THE INFLUENCE OF COMPENSATION AND WORK ENVIRONMENT ON EMPLOYEE PERFORMANCE AT CV MORA SENTOSA EAST JAKARTA

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Abstract

Effective employee performance plays a pivotal role in an organization's success, directly shaping overall productivity and efficiency. This study delves into the connection between compensation, work environment, and employee performance within CV Mora Sentosa, located in East Jakarta. Quantitative research involving a sample of 40 participants was conducted. The findings highlight a significant and positive correlation between compensation and the work environment (T-Statistic = 81.909, p < 0.05). It is worth noting that while compensation alone does not exert a significant impact on employee performance (T-Statistic = 0.108, p > 0.05), a positive work environment does indeed wield a remarkable influence on employee performance (T-Statistic = 8.685, p < 0.05). This research underscores the pivotal role of cultivating a positive work environment to bolster employee performance. Such insights can serve as a guiding light for organizations aiming to deploy strategies that optimize both compensation and work environment variables. By doing so, organizations stand to enhance overall employee performance, thus fostering a path to greater organizational triumph.

Keywords: Compensation, Employee Environment, Employee Performance, Work Environment

1. INTRODUCTION

The current food industry competition in Indonesia promises new opportunities and challenges where a company's market segment can spread widely. Food industry companies are one of the business sectors that continues to grow. Along with the increasing population growth in Indonesia, the capacity of the need for food continues to increase as well. Many companies are competing to attract consumer attention from the competition with the aim of maintaining and improving the company's image. From time to time the business in the food sector has a tendency to increase, both in terms of quantity and quality. The fact is based on the fact that food is a basic human need. The manifestation of the growing business world is the increasing number of companies producing similar products.

The GDP of the food industry amounted to IDR 200.26 trillion in the second quarter of 2022. This amount increased by 3.68% from the same period last year of IDR 193.16 trillion. The following is a graph of the GDP of the food industry:

Figure 1. Graphic of GPD of the Food Industry
The Central Statistics Agency (Badan Pusat Statistik or BPS) reported that the Gross Domestic Product (GDP) at constant prices in the food industry amounted to IDR 200.26 trillion in the second quarter of 2022. This figure represents a 3.68% increase compared to the same period last year, which was IDR 193.16 trillion. Examining the trend, the performance of the food industry has shown a strengthening trend after experiencing a slowdown in the second quarter of 2020. This indicates that the food industry has recovered from the impact of the Covid-19 pandemic.

The food and beverage industry in Indonesia experienced a growth from 2020 to 2021, reaching IDR 775.1 trillion, a 2.54% increase. BPS reported that the Gross Domestic Product (GDP) of the national food and beverage industry at current prices was IDR 1.12 quadrillion in 2021. This value accounts for 38.05% of the non-oil and gas processing industry or 6.61% of the national GDP which reached IDR 16.97 quadrillion. Considering the rapid development of bakeries in Jakarta, it is essential to introduce innovative new products to enhance appeal, such as creating bakery products with unique variations. This also impacts the increase in human resources, production time, and the use of raw materials and knowledge in management. All of these efforts are aimed at meeting consumer needs and desires.

Human resources are of paramount importance and cannot be separated from any organization, whether it is an institution or a company. Human resources are also key determinants of a company's growth. Essentially, human resources consist of individuals employed within an organization who drive, think, and plan to achieve the organization's goals. According to Suntoyo in (Akbar, 2021), compensation refers to the total remuneration received by employees as a result of their work in the organization, in the form of monetary or non-monetary rewards. This includes salaries, bonuses, incentives, and other allowances such as health benefits, holiday allowances, meal allowances, leave allowances, and more.

One of the primary motivations for individuals to work is to earn income, also known as compensation, in addition to other goals. Those with skills and expertise often choose companies that offer desired compensation. However, some individuals may prioritize securing a job first, with compensation becoming a later consideration. For companies, providing fair compensation is a necessity. Policies related to employee compensation are crucial, particularly in fulfilling employees' rights for the services they provide. Adequate compensation can motivate employees and enhance their work performance and morale. Furthermore, proper compensation policies can minimize conflicts. Ultimately, providing fair compensation benefits employees, management, owners, and the government.

According to Robbins in (Hendra, 2020), the work environment encompasses elements that directly or indirectly influence an organization or company, impacting employee performance and satisfaction positively or negatively. The work environment that employees occupy is a factor that significantly influences their performance. The work environment is vital for every activity within a company. It directly relates to employees since it is where they complete tasks assigned by the company. A conducive environment requires appropriate arrangements of equipment and work tools, as well as a positive atmosphere among employees to facilitate efficient task completion.

A comfortable work environment is crucial for employees' consistent performance. The surroundings directly influence an employee's tasks, and a
comfortable environment can lead to quality work completed on time. A positive work environment enhances performance, while an inadequate one can lead to decreased performance and motivation. The work environment can affect employees' emotions, and those who enjoy their work environment tend to be more productive. Relationships among colleagues, superiors, and the physical workplace are all part of the work environment.

According to Kiruja and Mukuru in (Eka & Triaman, 2022), performance is an outcome or achievement by an individual. In this context, employee performance is defined as the achievements of employees based on their roles or positions within the workplace or organization. The company's profit and success largely depend on its resources, including both human resources and other assets like facilities and infrastructure. Human resources play a significant role in determining a business's profit and progress. Thus, human resources are crucial in achieving a company's objectives and profitability. It is no surprise that many companies consider human resources as their primary asset and rely heavily on their human capital. Performance appraisal is one of the functions within human resource management. After employees are hired, some immediately start working, while others undergo training. During their employment, employees' behavior and work results, or in other words, their performance, are assessed.

Therefore, the proposed research endeavor embarks on a journey to unravel the intricate interrelationships between Compensation, Work Environment, and Employee Performance within the organizational context of CV Mora Sentosa. By delving into these multifaceted dimensions, the study aims to contribute to the body of knowledge that informs effective human resource management practices. Ultimately, the research seeks to empower CV Mora Sentosa and similar organizations to create a thriving ecosystem where compensation and work environment synergistically cultivate exceptional employee performance, translating into sustainable organizational success.

2. LITERATURE REVIEW
2.1. Compensation

Compensation is a reward provided by a company to its employees, both in financial and non-financial forms. This means that the company will provide rewards to all employees involved. The rewards given represent the company's obligation for the efforts given to the company during work. Conversely, for employees, compensation is their right for the burden and responsibilities assigned to the company. So, for the company, compensation is an obligatory offering, while for employees, it is a right that must be received. The definition of compensation is as follows:

a. Compensation is all forms of payment or rewards flowing to employees and arising from their work (Lasman et al., 2020).

b. Compensation is everything that employees receive as a reward for their work (Askew et al., 2020).

c. Compensation is the overall arrangement of rewards for employees and managers, whether in the form of financial compensation or goods and services received by each individual employee (Allen, 2021).
Based on the explanation of the concept of compensation, in this study, compensation can be defined as an element of expenditure for a company, disbursed as a reward to employees for the sacrifice of resources (time, energy, and thought), as well as compensation (knowledge, skills, and abilities), which employees have dedicated during a specific period of time as an effort towards achieving organizational goals and received by employees as income, which is a part of the employment relationship.

According to Anwari cited in (Kurniawan & Satrya, 2020), there are several indicators, including:

- **Salary**, regular financial remuneration paid to employees, such as yearly, quarterly, monthly, or weekly, or it can also be referred to as a fixed payment received by an individual as a member of a company.
- **Bonus**, a direct reward paid to employees for exceeding set standards. Bonus is another form of direct compensation outside of fixed wages and salaries, commonly known as a pay-for-performance plan.
- **Allowances**, the provision of allowances to employees in the form of money or specific items. Allowances are given to permanent employees, such as holiday allowances, health insurance, and others.

### 2.2. Work Environment

The work environment within a company must be considered, as it directly influences employees. A good work environment can enhance employee performance. The work environment is considered good when employees can perform their tasks optimally, in a healthy, safe, and comfortable manner.

A conducive work environment provides a sense of security and allows employees to work optimally. If an employee enjoys their work environment, they will be content in their workplace, engage in their activities, and use work time effectively. Conversely, an inadequate work environment can lower employee performance.

According to Nitisemito cited in (Widyaningrum, 2019), the work environment encompasses everything around a worker that can influence their performance of assigned tasks, such as cleanliness, music, and more. Sudaryo cited in (Jufrizen & Rahmadhani, 2020) states that the work environment includes all tools, materials, the surrounding environment where a person works, work methods, and arrangements, both as an individual and as part of a group. Anorogo and Widiyanti cited in (Mulyah et al., 2020) define the work environment as everything around employees that can influence their performance of assigned tasks.

Based on the explanation of the concept of the work environment, in this study, the work environment can be defined as everything inside or outside the organization that can influence employee performance in carrying out their tasks and duties, both directly and indirectly. Indicators of the work environment, according to Nitisemito cited in (Kristin, 2021), include:

- **Working atmosphere**, the conditions surrounding employees while they are performing their tasks, which can influence task performance. The working atmosphere includes work facilities, tools, cleanliness, lighting, tranquillity, and work relationships among individuals present in that place.
b. Relationship with colleagues, harmonious relationships among colleagues without any intrigue among coworkers. Harmonious relationships among coworkers can influence an employee's decision to stay in an organization. Harmonious relationships and a sense of camaraderie are factors that can affect employee performance.

c. Availability of work facilities, referring to the equipment used to support smooth work operations. The availability of complete work facilities, even if not brand new, is a support system in the work process.

2.3. Performance

Performance is the quality and quantity of work done by employees, achieved based on the responsibilities assigned to them. An individual's ability is the first measure in improving performance, demonstrated by their work results. This means that a person's ability to perform their tasks determines their performance. Furthermore, this ability should be accompanied by responsibility towards their work. In theory, performance also needs to be supported by strong motivation to optimize the possessed capabilities.

Nurjaya et al. (2021) states that performance is the level of achievement of results in carrying out specific tasks. Company performance is the level of achievement of results in achieving company goals. Putri & Endiana (2020) defines performance as the results of an individual's or group's job functions within an organization over a specific period, reflecting how well an individual or group meets job requirements in the effort to achieve organizational goals. (Lilyana et al., 2021) state that performance is the work results achieved by completing tasks and responsibilities within a specific time frame.

Based on the explanation of the concept of performance, in this study, performance can be defined as the achievement or work results produced by the abilities of an individual or group in carrying out their tasks and responsibilities to realize the company's vision and mission.

According to Sugiono cited in (Sukiyah et al., 2021), there are several indicators of individual employee performance, including six indicators:

The definition of compensation is as follows:

a. Quality, measured by employees' perception of the quality of work produced and the perfection of tasks.

b. Quantity, referring to the quantity produced, expressed in terms of units, cycles of completed activities, and so on.

c. Timeliness, indicating the level of completing activities early, seen from the coordination with output results and maximizing available time for other activities.

3. RESEARCH METHOD

This study adopts a quantitative research approach, providing a structured framework for investigating the research inquiries. Through this methodology, data is systematically collected and analyzed in numerical form, facilitating the recognition of patterns, correlations, and trends within a defined domain. Employing a quantitative
lens allows for the exploration of intricate relationships and dynamics that characterize the subject matter under scrutiny.

At the heart of this research are the employees affiliated with CV Mora Sentosa, an established entity situated in East Jakarta. This group of organizational members constitutes the focal point around which the study's insights revolve. Embracing the diverse roles, viewpoints, and experiences within this workforce enriches the depth of the investigation.

To navigate the vast expanse of the employee population, a deliberate sampling technique known as Non-Probability Sampling is harnessed. This method deviates from random selection and instead follows a targeted path based on specific criteria. The selected sample consists of 40 participants, thoughtfully chosen to represent a cross-section of the various positions and functions existing within CV Mora Sentosa. This carefully curated sample endeavors to encapsulate the essence of the organization's workforce, enabling a comprehensive analysis.

Sugiyono (2019) characterizes Non-Probability Sampling as a departure from the concept of equal chances for all population elements to be selected. This technique encompasses diverse methodologies, including systematic sampling, quota sampling, accidental sampling, purposive sampling, saturation sampling, and snowball sampling. The intentional selection inherent in non-probability sampling aligns harmoniously with the study's ambition to capture nuanced insights and foster a holistic understanding of employee dynamics within the organization.

Recognizing the inherent strengths and limitations of this sampling approach is crucial. While non-probability sampling offers targeted and cost-efficient data collection, it also introduces the potential for bias. As a result, the study's findings, while enlightening and informative, should be interpreted within the context of this specific sampling strategy.

4. RESULTS AND DISCUSSION
4.1. Research Results
In this study, the Partial Least Squares (PLS) method is utilized. PLS is a variance-based analysis method that involves distributing questionnaires for data collection. The sample consists of employees from CV Mora Sentosa, located in East Jakarta. The process of distributing questionnaires involves direct interaction with the employees of CV Mora Sentosa, who willingly participate as respondents in this study.

In this analysis, data grouping activities based on identification, data management, data modeling, and data transformation are employed to extract essential information from the data under investigation. The data analysis method used by the researcher to describe the collected data is Structural Equation Modeling (SEM), utilizing SmartPLS 3.0 through a computer-based medium.

The testing stages of PLS analysis encompass two sub-models: the measurement model (Outer Model), including Convergent Validity, Discriminant Validity, Composite Reliability, and Cronbach’s Alpha; and the structural model (Inner Model), including R-Square, Estimates for Path Coefficients, and hypothesis testing.

Structural Equation Modeling (SEM) is employed. One of the advantages of this method is that it does not require assumptions and can be applied to a small sample size. The tool utilized for this purpose is a software program named SmartPLS Version
3, specifically designed for estimating correlations based on variance. The structural model presented in this study is depicted in Figure 2 below:

![Figure 2. Structural Model](image)

4.1.1. Evaluation of the Measurement Model (Outer Model)

a. Validity Test

![Figure 3. Outer Loading Value](image)

In accordance with Figure 3 above, the outer loading value is generated as in the table below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Outer Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation (X1)</td>
<td>X1.1</td>
<td>0.702</td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>0.746</td>
</tr>
</tbody>
</table>
Based on the results, the smallest value is 0.700 for the X2.1 indicator. This means that the indicators used in this study are valid or have met convergent validity.

Furthermore, reflective indicators also need to be tested for discriminant validity with cross loading as follows:

Table 2. Cross Loading Value

<table>
<thead>
<tr>
<th>Compensation (X1)</th>
<th>Work Environment (X2)</th>
<th>Loyalty (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1 0.702</td>
<td>0.574</td>
<td>0.605</td>
</tr>
<tr>
<td>X1.2 0.746</td>
<td>0.632</td>
<td>0.513</td>
</tr>
<tr>
<td>X1.3 0.743</td>
<td>0.588</td>
<td>0.468</td>
</tr>
<tr>
<td>X1.4 0.855</td>
<td>0.901</td>
<td>0.899</td>
</tr>
<tr>
<td>X1.5 0.854</td>
<td>0.921</td>
<td>0.924</td>
</tr>
<tr>
<td>X1.6 0.710</td>
<td>0.516</td>
<td>0.444</td>
</tr>
<tr>
<td>X2.1 0.760</td>
<td>0.700</td>
<td>0.577</td>
</tr>
<tr>
<td>X2.2 0.854</td>
<td>0.921</td>
<td>0.924</td>
</tr>
<tr>
<td>X2.3 0.806</td>
<td>0.850</td>
<td>0.886</td>
</tr>
<tr>
<td>X2.4 0.599</td>
<td>0.707</td>
<td>0.517</td>
</tr>
<tr>
<td>X2.5 0.788</td>
<td>0.869</td>
<td>0.920</td>
</tr>
<tr>
<td>X2.6 0.633</td>
<td>0.750</td>
<td>0.556</td>
</tr>
<tr>
<td>X2.7 0.855</td>
<td>0.901</td>
<td>0.899</td>
</tr>
<tr>
<td>Y1 0.788</td>
<td>0.869</td>
<td>0.920</td>
</tr>
<tr>
<td>Y2 0.667</td>
<td>0.715</td>
<td>0.831</td>
</tr>
<tr>
<td>Y3 0.806</td>
<td>0.850</td>
<td>0.886</td>
</tr>
<tr>
<td>Y4 0.855</td>
<td>0.901</td>
<td>0.899</td>
</tr>
</tbody>
</table>
The table above shows that the loading factor for construct X1 (X1.1, X1.2, X1.3, X1.4, X1.5, X1.6) has a higher X1 loading factor than with other constructs. As an illustration, the loading factor of X1.1 on X1 is 0.702 which is higher than the loading factor on X2 (0.574) and Y (0.605). Similar things can also be seen in other indicators.

Thus, latent contracts predict indicators in their block better than indicators in other blocks. Another method to see discriminant validity is to look at the square root value of average variance extracted (AVE). Testing the discriminant validity of a variable can be done by comparing the AVE value. If the AVE value is greater than 0.5, it can be concluded that the variable has good discriminant validity. The following is the AVE value in this study:

<table>
<thead>
<tr>
<th>Table 3. Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Variance Extracted (AVE)</td>
</tr>
<tr>
<td>X1</td>
</tr>
<tr>
<td>X2</td>
</tr>
<tr>
<td>Y</td>
</tr>
</tbody>
</table>

Based on table above shows that the resulting AVE value can be seen that the variables Compensation (X1), Work Environment (X2), and Employee Performance (Y) have an AVE value greater than 0.5. Then the above variables are declared valid.

b. Reliability Test

<table>
<thead>
<tr>
<th>Table 4. Composite Reliability Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Reliability</td>
</tr>
<tr>
<td>X1</td>
</tr>
<tr>
<td>X2</td>
</tr>
<tr>
<td>Y</td>
</tr>
</tbody>
</table>

The table above shows that the composite reliability value for all constructs is above 0.7, which indicates that all constructs in the estimated model meet the discriminant validity criteria. The lowest composite reliability value is 0.897 in the Compensation (X) construct. Reliability tests can also be strengthened with Cronbach Alpha where the SmartPLS Version 3 output provides the following results:

<table>
<thead>
<tr>
<th>Table 5. Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach Alpha</td>
</tr>
<tr>
<td>X1</td>
</tr>
<tr>
<td>X2</td>
</tr>
<tr>
<td>Y</td>
</tr>
</tbody>
</table>

Based on table above, it can be seen that the Cronbach alpha value of all research variables is> 0.6. These results indicate that each variable has met
Cronbach alpha so it can be concluded that all variables have a high level of reliability and the lowest value is 0.867 in variable X1 so that further analysis can be carried out by checking the goodness of fit model by evaluating the inner model.

4.1.2. Structural Model Testing (Inner Model)

After testing the outer model, the next step is to test the inner model. Inner model testing is carried out to see the relationship between constructs, significance values and R-Square of the research model. The evaluation of the PLS structural model begins by looking at the R-Square of each dependent latent variable from the R-Square estimate using PLS.

<table>
<thead>
<tr>
<th>Work Environment (X2)</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance (Y)</td>
<td>0.898</td>
<td>0.892</td>
</tr>
</tbody>
</table>

The table above provides an R-Square value of 0.866 for the Work Environment X2 construct, which means that Employee Performance is able to explain the Work Environment by 86.9%. The R value is also found at 0.892 which is influenced by Compensation and Work Environment, which is 89.2%. Hypothesis testing is as follows:

<table>
<thead>
<tr>
<th>Original Sample Mean (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T-Statistic (O/STDEV)</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation (X1) -&gt; Work Environment (X2)</td>
<td>0.932</td>
<td>0.936</td>
<td>0.011</td>
<td>81.909</td>
</tr>
</tbody>
</table>
4.2. Discussion

4.2.1. The Influence of Compensation on Work Environment

The table above indicates that the relationship between Compensation (X1) and Work Environment (X2) is significant, with a T-Statistic of 81.909 (> 1.96). The original sample estimate value is positive at 0.932, indicating a positive correlation between Compensation (X1) and Work Environment (X2). Therefore, the hypothesis H1 in this study, stating that Compensation (X1) has an influence on Work Environment (X2), is accepted.

4.2.2. The Influence of Compensation on Employee Performance

The table above shows that the relationship between Compensation (X1) and Employee Performance (Y) is not significant, with a T-Statistic of 0.108 (> 1.96). The original sample estimate value is positive at 0.013, indicating a positive correlation between Compensation (X1) and Employee Performance (Y). Thus, the hypothesis H1 in this study, suggesting that Compensation (X1) affects Employee Performance (Y), is accepted.

4.2.3. The Influence of Work Environment on Employee Performance

The table above demonstrates that the relationship between Work Environment (X2) and Employee Performance (Y) is significant, with a T-Statistic of 8.685 (> 1.96). The original sample estimate value is positive at 0.936, indicating a positive correlation between Work Environment (X2) and Employee Performance (Y). As a result, the hypothesis H3 in this study, proposing that Work Environment (X2) influences Employee Performance (Y), is accepted.

5. CONCLUSION

Based on the results of the Structural Equation Modeling (SEM) analysis and the discussions conducted in this study, several conclusions can be drawn. Firstly, the analysis results indicate that Compensation has a direct and significant positive influence on the Work Environment. Therefore, providing adequate compensation can positively affect the comfort within the work environment and stimulate employee morale. Furthermore, although not directly significant, the analysis also shows that Compensation has a positive influence on Employee Performance. In this regard, ensuring timely salary payments should be a part of the compensation management strategy.

On the other hand, data analysis suggests that the Work Environment has a direct and significant positive impact on Employee Performance. Consequently, creating a conducive and comfortable work environment will play a role in motivating employees to perform tasks according to established standards. Based on these findings, it is
recommended that CV Mora Sentosa Jakarta Timur prioritize effective communication and harmonious relationships among employees to foster an efficient and effective work environment. Such a supportive work environment will positively impact employee performance and contribute to overall company achievements.

REFERENCES

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