

THE FACTORS INFLUENCING THE EMPLOYEE PERFORMANCE IN PT HIKMAH SEJAHTERA SURABAYA

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ABSTRACT

In improving the employees' performance, a company needs to realize the commitment to the improvement for the employees prosperity, quality, and leadership style in which those factors are assumed to contribute to the greater interest of the company through employees' performance and achievements. PT. Hikmah Sejahtera Surabaya is a multi-business company suffering from the performance decline almost in every business unit the company owns. Due to such a condition, this research aimed to acknowledge in-depth analysis on the influence of Compensation, Motivation, and Leadership style towards the employee performance in PT. Hikmah Sejahtera Surabaya. It uses the population consisting of the entire employees working in the company that are included as the research sample. This research employed Census sampling method and SEM (Structural Equation Modeling) as its data analysis technique. The analyses led to conclusions that leadership does not influence motivation, compensation does not influence performance, and as well as the leadership. Meanwhile, compensation has significant-positive influence towards motivation and motivation has significant-positive influence towards performance. Therefore, management should pay greater concern particularly on the employees' compensation policy (bonuses and benefits), thus engaging them to be highly motivated as well as to be willingly responsible and in-charge for achievement efforts.

Key words: compensation, motivation, leadership, employee.

INTRODUCTION

The fast and growing advancement of science and technology has brought about significant transformation into human lives. This caused them demand that individuals must improve their performances. It also required the corporation, either manufacturing, services or else, to compete on the market by improving their performance through product quality. Such circumstances demand quick responses from management upon the needs and wants of their employees. Otherwise, it may cause the company to lose the competition. This awareness allows the company (in this term, the top leaders) to pay attention to such circumstances that good working environment will motivate their employees to perform better. Besides

that, by having the employees appreciated and assured of their needs, the stability of the company, as well as between company and employee performance, will improve continuously. Thus, this will also help the company to implement corporate strategies so as to achieve the best performance and win the competition.

In this case, compensation is defined as what employees receive in return of their contribution to their work towards the organization (Simamora, 2004). It determines their rise-and-fall in work achievement, satisfaction, and motivation (Martoyo, 2000). It is said that failing to fulfill compensation, either by fairness, nominal value or punctuality judgment, will result in demotivation and eventually the performance of

an individual.

Next is that the factor of leadership. According to Hill and Carroll, (Wahyuddin and Djumino, 2002), leadership is defined as the ability to encourage people, two or more individuals, to work together cooperatively towards specified common goals. Furthermore, the success of a company, as in overall or among the components of the organization, relies on leadership quality (Siagian, in Wahyuddin and Djumino, 2002). Based on such argument, bad leadership such as lack of communication skill, lack of firmness as well as the presence of subjectivity will demotivate and bring down the performance of employees.

If demotivation and performance decline occur in majority number of employees within an organization, it will certainly affect the overall company performance to fall. For example, previous studies by M. Wahyuddin and Djumino (2002), Istingsih (2006), Risamasu (2007), and Supartha (2007), proved that leadership had positive influence towards performance. In connection with this, Aritonang (2005) came to a conclusion that compensation had positive influence towards performance as well. Ngadimin and M. Wahyuddin (2005) found the positive relationship between compensation and motivation. Furthermore, in her study, Istingsih (2006) found that leadership had positive influence towards motivation. Wahyuddin and Djumino (2002) when they concluded that motivation had positive influence on performance.

It is stated that performance improvement in a company is inseparably achieved through quality improvement and human resources management. In this effort, a company should deliver commitment onto the development of human resources it owns. However, human resources were often mismanaged as evidenced lately that they tend to be unsatisfied with their working environment and return fees that they received. Protest strikes and demonstrations had provided the example of the real problem. Therefore, given the introduction, it is nec-

essary for the author to conduct further research on the Influence of Compensation, Motivation and Leadership towards Employee Performance.

THEORETICAL FRAMEWORK AND HYPOTHESIS

According to Flippo (in Handoko, 2001), human resource management involves planning, organizing, directing and controlling/supervising upon the activities of procurement, development, compensation, integration, maintenance, and release of human resources; in order to accomplish various individual goals, organization goals, and society goals. Furthermore, Gibson et. al. (1996) explained human resources management as a process to achieve organization goals by acquiring, maintaining, suspending, developing and utilizing human resources available in an organization. Achieving goals is the most essential objectives of a management, or else an organization would perish.

Compensation

As a traditional function, human resource management regulates compensation for employees. According to T. Hani Handoko (2001), compensation is any kind of return employee receives in trade for their work. On the other hand, Simamora (2004) explain compensation as what employees receive in return for their contribution of work towards the organization.

Leadership

In principle, not a single organization can survive without the role of a leader. Therefore, leadership is an absolute requirement within an organization in order to run well. For example, Hersey and Blanchard (in Supartha, 2007) described leadership as a process of influencing individual and/or group of people in order to achieve goals. Likewise, Hill and Carroll (in Wahyuddin and Djumino, 2002) defined leadership as the ability to encourage people, which are two or more individuals, to work together

cooperatively towards specified common goals.

Motivation

Motivation is derived from a Latin word “*movere*” which means ‘move’. In this context, motivation is defined as the psychological processes of requesting, directing, and deciding to act voluntarily upon achieving goals (Kreitner and Kinicki, 2003). In addition, Mathis and Jackson (2001), motivation is the desire within an individual which provokes him to do certain acts; as everyone tends to act in struggle to achieve certain goals. Thus, motivation concerns the psychological processes of requesting, directing, and deciding to act voluntarily in the form of the desire within an individual provoking him to certain acts to achieve the goals.

Performance

Performance refers to a degree or measurement of achievements upon employee's tasks or work results (Simamora, 2004). Furthermore, Mangkunegara (2005) defined performance as work achievements measured by its quality and quantity of the responsibilities given to them. Also, performance is results or outputs of individual/group work or activity influenced by many factors in order to achieve common goals within certain period of time in an organization (Tika, 2006). Therefore, it is related to a work of achievement or results or outputs of individuals or group to achieve goals within a period of time in an organization.

Compensation-Motivation Relationship

In general, adequate pay-off upon expected performance will increase individual working motivation. And vice versa, inadequate or even absence of such pay-off will demotivates individual working behavior. Handoko (2001) described compensation as a way to improve work achievement, motivation and employee leadership. Likewise, Simamora (2004) stated that organization uses compensation to motivate their em-

ployee. Furthermore, in their research, Ngadimin and M. Wahyuddin (2005) found that compensation significantly influence towards motivation.

Compensation-Performance Relationship

Performance of individuals will depend on what they believe they will receive in return for their work and achievements. Thus, decline in performance might have been caused by inadequate, ineffective of fulfillment, or unfair compensation policy.

Handoko (2001) described compensation as a way to improve work achievement, motivation and employee leadership. Meanwhile, according to Mathis and Jackson (2001), compensation must serve both interests between corporate operational effectiveness and adequate pay-off for their skills, knowledge and their performance achievement as well. In favor of this, Keke T Arintonang (2005) and Risamasu (2007) found positive and significant influence towards performance.

Leadership-Motivation Relationship

It is argued that motivating employees is an essential task that a leader shall perform. By doing so, it is expected that the employees are able to meet corporate expectations. In relation to such argument, Kartono (2004) stated that leadership functions as to direct, to lead, to guide, to build and to deliver work motivation; as well as to run the organization, to establish good network communication, to provide effective supervision and to herd its followers towards goals in a timely and according-to-plan sort of way. Safaria (2004) also argued that motivation is what successful leaders must deliver to their employees for controlling, directing and guiding human resources and the organization as a whole. A study by Istiningsih (2006) proved there is a positive and significant relationship between leadership and motivation.

Leadership-Performance Relationship

Ideal leaders are those who are capable of

having their subordinates' performance improved, so that through the accumulation of individual performance, overall organization performance can also be improved. Siagian (1999) – in Wahyuddin and Djumino (2002) – argued that the success of a company, as in overall or among the components of the organization, relies on leadership quality. Thus, leadership quality plays a major role in determining the success of organization in performing their operational activities to which employee performance will also contribute to organization accumulatively. It is stated that there is significant influence of leadership towards performance.

Motivation-Performance Relationship

Highly motivated personnel will produce high performance or vice versa. A company seeks personnel with skills, motivation, and individual to support whom the company can expect best performance from (Mathis and Jackson, 2001). Researches conducted by Wahyuddin-and-Djumino (2002) and Risamasu (2007), both proved the result that motivation had significant influence towards performance.

CONCEPTUAL FRAMEWORK CHART

The conceptual framework chart is shown in Figure 1.

Hypotheses

1. Compensation has positive influence

towards employee motivation

2. Leadership has positive influence towards employee motivation
3. Compensation has positive influence towards employee performance
4. Leadership has positive influence towards employee performance
5. Motivation has positive influence towards employee performance

RESEARCH METHOD

Operational definition for each variable is necessary to comprehend with the purpose of this research. Listed below are the definitions for each variable used in this research.

Compensation (X_1)

Compensation is any kind of return employee receives in trade for their work (Handoko, 2001). Following the definition, Arfah and Anshori (2005) proposed the indicators of compensation as listed below.

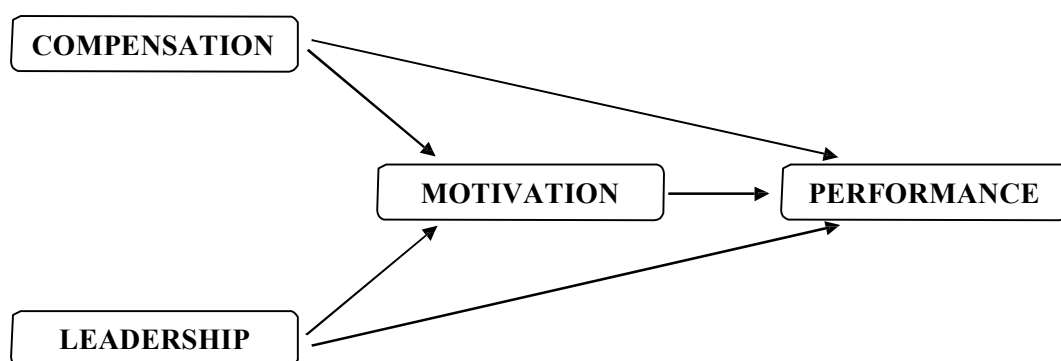
- a. Salary Suitability ($X_{1.1}$)

It concerns with the suitability of payment upon work services at certain period of time and with certain measurement.

- b. Bonus Suitability ($X_{1.2}$)

It concerns with the suitability of additional payment/bonus as stimulus for employees performing beyond company expectation. Thus, bonus would motivate employees to accomplish higher achievements.

Figure 1
Conceptual Framework Chart



c. Benefit Suitability ($X_{1.3}$)

It concerns with the suitability of additional payment as benefit to their length of service in the company, their current position or whatever condition based on regulations applied in the organization.

Leadership (X_2)

Hersey and Blanchard (in Supartha, 2007) described leadership as a process of influencing individual and/or group of people in order to achieve common goals. According to Martoyo (2000), the indicators of leadership variables are as follows:

a. Analytical Skill ($X_{2.1}$)

This skill enables individuals to be capable of analyzing faced situation with conscientious and steady way which mostly characterize a successful leader.

b. Communication Skill ($X_{2.2}$)

In giving orders, directions, guidance and advices a leader must comprehend the application of communication technique.

c. Courage ($X_{2.3}$)

Higher position in the organization require individuals especially leaders to show greater courage in discretion of the tasks or job description given to them.

d. Firmness ($X_{2.4}$)

It is necessary for leaders to act decisively firm when dealing with their subordinates or during circumstances of uncertainties.

Motivation (Y_1)

Simamora (2004) defined motivation as psychological force that drives an individual to act towards certain goals. According to McClelland in Robbins (2002), motivation has the following indicators:

a. The need for achievement ($Y_{1.1}$)

A certain force to become eminent, to be able to defeat or win over faced challenges.

b. The need for power ($Y_{1.2}$)

It concerns with promotion opportunities which allow the employee to hold greater authorities and responsibilities.

c. The need for affiliation ($Y_{1.3}$)

It concerns with the need of employees to socialize one another.

Performance (Y_2)

Performance is results or outputs of individual/group work or activities influenced by many factors in order to achieve common goals within certain period of time in an organization (Tika, 2006). The indicators of performance according to Dharma (2003) are as follows:

a. Quantity ($Y_{2.1}$)

It refers to the certain amount of output employees must produce from their work.

b. Quality ($Y_{2.1}$)

It refers to the worth value of the output employees must produce.

c. Punctuality ($Y_{2.3}$)

It is related to suitability of time between work planning and what employees has achieved or produced.

Upon those variables and indicators, this study uses interval measurement scale by employing Likert scale as its tool, with score value from 1 (one) to 7 (seven).

Research Population and Sample

Population is combination of whole elements of events, things or people with relatively similar characteristic one to another which subject to the research being conducted (Ferdinand, 2006). The sample taken is the entire employees of *PT. Hikmah Sejahtera Surabaya* by using census sampling method. The sample consists of 107 individual employees in total. All population number was taken sample as they had fulfilled sampling requirements of this research.

DATA ANALYSIS AND DISCUSSION

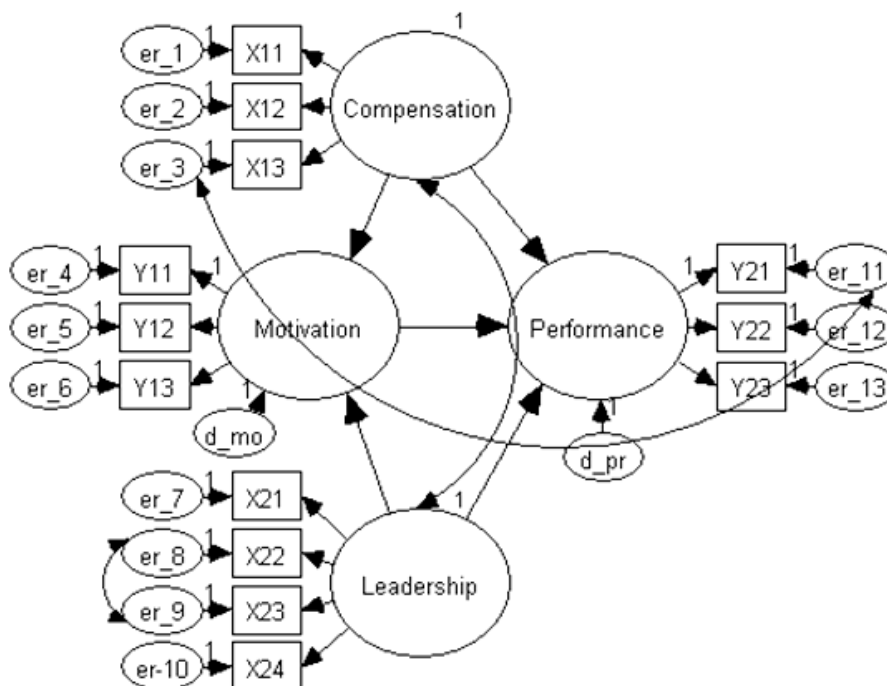
Data Collection Method

a. Questionnaire Method

Data is acquired by delivering list of questions to employees' first hand in order to collect direct information.

Figure 2
Structural Measurement Model with Modified One-Step-Approach

MODEL PENGUKURAN & STRUKTURAL
 Compensation, Leadership, Motivation, & Performance
 Model Specification : One Step Approach - Modifikasi



Modification:

er_8 <--> er_9
 er_11 <--> er_3

Estimate	Prob.
0,247	0,000
0,088	0,013

b. Observation Method

Data is acquired by conducting direct observation towards the research objects. In this case, direct observation is conducted within the environment of PT. Hikmah Sejahtera Surabaya.

tested the model fit and significance test of latent construct weights.

RESULT AND REVIEW

Structural Measurement Model with Modified One-Step-Approach is shown in Figure 2.

Data Analysis Technique

This study employed Structural Equation Modeling (SEM) data analysis technique, describing a group of statistical techniques that enable the tests of complicated relationship simultaneously. Such complicated relationship is formed by single dependent variable (being influenced) towards single independent variable (influencing) in which each of both variables derive several other dependent variables that build a construct (Ferdinand, 2002:16). Confirmatory Factor Analysis (CFA) measurement model was used upon compensation, leadership, motivation and performance variables which

From the model evaluation table, upon all assessed criteria of goodness of fit applied, they results in 'good' model evaluation. This means that the model fits research data by which it can reflect the nature of the data. Other words, conceptual model developed in this research had been fully supported by facts. Thus, the model functions the best to explain the relationship between variables within the model. Next is the determinant of sample covariance matrix which is valued at 719, 98 > 0 (higher than zero) which indicates that the data does not appear in multicollinearity or singularity, thus assumption is fulfilled.

Table 1
Evaluation Criteria of Goodness of Fit Indices – Modified

Evaluation Criteria of Goodness of Fit Indices			
Criteria	Result	Critical Value	Model Evaluation
Cmin/DF	0,813	$\leq 2,00$	Good
Probability	0,842	$\geq 0,05$	Good
RMSEA	0,000	$\leq 0,08$	Good
GFI	0,938	$\geq 0,90$	Good
AGFI	0,900	$\geq 0,90$	Good
TLI	1,020	$\geq 0,95$	Good
CFI	1,000	$\geq 0,94$	Good

Source: Research Data, processed

Table 2
Causality Test of Hypotheses

Regression Weights					
			Ustd	Std	Prob.
Factor	\tilde{O}	Factor	Estimate	Estimate	
Motivation	\tilde{O}	Compensation	0,188	0,272	0,018
Motivation	\tilde{O}	Leadership	0,025	0,036	0,734
Performance	\tilde{O}	Compensation	0,044	0,068	0,567
Performance	\tilde{O}	Leadership	-0,124	-0,190	0,077
Performance	\tilde{O}	Motivation	0,241	0,254	0,030
Significance limit					$\leq 0,10$

Source: Research Data, processed

Based on the degree of causal direction probabilities on the table, then hypotheses that stated:

- Compensation has positive influence towards employee motivation, is accepted (Causal Prob. $0,018 \leq 0,10$ Æ significant – positive)
- Leadership has positive influence towards employee motivation, is not accepted (Causal Prob. $0,734 \geq 0,10$ Æ not significant – positive)
- Compensation has positive influence towards employee performance, is not accepted (Causal Prob. $0,567 \geq 0,10$ Æ not significant – positive)
- Leadership has positive influence towards employee performance, is accepted (Causal Prob. $0,077 \leq 0,10$ Æ significant – positive)
- Motivation has positive influence to-

wards employee performance, is accepted (Causal Prob. $0,030 \leq 0,10$ Æ significant – positive)

Reviews

Compensation-Motivation Relationship

The hypothesis test result produced significant and positive relationship of compensation variable towards motivation which supported the research conducted by Ngadimin and M. Wahyuddin (2005). The result fits the circumstances facing the employees of PT. Hikmah Sejahtera Surabaya from which this study explained that compensation, especially bonuses and benefits, could increase employees' motivation – in particular, the need for power/authority. As by having power/authority (higher job position), the more bonuses and benefits an employee will receive.

Leadership-Motivation Relationship

The hypothesis test result produced not-significant and positive relationship of leadership variable towards motivation. In the opposite, this does not support similar research conducted by Istiningsih (2006) which had found the significant relationship. However, in scope of PT. Hikmah Sejahtera in particular, such result could explain the fact that the company lacks the motivating capability towards its employees. The employees thought that the company has lack of discretion in its decision, thus instead of delivering influence, it has given them pressure and demotivation.

Compensation-Performance Relationship

The hypothesis test result produced not-significant and positive relationship of compensation variable towards performance. It opposed the research by Keke T Aritonang (2005) and Risamasu (2007) which revealed significant and positive relationship results. By having analyzed the condition of PT. Hikmah Sejahtera Surabaya and its employees, it has been true that compensation (especially bonus and benefit) did not effect in improved quality and quantity of performance or even its punctuality in completing their tasks, unless the employees receive contentment in assurance of their rights and promotion opportunity as well.

Leadership-Performance Relationship

The hypothesis test result produced significant and positive relationship of leadership variable towards performance, as in-line with Wahyuddin and Djumino (2002) which stated that leadership affect significantly towards performance. The observation results provided that existing leaders and their leadership activities contributed to improve employee performance by giving them non-compensation stimulation.

Motivation-Performance Relationship

The hypothesis test result produced significant and positive relationship of motivation variable towards performance. This supports

the research by Wahyuddin and Djumino (2002) and Risamasu (2007), which found significant and positive relationship between motivation and performance. This also agrees with research result that states highly motivated performance will produce high performance as well, and vice versa. In the case of PT. Hikmah Sejahtera, by providing its employees with greater opportunities of work achievements and providing more authorities, it will improve the quality, quantity and punctuality of their work outputs.

CONCLUSION, SUGGESTION AND LIMITATION

The hypothesis test result produced significant and positive relationship of compensation variable towards motivation. More specifically, this study suggests that the company – PT. Hikmah Sejahtera – should put more concern on compensation policy, particularly on bonuses and benefits, thus employees will gain higher motivation.

The hypothesis test result produced significant and positive relationship of motivation variable towards performance. This support the similar research result conducted by Risamasu (2007). Upon the result that higher motivation will produce higher performance, PT. Hikmah Sejahtera has the responsibilities to encourage motivation, more responsibilities and authorities for its employees, especially for them to make higher achievements.

The limitation of this research would come from its lack of theoretical views and references of earlier studies that would have potentially supported the hypotheses building of this research. Also, the small number of samples in this research caused the researcher to employ census sampling method; therefore it is suggested to complement additional variables in favor of performance variable.

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