

**WORK MOTIVATION AS A CHANGING FACTOR IN THE
EFFECTS OF ORGANIZATIONAL CULTURE AND
COMPENSATION ON EMPLOYEE PERFORMANCE
(Case Study of Family Businesses in Indonesia)**

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Abstract

Human resources are essential assets for any organization, highlighting the crucial role of employee performance in achieving success. This study aims to investigate the impact of organizational culture and compensation on employee performance through work motivation at PT. XYZ, a multinational family business specializing in maintenance services and spare parts sales for conveyors, with operations in East and Central Java. Utilizing a quantitative approach, the research employs the Structural Equation Modeling-Partial Least Squares (SEM-PLS) technique via Smart-PLS 3.0 software. The study involved 95 respondents selected from a total of 125 employees through purposive sampling, with data collected via questionnaires distributed across five office locations in Gresik, Tuban, Paiton, Jepara, and Batang. Findings reveal that work motivation significantly mediates the relationship between organizational culture, compensation, and employee performance. The study contributes theoretically by demonstrating that work motivation is a crucial factor in enhancing employee performance through organizational culture and compensation, highlighting its role as a key variable in improving performance outcomes.

Keywords: *Organizational Culture, Compensation, Motivation, Employee Performance*

1. INTRODUCTION

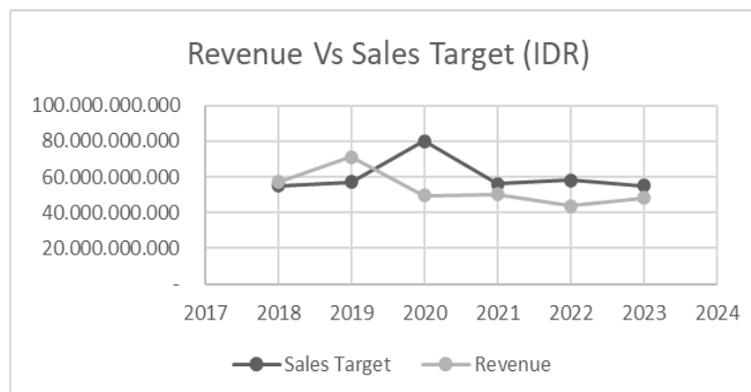
According to Robbins & Judge (2015) that human resources in an organization are the most important assets possessed by an organization. Human resources include individuals who work in organizations and play a significant part in accomplishing organizational goals. They bring skills, talents, energy, and creativity needed to carry out various functions and activities of the organization. Further, Robbins & Judge highlight good human resource management involves recruiting, selection, training, development, performance evaluation, and remuneration. All these aspects contribute to the success of the organization. Understanding individual behavior and group dynamics in organizations is essential to establishing a productive and harmonious work environment.

As a company engaged in Conveyor maintenance services, the company is required to always show good performance so that the maintenance and repairs carried out can provide maximum results. Support from employees in the field who have good performance is also very important. From the customer side, they will continue to assess the performance of their partners, while partners must also assess the performance of their employees to stay in accordance with the company's expectations and goals. In addition,

to get a conveyor maintenance and repair service work contract, it is mandatory to meet the technical quality requirements, competitive prices are also the main criteria. Good performance and competitive prices are the main requirements that partner companies must have. Internally, the company must keep employee performance good and continue to enhance.

Maintain staff performance, It is crucial that you focus on compensation, corporate culture, and work motivation. Effective compensation, which includes fair and competitive salaries, bonuses, and benefits, can increase employee satisfaction and motivation. A strong and positive corporate culture, with values such as open communication, teamwork, innovation, and rewarding achievement, creates a work environment that supports good performance. Work motivation, understood through concepts like Herzberg's Two-Factor Theory also Maslow's Hierarchy of Needs, encourages employees to achieve organizational goals by meeting their needs and providing recognition for their achievements. Managing these three aspects well helps companies maintain and improve employee performance, this contributes to the organization's long-term success (Robbins, 2015).

Internally in the business that is the subject of the investigation, the region has achieved the target of being the best region for 2 consecutive years. And from customers, almost every year some customers are awarded as the best company in the category of coal area maintenance and repair services.

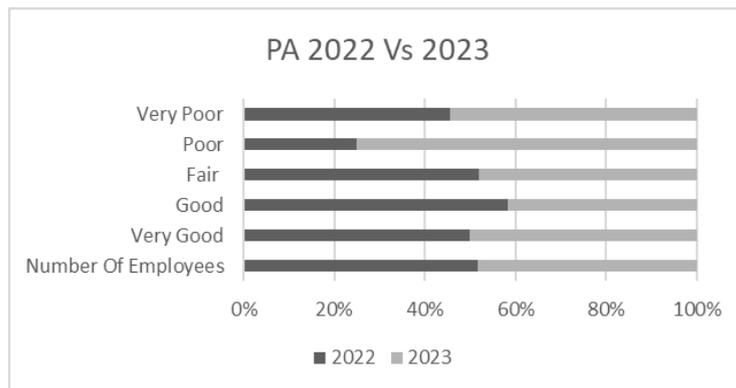


Source: HRD PT.XYZ East & Central Java

Figure 1. Chart of PT.XYZ Regional Performance (Target Vs Revenue)

From figure 1 shown that After 2021 there will be a decrease in revenue by the region, this must be anticipated in the future in order to increase revenue or improve regional performance. For the past three years, PT.XYZ East and Central Java Regions has never achieved the sales target that has been set.

The following is a Chart from PT.XYZ Employee Performance of Appraisal Level in 2022 and 2023.



Source: HRD PT.XYZ East & Central Java

Figure 2. Chart of PT.XYZ Employee Performance (2022 Vs 2023)

From the results of the annual appraisal of employees, as can be seen, the share of staff with "sufficient" appraisal criteria still dominates and tends to increase. Fluctuations in the entire quantity of employees reflect changes in the quantity of employment contracts obtained by PT.XYZ. Preliminary interviews revealed that employee complaints are mostly related to compensation, salary, work facilities, career opportunities and other things that are accumulated. In general, this indicates a decrease in motivation based on information obtained from interviews with respondents in different office locations. This situation must be immediately corrected and found a solution, considering that business competition today and in the future will be tighter and more intense.

2. LITERATURE REVIEW

2.1. Organizational Culture

Organizational culture is described as a shared set of values that sets an organization apart from others and is accepted by its members. This culture includes values, beliefs, assumptions, also norms that influence the actions and thought processes of members in the context of the organization. Robbins & Judge lists several fundamental elements of organizational culture, including creativity also risk-taking, paying close attention to the details, outcomes oriented, concern for employee well-being, teamwork, aggressiveness in achieving goals, and organizational stability. According to Robbins & Judge, a strong and positive organizational culture can improve employee performance and provide a competitive advantage to the organization.

2.2. Compensation

As stated by William et al (1996) that compensation includes all types of payment or rewards received by staff in return for the work they do. Compensation includes various types of rewards given to employees, including base salary, incentives, bonuses, allowances, and Non-financial incentives can take many forms. Werther and Davis explain that compensation encompasses both money and non-monetary rewards that can motivate employees and improve their performance also job satisfaction. They emphasize

how crucial of designing a fair also competitive compensation system to attract, retain, and motivate qualified employees.

2.3. Work Motivation

Robert Kreitner (2001) states that Motivation is described as a psychological process which generates, directs, also sustains goal-oriented behavior. Motivation is a key factor that influences the extent to which individuals are willing and strive to achieve certain goals. Kreitner and Kinicki emphasize that motivation involves the relationship between individual factors, the environment, also the task at hand, all of which can affect a person's level of energy, direction, and perseverance in achieving predetermined goals.

Motivation is defined as the psychological processes that give rise to, direct, and sustain goal-oriented behavior. Motivation is a key factor that influences the extent to which individuals are willing and strive to achieve specific goals. They emphasize that motivation involves relationship between individual factors, the environment, also the task at hand, all of which can affect a person's level of energy, direction, and perseverance in achieving a predetermined goal.

In the context of this research, which emphasizes the impact of corporate culture also compensation on staff performance improved by work motivation, this definition is very relevant. Work motivation serves in the capacity of a mediator that connects organizational culture also compensation with staff performance. The interaction between individual factors, such as personal values and beliefs, with the work environment shaped by organizational culture, as well as employees' perceptions of the compensation they receive, will affect their level of motivation. This motivation will then determine the extent to which employees strive and commit to achieving optimal performance.

2.4. Employee Performance

Robbins & Judge (2015) states that Employee performance is characterized as the job accomplished by an employee in carrying out the activities that are under his authority, which are measured based on certain standards or criteria. Employee performance includes several elements, including quantity and quality of output, timeliness in completing tasks, effectiveness in the use of resources, and contribution to organizational goals. Robbins and Judge emphasize that staff performance is influenced by several factors, including individual abilities, motivation, perceptions of work roles, and support from the work environment.

This term is extremely important to my investigation on the impact of corporate culture also pay based on the performance of employees via work motivation. Staff performance, which is the dependent variable in my investigation, depends not only on individual abilities and skills but is also strongly influenced by their level of motivation. Motivation, as described by Kreitner and Kinicki, is the psychological process that directs and sustains goal-oriented behavior, and this can be mediated by organizational culture and compensation.

A strong and positive organizational culture capable of creating a supportive job environment, increase employee motivation, and ultimately improve their performance. Conversely, fair and competitive compensation also plays a vital function in motivating employees to achieve better performance. When employees believe that they are valued

also rewarded appropriately, they are generally more motivated to work more effectively and efficiently, in accordance with organizational goals.

2.5. Relationship between organizational culture with work motivation

Organizational culture directly affects employee motivation. A positive and robust culture produces a helpful work environment, where people feel valued also supported in their jobs. This motivates employees to perform better and achieve organizational goals.

When the organizational culture aligns with employees' personal values, it increases their sense of belonging and attachment to the company. In addition, a culture that rewards and recognizes employees' achievements can increase their motivation, as they feel their efforts are recognized and rewarded.

Employee loyalty and dedication are also influenced by the organizational culture. When employees feel attached according to the principles and aims of the organization, they tend to be more motivated to make maximum contributions. Thus, Robbins et al. emphasize that a strong and positive organizational culture is a fundamental component in creating a work environment that motivates employees also encourages them to achieve the best performance. Work culture has a substantial effect on job motivation, as stated by study of Paais et al (2020), Syaiful Hamdani et al (2024), Maria (2019). From the previous research, the Hypothesis can be described as follows :

H1 : Organizational culture has a positive and significant effect on work motivation.

2.6. Relationship between organizational culture with employee performance

Charles Handy (1993) identifies organizational culture as the distinctive ways an organization operates and behaves, manifested through structures, symbols, and practices that are accepted and passed on over time and The definition of staff performance is the outcome of the way individuals or groups in the organization perform their tasks and achieve set goals. Handy emphasizes that performance depends not only on quantitative output, but also includes the quality of work, efficiency in the use of resources, and contribution to overall organizational goals. He also pointed out that performance can be altered by numerous things, including organizational culture, organizational structure, and the way the organization supports and motivates its members. This is in keeping with studies conducted by Regen (2021); Hidayat et al (2022); Fakhra (2014); Ana et al (2021); Putra et al (2021) Organizational culture significantly and favorably influences on staff performance. From the previous research, the Hypothesis can be described as follows :

H2 : Organizational culture has a positive and significant effect on employee performance.

2.7. Relationship between compensation with work motivation

Remuneration had a substantial influence on staff motivation. Compensation, which includes salary, benefits, bonuses, and other forms of rewards, is one of the main factors that motivate employees. Robbins et al. claim that when workers feel that the compensation they receive is fair and proportional to the effort they spend, their work motivation will increase.

Competitive compensation not only meets employees' financial needs but also provides recognition for their contribution to the organization. When compensation is

provided appropriately, it can reinforce a sense of fairness and satisfaction, which are important factors in motivating employees to work harder and more productively.

Instead, if employees feel that the compensation they receive is unfair or inadequate, this can demotivate them and reduce performance. Therefore, Robbins et al. emphasize the importance of a fair and competitive compensation system as a strategy for increasing motivation at work and, ultimately, the overall performance of the organization. Work motivation is strongly influenced by compensation in accordance with research from Hartati (2020), Aryo Widagdo et al (2020), Rosalia et al (2020); Maria (Maria, 2019). From the previous research, the Hypothesis can be described as follows:

H3 : Compensation has a positive and significant effect on work motivation.

2.8. Relationship between compensation relationship with employee performance

The importance of fair and competitive compensation in boosting worker performance. It includes salary, wages, incentives, bonuses, and other rewards, all aimed at increasing employee satisfaction and productivity while balancing compensation with employee expectations. This has been supported by research of Jufrizen et al (2021); Hameed et al (2014); Aftab et al (2012); Dessyderatna et al (2023) that staff performance improves significantly when they are compensated. From the previous research, the Hypothesis can be described as follows :

H4 : Compensation has a positive and significant effect on employee performance.

2.9. Relationship between work motivation with employee performance

According to Clayton P. Aldefer (1972) who put forward the ERG (Existence, Relatedness, Growth) motivation theory that work motivation can act as a mediator in The connection between the fulfillment of these needs (ERG) also employee performance. When existence, relatedness, and growth needs are met, employee work motivation will increase, which will then positively affect employee performance. Conversely, if these needs are not met, work motivation will decrease, which has the potential to reduce employee performance. This is also in line with research by Mutiaram et al (2021); Roshan (2023); Putra et al (2021); Djoko (2017) that claims that staff performance is favorably and dramatically influenced by job motivation as an intervening variable. From the previous research, the Hypothesis can be described as follows :

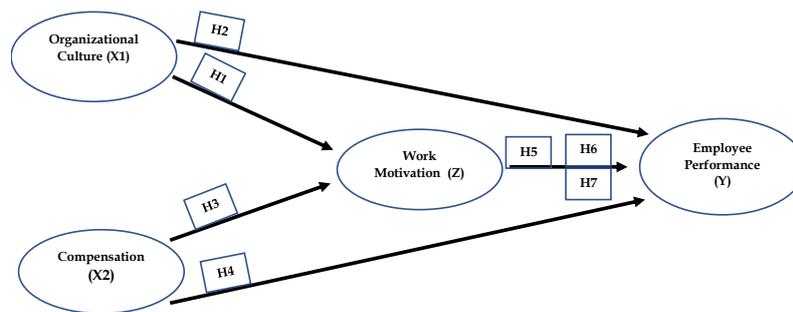
H5 : Work motivation has a positive and significant effect on employee performance.

H6 : Organizational culture has a positive and significant effect on employee performance through work motivation as an intervening variable.

H7 : Compensation has a positive and significant effect on employee performance through work motivation as an intervening variable.

3. RESEARCH METHODS

In this investigation employing quantitative research, quantitative research according to Hair et al (2019) is a strategy where the measurement is the main focus and analysis of the relationship between variables using numerical data. This approach aims to produce findings that can be measured objectively and interpreted using statistics.



Source: Researcher

Figure 3. Research of Design

The goal of this study is to discover the cause-and-effect relationship among independent variables (such as organizational culture also compensation) and the dependent variable (employee performance), with work motivation serving as a mediator. This approach is often used to test hypotheses using statistical methods to analyze data obtained through questionnaires or surveys Hair et al (2019). Where in this investigation using 4 variables, namely organizational culture, compensation, Work motivation also employee performance as the dependent variable, with 30 indicators. Population in this investigation is one of the PT.XYZ on the East and Central Java regions, totaling 125 employees spread across 5 branch offices in East and Central Java, namely the Gresik, Probolinggo, Tuban, Jepara and Batang branch offices. The sample was taken by purposive sampling method which included Non Probability Sampling Hair et al (Joseph F. Hair Jr., William C. Black & Barr y J. Babin, 2019), the total respondents obtained by the slovin formula and a 5 percent margin of error were 95 respondents spread across all branch offices (5 branch offices). Primary data was obtained by causing a questionnaire to 95 employees of PT.XYZ in East and Central Java regions online using google form. Structural Equation Modeling (SEM) using Partial Least Squares (PLS) analytical technique was employed, with Smartpls 3.0 software as the tool.

This study uses a structured questionnaire with statements, where the researcher provides answer choices so that the respondent only has to choose one response to the statement, with the arrangement in the google form that the respondent must choose the answer in order and fill in all statement items. Researchers used a Likert scale of 1-5 with sequential answer choices from "strongly disagree to strongly agree" to choose a response to the given statement Hair et al. (Joseph F. Hair Jr., William C. Black & Barr y J. Babin, 2019).

4. RESULTS AND DISCUSSION

4.1. Convergent Validity

The loading factor measures the power of the association among the indicator also the construct. A high loading factor (more than 0.7) suggests that the indicator has a strong impact on the measured construct. A low loading may indicate that the indicator does not fit the construct being measured Hair et al (Joseph F. Hair Jr., William C. Black & Barr y J. Babin, 2019).

Table 1. Test Results of Outer Loading

Variable	Item of Statements	Outer Loadings	Description
Organizational Culture	X1.1	0.785	Valid
	X1.2	0.798	Valid
	X1.3	0.797	Valid
	X1.4	0.736	Valid
	X1.5	0.759	Valid
	X1.6	0.753	Valid
	X1.7	0.762	Valid
Compensation	X2.1	0.857	Valid
	X2.2	0.818	Valid
	X2.3	0.866	Valid
	X2.4	0.797	Valid
Work Motivation	Z1.1	0.794	Valid
	Z1.2	0.813	Valid
	Z1.3	0.832	Valid
Employee Performance	Y1.1	0.872	Valid
	Y1.2	0.950	Valid
	Y1.3	0.925	Valid
	Y1.4	0.938	Valid
	Y1.5	0.850	Valid

From Table 1 above, it is clear that all stated items with a loading factor ≥ 0.70 indicate that the research instrument's assertions are valid also can be used as a measuring tool to examine the influence between variables because they have met their convergent validity.

4.2. Discriminant Validity

Research by Henseler et al (Henseler et al., 2015) proposed HTMT (Heterotrait-Monotrait Ratio of Correlations) as an alternative to assess discriminant validity, overcoming the limitations of previous discriminant validity methods such as Fornell-Larcker Criterion and cross-loadings. They showed that HTMT provides a more accurate and consistent evaluation of discriminant validity, especially in complex models. HTMT is the ratio between the average correlation among indicators measuring different constructs (heterotrait) and the average correlation among indicators measuring the same construct (monotrait). Some researchers, including Henseler et al. also provide a looser threshold value of less than 0.90 for HTMT, depending on the research context and model

complexity. This value is more flexible and acceptable in certain situations, especially when the constructs are more closely related but still significantly distinguishable.

Table 2. Test Results of HTMT (Heterotrait Monotrait Ratio)

Variable	Organizational Culture	Employee Performance	Compensation	Work Motivation
Organizational Culture				
Employee Performance	0,775			
Compensation	0,868	0,769		
Work Motivation	0,865	0,818	0,876	

Source : SmartPLS

From table 2, all variables in the study are ≤ 0.9 so that the latent variables in this investigation have good discriminant validity.

4.3. Reliability Test

Reliability measures the consistency of the measured constructs. In SEM-PLS, reliability can be assessed using Composite Reliability (CR) or Cronbach's Alpha. A CR or A Cronbach's Alpha score of above 0.7 denotes strong reliability. CR is more often used in SEM-PLS because it provides more accurate information about construct reliability than Cronbach's Alpha Hair et al (Joseph F. Hair Jr., William C. Black & Barry J. Babin, 2019).

Table 1. Test Results of Cronbach Alpha & Composite Reliability

Variable	Cronbach Alpha	Composite Reliability	Description
Organizational Culture	0.920	0.933	Reliable
Compensation	0.866	0.896	Reliable
Work Motivation	0.931	0.946	Reliable
Employee Performance	0.930	0.942	Reliable

Source : SmartPLS

It is evident from table 3 above that each variable has a Cronbach Alpha value of > 0.70 . Therefore, the statements in the research instrument are considered reliable also can be used as a measuring tool to analyze the influence between variables.

On table 3 above, as may be shown all variables' composite reliability values are ≥ 0.70 . Therefore, the reliability test results of the Cronbach alpha also composite

reliability values meet so that the statements in the research instrument are considered reliable also may be applied as a gauge to examine the relationship between factors.

4.4. Goodness of Fit (GoF)

4.4.1. Coefficient of Determination – R Square (R^2)

As stated to Hair et al (Joseph F. Hair Jr., William C. Black & Barr y J. Babin, 2019) and Chin (1998), R^2 shows the percentage of the variance of the dependent variable that the model's independent variables can account for. A higher R^2 value signifies that the model can explain more variance. There is no absolute limit to the R^2 value as the value considered good may vary depending on the context and type of research. An R^2 value ≥ 0.6 is considered adequate and indicates good model strength.

Table 2. Test Results of R Square

Variable	R Square (R^2)	R Square (R^2) adjusted
Work Motivation	0.723	0.717
Employee Performance	0.641	0.629

Source : SmartPLS

On Table 4 the measurement result (R^2 Adjusted) of Work motivation is largely explained by organizational culture and compensation, accounting for 71.7% of variance. However, additional factors, such as individual needs, personal conditions, and career development opportunities, account for 28.3% of variance, which were not examined in this research.

The measurement result (R^2 Adjusted) that organizational culture, remuneration, and job motivation account for 62.9% of variation in employee performance, while 37.1% may be driven by other variables like leadership, work environment, or employee engagement, which are not included in the research model.

4.4.2. Blindfolding - Q Square (Q^2)

Q^2 measures how effectively the model predicts the dependent variable measured using cross-validation techniques. It indicates the ability of the model for predicting data that was not used in the development of the model. A Q^2 score larger than zero indicates a model with good prediction ability. Q^2 values above zero imply a favorable prediction model, while values below zero indicate that the model does not have good predictive relevance.

Table 3. Test Results of Q Square

Variable	Q Square (Q^2)
Work Motivation	0.524
Employee Performance	0.408

Source : SmartPLS

The outcome of data processing Table 5, The research model effectively predicts work motivation, based on exogenous variables like organizational culture and compensation. The model's high predictive relevance is evident in the Q^2 value of 0.524, indicating its strong predictive performance in SEM-PLS.

The Q^2 value of 0.408 for the Employee Performance variable also provide that this model has a high Predictive Relevance. The research model effectively predicts employee performance based on variables such as work motivation, organizational culture, compensation, and performance. Despite being a complex variable, the model's high predictive power indicates its ability to accurately predict employee performance.

4.4.3. Collinearity Among Predictor Construct -VIF (Variance Inflation Factor)

VIF (Variance Inflation Factor) quantifies how much variability exists in the regression coefficient of the independent variable is inflated due to correlation with other independent variables. The higher the VIF value, the greater the multicollinearity problem that may exist. With a VIF value limit of <5 which means there is no significant multicollinearity problem (Joseph F. Hair Jr., William C. Black & Barr y J. Babin, 2019).

Table 4. Test Results of VIF (Variance Inflation Factor)

Variable	Organizational Culture	Employee Performance	Compensation	Work Motivation
Organizational Culture		3429		2602
Employee Performance				
Compensation		3243		2602
Work Motivation		3612		

Source : SmartPLS

Table 6 shows that all VIF values ≤ 5 indicate that there is no significant multicollinearity problem with these variables.

4.4.4. SRMR (Standardized Root Mean Square Residual)

Standardized Root Mean Square Residual (SRMR) is a measure of model fit, which gauges the degree to which the model conforms to the actual facts. $SRMR < 0.10$ the model has a very good fit.

Table 5. Test Result of SRMR (Standardized Root Mean Square Residual)

	Saturated Model	Estimated Model
SRMR	0.081	0.081

Source : SmartPLS

Table 7 shows that the research model is Fit or has a model fit. Based on the test results shown in table 5 to table 8 that the model already has a good model fit and prediction goodness.

4.4.5. Effect Size - F Square (F²)

In the context of SEM-PLS according to Hair et al., F² (F-square) is an effect size measure used to assess the relative impact of independent variables (predictors) on the dependent variable in the structural model. F² measures the change in R² when a predictor is removed from the model, thus indicating the relative contribution of that predictor. F² helps in understanding the The degree to which each independent variable affects the dependent variable individually, regardless of its significance, which can then be further validated through bootstrapping analysis.

Table 6. Test Results of F Square

Variable	Work Motivation	Employee Performance
Organizational Culture	0.318	0.044
Compensation	0.247	0.029
Work Motivation		0.149

Source : SmartPLS

Organizational Culture to Work Motivation is 0.318, the value of F² = 0.318 indicates a large effect. This means that Organizational Culture makes a significant contribution to Work Motivation. Organizational Culture has a strong influence in increasing Work Motivation.

Organizational Culture to Employee Performance is 0.044, F² value = 0.044 indicates a small effect. This means that Organizational Culture makes a relatively small contribution to Employee Performance. Although there is an influence, the contribution is not so strong.

Compensation to Work Motivation is 0.247, The value of F² = 0.247 indicates a moderate effect. This shows that Compensation has a significant contribution to Work Motivation. Compensation is quite important in influencing Work Motivation, but not as much as the influence of Organizational Culture.

Compensation to Employee Performance is 0.029, the value of F² = 0.029 indicates a very small effect. This means that Compensation has a minimal contribution to Employee Performance. Its influence on Employee Performance is not so meaningful in this context.

Work Motivation to Employee Performance is 0.149, the value of F² = 0.149 indicates a moderate effect. This means that Work Motivation makes a significant contribution to Employee Performance. Work Motivation is quite important in influencing Employee Performance, but its influence is not as great as Organizational Culture on Work Motivation.

Overall, this shows that Organizational Culture has the greatest influence on Work Motivation, while Compensation also Organizational Culture have a smaller influence on

Employee Performance. Work Motivation contributes more significantly to Staff Performance than the direct influence of Compensation and Organizational Culture.

4.4.6. Bootstrapping

In SEM-PLS, bootstrapping is a method for checking how precise and significant the model estimation outcome is. The method is to create many small groups of data from the original data, then calculate the model for each small group. The results of this calculation are used to assess how stable and significant the model parameters are. If the p-value of these results is smaller than a set limit (e.g. 0.05), then the parameters are considered significant. Bootstrapping provides a more accurate picture of the stability and significance of the model results.

Table 7. Test Results of Bootstrapping

Relationship Between Variable	Path Coefficient	T statistic	P Values	Descriptions
Organizational Culture On Work Motivation	0.479	4.803	0.000	H1 Accepted
Organizational Culture On Employee Performance	0.233	1.681	0.093	H2 Rejected
Compensation on Work Motivation	0.421	3.914	0.000	H3 Accepted
Compensation on Employee Performance	0.182	1.114	0.265	H4 Rejected
Work Motivation On Employee Performance	0.440	2.707	0.007	H5 Accepted
Organizational Culture on Employee Performance Through Work Motivation As an Intervening Variable	0.210	2.514	0.012	H6 Accepted
Compensation on Employee Performance Through Work Motivation As an Intervening Variable	0.185	2.059	0.040	H7 Accepted

Source : SmartPLS

From Table 9 that $P \text{ Values} \leq 0.05$ & $T \text{ Statistic} \geq 1.96$ = Effect is Significant.
 $P \text{ Values} \geq 0.05$ & $T \text{ Statistic} \leq 1.96$ = Effect is Not Significant.
 Path Coefficients = Value to Indicated Positive or Negative Effects.

Employee performance at PT. XYZ is significantly influenced by work motivation, organizational culture, and compensation. High motivation leads to better performance, increased job satisfaction, productivity, and work quality. XYZ, despite optimization efforts. Factors contributing to this lack of effect include family culture, pessimism towards professionalism, unclear communication and management policies, resistance to change, and reluctance to innovate or take risks.

Compensation plays a crucial role in enhancing work motivation at PT. XYZ. Fair and competitive compensation packages are key drivers of motivation, and when employees feel adequately compensated, their motivation levels increase, leading to better job performance. However, compensation at PT. XYZ does not significantly impact employee performance, suggesting that other factors, such as salary increases, pay differentials between cities and offices, the elimination of annual performance bonuses, and a decrease in sales commissions, have more significant impacts on performance.

Finally, it was proven that work motivation is a changing factor in the effect of organizational culture and compensation on employee performance. In the Future Enhancing work motivation, organizational culture, and compensation is essential for PT. XYZ's success.

5. CONCLUSION

Work motivation and organizational culture significantly Effect on employee performance. High levels of motivation lead to increased productivity, innovation, and commitment, ultimately improving overall job performance. A positive organizational culture fosters motivation, boosting performance. Compensation, although not directly linked to performance, significantly impacts work motivation, as employees who feel adequately compensated are more motivated, resulting in better performance outcomes.

The research suggestions that PT.XYZ management should focus on strategies to enhance work motivation, as it directly impacts employee performance. These include regularly reviewing and adjusting compensation packages, fostering a positive organizational culture, implementing motivation-boosting programs, and improving communication between management and employees. These strategies can help maintain high motivation levels and drive better performance. Additionally, involving regional representatives in decision-making processes can improve two-way communication between management and employees. By focusing on these areas, PT.XYZ can effectively leverage work motivation as a mediator, leading to improved organizational outcomes.

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