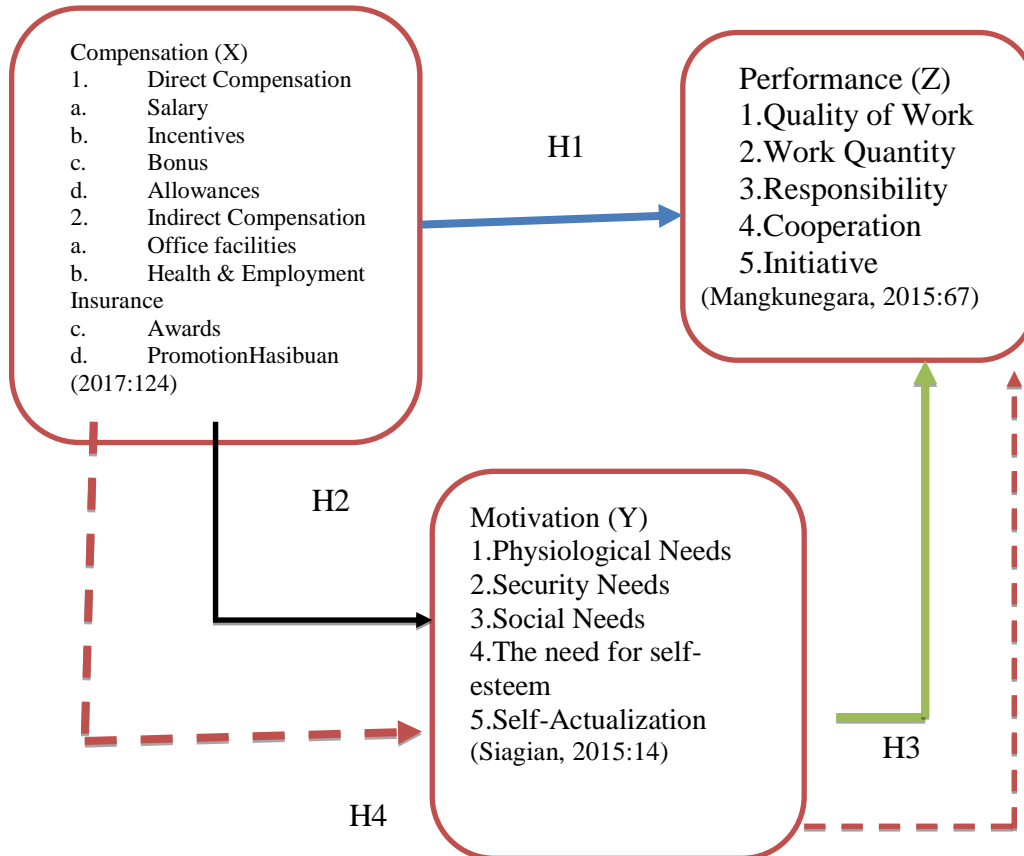
According to AA. Anwar Prabu Mangkunegara (2015: 67) employee performance can be assessed from :

1. Quality of work
2. Work quantity
3. Responsibility

4. Cooperation
5. Initiative

4. frame of mind

Figure 1: Frame Of Mind



RESEARCH METHODOLOGY

Scope

So that this research does not deviate from the problem, the researcher limits the problem of compensation to employee performance. through motivation as an intervening variable.

Research Design

This research method using an associative approach is research that aims to determine the effect or relationship between two or more variables. Through this research, it is expected to know the effect of compensation on employee performance with motivation as an intervening variable.

Types and Sources of Data

a. Type of Data

The type of data used in this study is quantitative data, namely data presented in the form of numbers resulting from tabulation of respondent questionnaire data.

b. Data Source

According to how it was obtained, this study used two types of data sources, namely:

1. Primary Data

Primary data is data obtained directly from CV employees. Millenia Total Solution Palembang by giving a questionnaire.

2. Secondary Data

Secondary data is data obtained through document studies both from companies, books, journals, magazines, and internet sites to support research.

Operational Definition and Variable Measurement Scale

Tabel 3
Definision Operational Variables

Variables	Definition	Indicator	Instrumen
Kompensasi (X)	All income in the form of money, direct or indirect goods received by employees in return for services rendered to the company or agency. (Hasibuan, 2017:118)	1. Salary 2. Incentives 3. Bonus 4. Benefits 5. Office facilities 6. Insurance 7. Promotion (Hasibuan, 2017:124)	1-2 3-4 5-6 7-8 9-10 11-12 13-14
Motivasi (Y)	The driving force that causes a person to be willing and willing to mobilize abilities in the form of expertise or skills of energy and time to carry out various activities that are his responsibility and fulfill his obligations in the context of achieving the objectives of various predetermined goals. (Siagian, 2015:145)	1. Physiological Needs 2. Security Needs 3. Social Needs 4. The need for self-esteem 5. Self-Actualization (Siagian, 2015:149)	1-2 3-4 5-6 7-8 9-10
performance (Z)	is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given. (Mangkunegara, 2015:62)	1. Quality of Work 2. Work Quantity 3. Responsibility 4. Cooperation Initiative (Mangkunegara, 2015:67)	1-2 3-4 5-6 7-8 9-10

Analysis Technique

Instrument Test

In this variable that is measured is the (independent) variable X, namely compensation, variable (intervening) Z, namely motivation and the dependent variable (bound), namely performance (Y). The research instrument requirements test tests validity and reliability.

a. Validity Test

The validity test is used to measure whether a questionnaire is valid or not. A questionnaire is declared valid if the questions on the questionnaire are able to reveal something that will be measured for the questionnaire (Ghozali, 2016: 67).

b. Reliability Test

Reliability test is a tool used to measure questionnaires which are indicators of variables or constructs. A questionnaire is said to be reliable or reliable if someone's answer to a statement is consistent or stable over time (Ghozali, 2016: 68).

Statistical Descriptive Analysis

Path Analysis

The equation model is:

a) $Y = PYX + e$ (equation 1)

b) $Z = PZX + PZY + e$ (equation 2)

Description:

Z = Motivation

Y = Performance

X = Compensation

PXY = Compensation Path Coefficient on Performance

PXZ = Compensation Path Coefficient on Motivation

PZY = Motivation Path Coefficient on Performance

e = Residual/Error error rate

$$t = \frac{r \sqrt{(n-2)}}{\sqrt{1-r^2}}$$

a. Coefficient of Determination (r^2 test)

The coefficient of determination essentially measures how far the model's ability to explain the variation in the independent variable to influence the dependent variable itself.

b. Partial Test

This partial test is carried out to see the extent of the influence of one independent variable individually in influencing or explaining the dependent variable. The formula is

RESEARCH RESULTS AND DISCUSSION

Data Instrument Test

a. Validation Test

Table 4
Compensation Validation Testing Results

No	Statement	r-hitung	r-tabel	Information
1	X1.1	.0,639	0,361	Valid
2	X1.2	.0,535	0,361	Valid
3	X1.3	.0,792	0,361	Valid
4	X1.4	0,569	0,361	Valid
5	X1.5	0.607	0,361	Valid
6	X1.6	0.662	0,361	Valid

No	Statement	r-hitung	r-tabel	Information
7	X1.7	.0.608	0,361	Valid
8	X1.8	0.651	0,361	Valid
9	X1.9	0.776	0,361	Valid
10	X1.10	.0.729	0,361	Valid
11	X1.11	0.651	0,361	Valid
12	X1.12	0.607	0,361	Valid
13	X1.13	0.662	0,361	Valid
14	X1.14	0.729	0,361	Valid

Source: Data Processing (2023)

Table 5
Motivation Validation Testing Results

No	Statement	r-hitung	r-tabel	Information
1	Z _{1.1}	0.772	0,361	Valid
2	Z _{1.2}	0.406	0,361	Valid
3	Z _{1.3}	0.690	0,361	Valid
4	Z _{1.4}	0.633	0,361	Valid
5	Z _{1.5}	0.813	0,361	Valid
6	Z _{1.6}	0.646	0,361	Valid
7	Z _{1.7}	0.706	0,361	Valid
8	Z _{1.8}	0.521	0,361	Valid
9	Z _{1.9}	0.694	0,361	Valid
10	Z _{1.10}	0.674	0,361	Valid

Source: Data Processing (2023)

Table 6
Compensation on Employee Validation Testing Results

No	Statement	r-hitung	r-tabel	Information
1	Y _{1.1}	0.549	0,361	Valid
2	Y _{1.2}	0.492	0,361	Valid
3	Y _{1.3}	0.797	0,361	Valid
4	Y _{1.4}	0.432	0,361	Valid
5	Y _{1.5}	0.719	0,361	Valid
6	Y _{1.6}	0.631	0,361	Valid
7	Y _{1.7}	0.500	0,361	Valid
8	Y _{1.8}	0.431	0,361	Valid
9	Y _{1.9}	0.763	0,361	Valid
10	Y _{1.10}	0.447	0,361	Valid

Source: Data Processing (2023)

b. Uji Realibilitas

Table 7
Reliability Testing Results

Variabel	Cranbach Alpha	Keternagan
Compensation	0,925	Reliable
Motivation	0,900	Reliable
Performance	0,862	Reliable

Source: Data Processing (2023)

Data Analysis Technique

Path Analysis

a. Regression Output X against Z

Table 8
Regression Test Result

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.904	4.486		5.106	.000
	Compensation	.296	.086	.533	3.452	.002

a. Dependent Variable: Employee Performance

The path value we get is $X = 0,296$

Based on this equation, it can be explained that:

The compensation variable (X) shows the path coefficient value or path coefficient of 0.296 where it is that compensation (X) has a direct effect on employee performance (Z) of 29.6. Then we look for the standard error:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.533 ^a	.284	.260	2.98894
a. Predictors: (Constant), Compensation				

By using the formula

$$e = \sqrt{1 - r^2}$$

$$e = \sqrt{1 - 0,284}$$

$$e = \sqrt{0,716}$$

$$e = \sqrt{0,92}$$

$$e = 0,959$$

So the regression equation: $X = 0,296 + 0,959 e$

b. Regression Output of X on Y

Table 9
Regression Testing Results

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	16.162	6.321		.001
	Compensation	.395	.121	.512	.003

a. Dependent Variable: Motivation

The path value we get is $X = 0,395$

The Compensation variable (X) shows the path coefficient value or path coefficient of 0.395 which means that compensation (X) has a direct effect on motivation (Y) of 0.395.

Then we look for the standard error:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.262	.238	4.21161
a. Predictors: (Constant), Compensation				

By using the formula

$$e = \sqrt{1 - r^2}$$

$$e = \sqrt{1 - 0,262}$$

$$e = \sqrt{0,738}$$

$$e = 0,8590$$

So the regression equation: $X = 0,395 + 0,8590 e$

c. Multiple Regression Output X and Z against

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.384	8.729		8.419	.000
	Compensation	.746	.144	.449	5.396	.000
	Employee Performance	.665	.260	.119	4.635	.001
a. Dependent Variable: Motivation						

The path value we get is $Y = 0,746 + 0.665$

The Compensation variable (X) shows a path coefficient value of 0.746 which means that compensation (X) has a direct effect on motivation (Y) of 0.746, then performance has a direct effect on motivation of 0.665. It is concluded that if compensation increases by 1%, it means that others increase by 0.665.

Then we look for the standard error:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.522 ^a	.472	.222	4.25415
a. Predictors: (Constant), Employee Performance, Compensation				

By using the formula

$$e = \sqrt{1 - r^2}$$

$$e = \sqrt{1 - 0,472}$$

$$e = \sqrt{0,528}$$

$$e = 0,7266$$

d. Individual Parameter Significance Testing (t-test)

1. Individual Parameter Significance Test (t-test) Sub 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.904	4.486		5.106	.000
	Compensation	.296	.086	.533	3.452	.002

a. Dependent Variable: Employee Performance

Based on the coefficient output above, it is obtained that the calculated t value is $3.452 > t$ table 2.040 and the significance value (sig.) is $0.002 < 0.05$ and $= 0.296$ is positive, this means that compensation (X) has a positive and significant effect on performance (Z).

2. Significant Individual Parameter Test (t-test) Sub 2

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.162	6.321		5.557	.001
	KOMPENSASI	.395	.121	.512	3.265	.003

a. Dependent Variable: Motivasi

Based on the coefficientst output above, it is obtained that the t value is 3, 265> t table 2.040 and the significance value (sig.) 0.002 <0.05 and $\beta = 0.395$ is positive, this means that compensation (X) has a positive and significant effect on motivation (Y).

3. Individual Parameter Significance Test (t-test) Sub 3

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.384	8.729		8.419	.000
	KOMPENSASI	.746	.144	.449	5.396	.000
	KINERJA	.665	.260	.119	4.635	.001

a. Dependent Variable: Motivation I

Based on the coefficients output above, it is obtained that:

- 1) The t value of 5,396> t table 2.040 and (sig.) 0.000> 0.05 and $\beta = 0.746$ is positive, and significant to the performance of motivation.
- 2) The tcount value of 4.635> t table 2.040 and (sig.) 0.01> 0.05 and $\beta = 0.6655$ is positive, this means that performance (X) has a positive and significant effect on motivation.

CONCLUDING REMARKS AND SUGGESTIONS

Conclusion

Based on the description of the results of the discussion, it can be concluded that:

1. Based on the results of the analysis, that compensation has a positive and significant effect on employee performance, then H1 is accepted.
2. Based on the results of the analysis, that compensation has a positive and significant effect on motivation, H2 is accepted.
3. Based on the results of the analysis, that motivation has a positive and significant effect on employee performance, H3 is accepted.
4. Based on the results of the total effect calculation, that Motivation mediates Compensation on employee performance, H4 is accepted.

Suggestions

1. In the compensation factor, it is still necessary to increase the amount of compensation given to employees, especially giving more attractive bonuses that are adjusted to employee overtime hours, so that employees will feel more satisfied at work and can be more motivated and can improve employee performance.
2. In the work motivation factor, there is still a need to improve the good relationship between leaders and employees, and leaders need to further encourage employee enthusiasm at work. Leaders need to often go down to establish communication with subordinates and guide employees to work properly, so that this will make

employees more motivated to work better because they feel supported by the leadership in carrying out their duties.

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