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Exploring How Motivation and Compensation Influence Employee Performance in A Bandung Industrial Company

ABSTRACT

This research explores the main issue regarding human resource management at a Bandung Industrial Company, which poses a significant challenge for organizational sustainability in the era of globalization. The primary objective of this study is to identify factors influencing employee performance, with a focus on motivation and compensation. The research methodology employs descriptive analysis based on performance data and employee satisfaction surveys. The findings reveal that employee performance still falls short of company expectations, with both the quantity and quality of work not meeting the desired targets. The novelty of this study emphasizes the critical role of motivation and compensation in enhancing performance, a factor often overlooked. The implications of these findings suggest the need for more effective management strategies in handling motivation and compensation to optimally drive employee performance, enabling the organization to achieve its desired goals.

Keywords: Motivation, Compensation, Organizational Effectiveness, Employee Performance.

INTRODUCTION

Human resource management (HRM) integrates management functions with operational aspects of human resources. Various experts define management in ways that highlight its multifaceted nature. Management as a process of directing and facilitating work for organized groups to achieve goals. Management as the process of planning, organizing, leading, and controlling organizational efforts and resources to reach organizational objectives. that achieving organizational goals effectively and efficiently involves these management processes. From these perspectives, it can be concluded that management is both a science and an art that organizes processes, methods, and actions—such as planning, organizing, directing, and controlling—to achieve efficiency and effectiveness towards specific goals. Human resource management serves as a crucial instrument for organizations to reach various objectives. In the public sector, the significant responsibility of bureaucracy to serve the community must be supported by professional and competent human resources. Within the context of bureaucratic reform, HRM stands as one of the key pillars for improvement, alongside institutional and systemic aspects (Bos-Nehles, Townsend, Cafferkey & Trullen, 2023; Guest, 2025).

Human beings play a crucial role in achieving organizational goals. The effectiveness and efficiency of an organization largely depend on the quality of its human resource development, necessitating that these resources receive maximum attention for optimal utilization. All organizations, whether in service, manufacturing, or trade, face challenges in managing human resources, which are intricately linked to other resource management aspects such as raw materials, capital, machinery, methodologies, energy, and rapidly advancing information technology. Better management of human resources leads to improved handling of other resources; conversely, poor human resource management negatively impacts other areas. Factors influencing employee performance are diverse. Alkandi et al., (2023) and Syrio Callefi, Duarte, Nocera Alves Junior & Costa Melo (2025) notes that employee performance is affected by salary, work environment, organizational culture, leadership, work

motivation, discipline, job satisfaction, and motivation. At a Bandung Industrial Company, suboptimal employee performance is indicated by insufficient motivation. Motivation itself is the drive towards specific behaviors aimed at fulfilling needs or desires. Motivated employees tend to engage more actively in achieving company goals, while unmotivated employees lack enthusiasm and effort. The emergence of motivation is influenced by meeting both primary and secondary needs. If these needs are met, individuals are more likely to work diligently and enhance their performance. To increase employee performance, fairness and equity must guide every job opportunity. Moon, Lee & Bourdage (2022) and Busch (2025) asserts that the need for power significantly influences employee motivation. When motivation is lacking, employees cannot perform optimally, failing to meet organizational expectations. Supporting this, Nguyen and Nguyen (2023) highlight the relationship between employer attractiveness, employee engagement, and overall performance, underscoring the importance of addressing motivational factors in the workplace.

Motivation is deeply connected to the inclination to act towards achieving goals. There exists a strong relationship between motivational needs, behaviors, objectives, and job satisfaction. Motivation drives change and is essential for reaching specific performance levels in employees. Thus, the stronger the motivation provided by leadership, the greater the potential performance of employees. Furthermore, compensation, in various forms such as salaries, bonuses, and other benefits, significantly influences employee productivity. When properly implemented, compensation can enhance work enthusiasm, fostering a mutual relationship between the organization and its employees to achieve set goals. Ampong (2024) emphasizes that compensation can be direct, like salaries and bonuses, or indirect, such as insurance and retirement benefits. If compensation is inadequately managed, it will negatively impact employee performance. Additionally, compensation policies should not only focus on the amounts paid but should ensure fairness and relevance to employees' skills and contributions. Nguyen and Nguyen (2023) support this by illustrating how a well-structured compensation system, aligned with employee capabilities, can enhance engagement and performance, underscoring the importance of addressing these factors in organizational effectiveness.

Every organization cannot achieve success or its goals without strong resources, particularly the people behind the organization. Therefore, human resources play a crucial role in reaching organizational objectives. Companies must manage their human resources effectively to ensure coordination that supports the achievement of strategic plans. Without proper management of these resources, the established strategic plans will fail to materialize. Motivation and compensation significantly influence employee performance; when organizations provide fair motivation and compensation, employees are likely to enhance their performance optimally, helping the company achieve its goals. Gu, Zhang, Li & Huo (2023) and Manik & Sidharta (2017) identifies various factors influencing performance, including abilities and skills, background, demographics, perceptions, personality, learning, motivation, resources, leadership, compensation, structure, and job design. Thus, motivation and compensation are key elements that can impact employee performance effectively.

Successful organizations rely heavily on effective human resources, as these individuals are critical to achieving the company's goals. People within the organization are not just employees; they are the driving force behind strategic initiatives and everyday operations. Therefore, managing these human resources effectively is essential to ensure that everyone works in harmony towards the same objectives. When human resources are well-coordinated, it enhances the likelihood of executing strategic plans successfully. If organizations neglect to manage their human resources properly, any strategic initiatives they set will likely fall short, leading to unmet goals and wasted efforts. Moreover, motivation and compensation are vital components that directly affect employee performance. Fair and meaningful compensation, combined with motivating practices, can inspire employees to give their best

effort. As these employees become more engaged and productive, they help propel the organization toward its objectives. According to previous study, several factors play a crucial role in shaping employee performance. These include individual abilities and skills, demographics, and personal motivations. The interplay of leadership styles, organizational structure, and job design also significantly influences how motivated employees feel in their roles. In essence, organizations that prioritize effective human resource management, alongside appropriate motivation and compensation strategies, are better positioned to thrive and realize their long-term goals. The primary objective of this study is to identify factors influencing employee performance, with a focus on motivation and compensation.

METHOD

This research employs a descriptive analysis approach to gain a comprehensive understanding of motivation, compensation, and employee performance at a Bandung Industrial Company. The study aims to explore the relationships and influences among the established variables. As noted by Sugiyono, research methodology serves as a scientific way to obtain objective, valid, and reliable data, enabling researchers to understand and anticipate issues. The research focuses on the employees of a Bandung Industrial Company as the primary subjects of the study. Data is collected through surveys, where questionnaires are distributed to measure motivation, compensation, and employee performance. To ensure data quality, the study conducts validity and reliability tests on the questionnaires. Validity checks whether the measurement tools accurately reflect the variables assessed, while reliability ensures consistency in measurement results. The data analysis technique used in this study is path analysis, which helps determine the extent of the influence that motivation, as an independent variable, and compensation, also as an independent variable, have on employee performance, the dependent variable. Statistical calculations are performed using SPSS to support this analysis. Consequently, the findings of this research are expected to provide valuable insights for enhancing human resource management within the organization.

This research employs a descriptive analysis method to describe the variables of motivation, compensation, and employee performance. The analysis involves calculating the mean for each variable to summarize the data effectively. To understand the levels of the evaluated criteria for the variables, averages of respondent answers will be sought, organized into five interval levels for clarity. Data quality assessment is conducted through validity testing, using content validity with item analysis. This involves correlating individual item scores with the total score to ascertain the relevance of each item to the overall measure. Reliability testing ensures that the responses are trustworthy and consistent. Specifically, the split-half method is applied, wherein the instrument is divided into two halves—odd and even items—to determine reliability. If the correlation coefficient exceeds a specified threshold, the instrument is considered reliable; conversely, if it falls below this threshold, it is deemed unreliable. Verification analysis is utilized to study a representative sample of the entire population, based on the collected data. Multiple linear regression analysis is employed to examine the influence of motivation and compensation on employee performance, as these independent variables exceed one in number. Path analysis serves as the primary analytical approach to illustrate the relationships between the variables. It reveals the extent of direct and indirect influences of specific variables on others. In this context, exogenous variables serve as causal factors, while endogenous variables reflect the outcomes. Implicit variables account for other factors impacting the value of the endogenous variables. This

comprehensive methodology aims to provide meaningful insights into the dynamics between motivation, compensation, and employee performance in the organization

RESULT AND DISCUSSION

The results of the data quality tests indicate that both validity and reliability criteria have been met for the variables in this research. In terms of the validity test, the coefficients for motivation range from a moderate to a higher level, for compensation fall within a similar range, and for employee performance also show a positive outcome. All these values exceed the required minimum threshold, confirming that each variable is valid for measuring the intended constructs. For the reliability test, motivation, compensation, and employee performance each received scores well above the acceptable level. This means that the instruments used for each variable are reliable. It suggests that these measurement tools exhibit a high level of stability and consistency when administered multiple times, thus establishing their credibility as research instruments.

Table 1. Result of Validity and Reliability

No	X1	X2	Y
1	0,355	0,466	0,496
2	0,423	0,380	0,592
3	0,396	0,432	0,319
4	0,367	0,484	0,433
5	0,434	0,503	0,472
6	0,471	0,479	0,599
7	0,346	0,423	0,424
8	0,493	0,500	0,418
9	0,501	0,307	0,501
10	0,348	0,674	0,491
11	0,393	0,483	0,401
12	0,448	0,441	0,487
13	0,422	0,451	0,472
14	0,394	0,377	0,556
15	0,446	0,416	0,533

reliability	0,845	0,845	0,821

The hypothesis testing examines the impact of motivation and compensation on employee performance at a Bandung Industrial Company. This testing uses path analysis as the statistical method. In this research, the variables of motivation and compensation serve as exogenous variables, while employee performance acts as the endogenous variable. The initial step in the calculation involves determining the correlation between the variables as 0,727 p=0.000. The correlation results, indicate that the correlation value between motivation and compensation is significant, showing a strong relationship.

Path analysis expands upon multiple linear regression analysis, utilizing regression to estimate the causal relationships among variables that have been previously established based on theory. Path coefficients derive from the correlations between the variables, and using SPSS, the path coefficients for motivation and compensation on employee performance are as follows:

Table 2. The Result of Path Analysis

Variables	Path Coefficient	Sig	Coefficient	Determinant	Error
X1	$\rho yx_1 = 0.533$	0.000	0.727	0.594	0.406
X2	$\rho yx_2 = 0.291$	0.000			

the path coefficient for the effect of motivation on employee performance is positive at 0.533, with a p-value indicating significance. Similarly, the path coefficient for compensation on employee performance is positive at 0.291 with a significant p-value. The simultaneous effect, or combined influence, of motivation and compensation on employee performance is represented by the coefficient of determination, which indicates a substantial level of influence. Path coefficients for other variables beyond motivation and compensation affecting employee performance yield a notable result as well. From these calculations, the hypothesized influences of the variables can be further analyzed, illustrating the relationships between motivation, compensation, and employee performance effectively.

Based on the research findings and data processing, it is evident that the motivation factor at a Bandung Industrial Company falls into a fairly good category, with an average score of 2.82. Motivation as a series of attitudes and values that influence individuals to achieve specific goals originating from within themselves rather than external pressures. Generally, motivation at a Bandung Industrial Company is quite positive, as employees are enthusiastic and professional in completing their assigned tasks. However, despite the overall satisfactory level of motivation, certain indicators remain weak. For instance, the statement “I feel happy when the company appreciates my dedication during my work” received a lower average score of 2.57, indicating dissatisfaction. This reflects a lack of recognition communicated by the company to its employees. The aspect regarding “Placement of employees into higher positions according to their abilities” scored 2.63 and was categorized as fairly good. This issue arises because promotions seem to depend more on personal connections rather than capabilities. Additionally, the aspect that mentions “Rewards given by management to high-performing employees” achieved an average of 2.73, also classified as fairly good. In practice, management seems to underappreciate high-achieving employees.

Therefore, the conclusion is that while the motivation factor at a Bandung Industrial Company is classified as fairly good, it is not optimal yet. Moving on to the compensation factor, data shows that it also falls under a fairly good category, with an average score of 3.00. Compensation represents what employees receive in return for their contributions to the company. Nevertheless, there are still weak indicators, particularly in the statement "The company provides bonuses to employees who meet targets," which scored 2.29 and falls into the unsatisfactory category. This reflects the reality where even if employees meet their targets, they receive no incentive if return rates exceed three percent. The statement "The company provides incentives to high-performing employees" scored 2.51, also categorized as unsatisfactory, showing that those who follow procedures and submit reports timely do not receive incentives. Another aspect, the "Company provides attendance bonuses that motivate work enthusiasm," scored 2.57, again in the unsatisfactory range. The absence of attendance bonuses contributes to employees having less motivation to arrive on time.

Thus, the conclusion is that while the compensation factor at a Bandung Industrial Company is classified as fairly good, it is still not optimal. Regarding employee performance, findings indicate that it also falls under the fairly good category, with an average score of 3.00. Anwar Prabu Mangkunegara defines performance as the quantity and quality of work achieved by an employee in fulfilling their responsibilities. Despite this, certain indicators remain weak, such as "I can quickly adapt to new decisions made by the company," which scored 2.66, suggesting moderate satisfaction. The slow implementation by employees regarding new company decisions illustrates this issue. Another aspect receiving a low rating in this variable is "Relationships among employees are conducive and cohesive," which scored 2.70, indicating that many employees prefer to work individually rather than in teams. Lastly, the aspect "The company grants freedom to employees in decision-making related to their jobs" scored 2.72, reflecting limited autonomy for employees. According to the data analysis, motivation has a direct effect of 28.40% on employee performance, with an indirect effect through compensation of 11.27%. Therefore, the total impact is around 39.67%. This suggests a significant influence from motivation on employee performance. A positive relationship between work motivation and employee performance. When a manager or leader exhibits high work motivation, they tend to achieve high performance, and those with low performance may have low work motivation.

On the compensation side, the direct effect on employee performance is indicated at 8.46%, with an indirect effect through motivation of 11.27%. Thus, the total influence is approximately 19.73%. This finding shows a significant influence of compensation on employee performance. The purpose of providing compensation is to foster cooperation, job satisfaction, effective resource acquisition, motivation, employee stability, discipline, and responsiveness to labor unions and government. Statistical data analysis indicates that both motivation and compensation positively and significantly affect employee performance at a Bandung Industrial Company, with the combined contribution of all independent variables at 59.40%. Other influencing factors not studied yet that also affect employee performance at a Bandung Industrial Company account for approximately 40.6%.

The research findings highlight the significant influence of compensation and motivation on employee performance. Gupta et al. (2024) explore the relationship between pay-for-performance, procedural justice, and organizational citizenship behavior (OCB), revealing that compensation linked to performance can positively impact job performance through a sequential mediation model. Their study underscores that fair processes in reward distribution enhance employees' willingness to go beyond their basic job requirements. Aman-Ullah et al. (2023) further emphasize the role of compensation in shaping employee behavior during the Covid-19 pandemic. They report that adequate compensation enhances job satisfaction, which in turn, motivates employees to perform better. This

finding illustrates that financial rewards can serve as a crucial motivating factor, especially in challenging times.

Moreover, Chen and Hassan (2022) delve into management gender diversity and its relationship to executive compensation and firm performance. Their research indicates that equitable compensation for diverse management teams can lead to better organizational performance, reinforcing the idea that appropriate reward systems can motivate employees to excel in their roles. Kaur and Kaur (2023) examine the longitudinal effects of high-performance work practices and person-job fit on job performance. They find that when employees feel well-matched to their roles and are part of a high-performance work environment, their performance improves significantly. This suggests that motivation, enhanced by suitable compensation and a supportive work culture, can lead to sustained employee performance. Both compensation and motivational factors play pivotal roles in enhancing employee performance, highlighting the importance of fair compensation structures and job satisfaction in driving organizational success.

CONCLUTIONS

In conclusion, the research findings indicate that motivation at a Bandung Industrial Company is categorized as fairly good. However, certain aspects show weaknesses, such as a lack of appreciation for employee contributions, insufficient alignment of employee placements with their capabilities, and inadequate recognition for high-performing employees. The compensation factor also falls into the fairly good category, yet there are shortcomings. The company does not provide bonuses for employees who meet targets, lacks incentives for high achievers, and fails to offer attendance bonuses to its employees. Employee performance is similarly rated as fairly good, but there are notable areas for improvement. Employees find it challenging to adapt to new company decisions, many prefer to work individually rather than in teams, and the company does not grant freedom to employees in decision-making related to their work. The influence of motivation on employee performance at a Bandung Industrial Company is substantial, with a direct impact of nearly 30 percent and an additional effect through compensation. The total influence thus reaches approximately 40 percent, making motivation the most dominant factor. On the other hand, compensation affects employee performance with a direct impact of over eight percent and an indirect effect, resulting in a total influence of nearly 20 percent. To enhance motivation, a Bandung Industrial Company should increase recognition for employee achievements through material rewards or even simple formal acknowledgments. This approach will help motivate employees to improve their performance.

For compensation improvement, the company must reevaluate its policies regarding bonuses for target achievers, incentives for high-performing employees, and attendance allowances. To boost performance, the company should allow employees adequate time to adapt, as not everyone adjusts quickly to new decisions. Additionally, offering employees more freedom in decision-making related to their work will foster a better working environment. Implementing a "Punish and Reward" process will encourage employees to strive for their best in terms of both quantity and quality of work. Moreover, fostering a culture of continuous self-improvement will inspire employees to excel, motivating them to achieve bonuses, incentives, and other supports.

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