Research Article

The Influence of Compensation and Motivation on Employee Performance at Freshmart Bahu Mall Manado

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Abstract: Compensation and motivation are two important factors in the organization of a company. High attention to both of these is expected to have an impact on increasing employee performance in providing services to consumers. However, from the results of observations, it appears that there are still employees who are still lacking in motivation in providing services to consumers: 1) Employees at Freshmart Bahu Mall Manado have not become professional human resources in providing services to consumers; 2) There are still employees who have low motivation. This study aims to 1) determine the effect of compensation on employee performance at Freshmart Bahu Mall Manado. 2) to determine the effect of motivation on employee performance at Freshmart Bahu Mall Manado, 3) to determine the effect of compensation and motivation together on employee performance at Freshmart Bahu Mall Manado. This study uses a correlational method. The data analysis conducted provides the following conclusions: 1) Compensation has a significant effect on employee performance at Fresh Mart Bahu Mall Manado, 2) Motivation has a significant effect on employee performance at PT. Fresh Mart Bahu Mall Manado, 3) Simultaneously, both compensation and motivation have an effect on employee performance at Fresh Mart Bahu Mall Manado.

Keywords: Compensation; Employee Performance; Motivation.

1. Introduction

The development and competition in the retail business sector in Manado City have become increasingly intense with the emergence of large companies offering various strategies to gain a competitive edge. Freshmart Bahu Mall Manado is one such company operating in the retail industry. To anticipate this competition, the management strives to enhance employee or human resource performance, as they serve as the front line in providing service to consumers. In this regard, the company emphasizes two key aspects: compensation strategy and human resource motivation.

Compensation is one of the essential functions within an organization. For human resources, the compensation they receive is a reward provided by the organization for their contributions. One of the main reasons individuals work is to obtain compensation or remuneration. Compensation is particularly important because it enables individuals to fulfill their needs ranging from primary needs (such as food, clothing, and shelter) to secondary and tertiary needs. The fulfillment of these needs ultimately often determines the quality of individual work. The compensation received by each human resource personnel is related to their rank and job field, thus varying among individuals. Compensation is also linked to the level (classification) and grade (position tier) of the personnel within the organization.

Motivation is the desire to exert high effort to achieve organizational goals while simultaneously satisfying individual needs. Motivation is a key factor that influences the level of individual job performance. Organizational goals cannot be achieved without motivation, which is reflected in a strong commitment to achieving those goals. When someone is motivated, they will put forth greater effort. This effort will benefit the organization in the form of expected job performance, especially if the effort is directly and consistently aligned with

the organization's objectives. The work motivation of human resources essentially arises from within the individual and as a result of interactions between the individual and their environment. High levels of compensation and motivation are expected to positively impact the performance of human resources in providing services to consumers. However, observations indicate that some personnel still lack the motivation needed to deliver optimal customer service.

Based on the description above, two variables are examined in assessing the performance of human resources at Freshmart Bahu Mall Manado: compensation and motivation. In light of the problem background, the following problem identifications can be stated: 1) The human resources at Freshmart Bahu Mall Manado have not yet become fully professional in delivering customer service. 2) Some human resources demonstrate low motivation, which can be observed from their tendency to delay tasks that could actually be completed immediately.

2. Literature Riview

2.1. Compensation

Compensation encompasses all forms of rewards received by employees as remuneration for their contributions to the organization. According to Milkovich and Newman (2005, p. 5), compensation is defined as "all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship." Compensation can be categorized into direct compensation (such as salary, bonuses, and incentives) and indirect compensation (such as health benefits, leave entitlements, and workplace facilities).

Hasibuan (2016, p. 118) asserts that compensation functions as an essential motivational tool as it can enhance employees' enthusiasm, loyalty, and productivity. The establishment of fair and competitive compensation is a key factor in maintaining and improving employee performance over the long term.

Furthermore, Robbins and Judge (2017, p. 110) emphasize that compensation which does not align with job demands and responsibilities will lead to dissatisfaction, which can negatively affect productivity. Therefore, compensation systems must be designed with due consideration to both internal and external equity principles.

2.2. Work Motivation

Work motivation refers to internal and external drives that influence an individual's work behavior to achieve specific goals. According to Herzberg's Two-Factor Theory, work motivation consists of two factors: motivators (such as achievement, recognition, responsibility) and hygiene factors (such as salary, working conditions, and interpersonal relationships) (Herzberg et al., 1959, p. 113).

Meanwhile, Maslow's theory (1943) outlines five levels of human needs: physiological, safety, social, esteem, and self-actualization. In the organizational context, fulfilling these needs can encourage individuals to enhance their performance.

According to Robbins and Coulter (2018, p. 420), high levels of work motivation will drive individuals to complete tasks more effectively, maintain loyalty to the organization, and be actively involved in achieving organizational targets. Therefore, management that can create a motivating work environment will positively impact performance outcomes.

2.3. Employee Performance

Employee performance refers to the results achieved by individuals in accordance with their roles and responsibilities within the organization. Mangkunegara (2015, p. 9) states that performance is the output achieved in both quality and quantity by an employee in carrying out tasks assigned to them.

Mathis and Jackson (2011, p. 78) argue that performance measurement includes aspects such as productivity, effectiveness, and efficiency. High performance will contribute to the overall achievement of organizational goals.

Common indicators used to measure employee performance include work quality, work quantity, punctuality, attendance, and teamwork ability (Gomes, 2003, p. 135). Factors influencing employee performance include motivation, compensation, leadership, work environment, and individual competence.

2.4. The Relationship between Compensation, Motivation, and Employee Performance

Based on theoretical studies, compensation and motivation have a positive relationship with employee performance. Research conducted by Sutrisno (2016, p. 156) indicates that adequate compensation and high motivation simultaneously exert a significant influence on improving employee performance.

This is reinforced by findings from Wibowo (2017, p. 201), who states that managerial strategies that successfully integrate effective compensation and motivation systems make a substantial contribution to enhancing individual and team performance within an organization.

Therefore, in the context of Freshmart Bahu Mall Manado, it is crucial for management to understand the dynamics of compensation and motivation in order to optimize employee performance and support the company's competitive advantage.

3. Method

3.1. Research Variables

Compensation (X1) is measured based on human resources' perceptions of all forms of income received (in cash or in kind), both directly and indirectly, as remuneration for their services or job performance. Direct compensation includes salary, overtime pay, holiday allowances, and bonuses. Indirect compensation is provided in the form of health insurance. Scoring is based on a five-point interval scale: very satisfactory (score 5), satisfactory (score 4), fairly satisfactory (score 3), unsatisfactory (score 2), and very unsatisfactory (score 1).

Motivation (X2) refers to the internal drive that underlies an individual's work enthusiasm. It is measured based on human resources' perceptions of work spirit, such as the desire of each employee to perform tasks well and accurately, the willingness to learn and work better, and the initiative to offer suggestions for improvement. Scoring is based on a five-point interval scale: always (score 5), often (score 4), sometimes (score 3), rarely (score 2), and never (score 1).

Performance (Y) is the achievement attained by an individual in accordance with their role. It is measured based on human resources' perceptions of performance related to target achievement, work quality, responsibility, efficiency, optimal service delivery, task completion, and punctuality. Scoring is based on a five-point interval scale: always (score 5), often (score 4), sometimes (score 3), rarely (score 2), and never (score 1).

3.2. Population and Sample

The population in this study consists of the human resources (employees) of Freshmart Bahu Mall Manado. A sample of 100 employees was selected using purposive sampling. However, only 83 questionnaires were returned.

3.3. Data Analysis Technique

The methods of analysis used in this study are:
   a. Simple regression and multiple regression analysis
   b. Simple correlation and multiple correlation analysis
   c. Hypothesis testing using the t-test and F-test.

4. Results and Discussion

4.1. The Influence of Compensation (X1) on Employee Performance at Fresh Mart Bahu Mall Manado (Y)

Based on the analysis conducted regarding the effect of compensation on human resource performance, the following results were obtained:

Regression Equation: $Y = 11.642 + 0.495 X1$
Correlation Coefficient: 0.722

Coefficient of Determination: 0.521 (52.10%)
t-test ($p = 0.01$): 9.391

From the simple regression analysis conducted to determine the effect of compensation on human resource performance, the resulting regression equation is: Y = 11.642 + 0.495 X1. This regression equation indicates that any change in human resource performance is determined by a change in compensation. This means that if the compensation value increases by one unit, the performance of human resources will increase by 0.495 units.

Furthermore, based on statistical test results, there is a significant relationship between the compensation variable and human resource performance. The analysis shows a correlation coefficient of 0.722 and a coefficient of determination of 0.521 (52.10%), indicating that the compensation strategy variable has a 52.10% influence on human resource performance.

A t-test was then conducted to test the validity of the hypothesis which assumed that compensation significantly influences human resource performance. The result shows that the calculated t-value is 9.391 > t-table (p = 0.01; df = 81) = 2.358. This means the research hypothesis can be accepted because the t-value is much higher than the t-table value.

4.2. The Influence of Motivation (X2) on Employee Performance at Fresh Mart Bahu Mall Manado (Y)

Every individual has internal motivation. This also applies when one becomes a member or employee of a company. Based on the analysis conducted regarding the effect of motivation on human resource performance, the following results were obtained:

Regression Equation: Y = 4.166 + 0.771 X2
Correlation Coefficient: 0.742
Coefficient of Determination: 0.551 (55.10%)
t-test (p = 0.01): 9.962

From the simple regression analysis conducted to determine the effect of motivation on human resource performance, the regression equation obtained is: Y = 4.166 + 0.771 X2. This equation suggests that any change in human resource performance is determined by changes in motivation. In other words, if the motivation increases by one unit, human resource performance will increase by 0.771 units.

Statistical test results also show a significant relationship between the motivation variable and human resource performance. The correlation coefficient is 0.742 and the coefficient of determination is 0.551 (55.10%), meaning that motivation influences human resource performance by 55.10%.

A t-test was conducted to test the hypothesis that motivation significantly influences human resource performance. The result shows that the calculated t-value is 9.962 > t-table (p = 0.01; df = 81) = 2.358. This confirms the hypothesis, as the t-value is much greater than the t-table value.

Similarly, the human resources at Fresh Mart Bahu Mall Manado are driven by internal motivation in performing their duties. This internal drive includes the desire to be appreciated or respected and the aspiration to attain a higher position. This aligns with McClelland's theory of motivation patterns:
  a) Achievement Motivation: the drive to overcome challenges for progress and growth;
  b) Affiliation Motivation: the urge to establish relationships with others;
  c) Power Motivation: the desire to control situations and the tendency to take risks in overcoming obstacles.

4.3. The Combined Influence of Compensation (X1) and Motivation (X2) on Employee Performance at Fresh Mart Bahu Mall Manado (Y)

Based on the analysis results, compensation and motivation collectively influence human resource performance. This indicates that both independent variables are crucial in determining the performance level achieved by human resources in their job execution.

Multiple Correlation Coefficient (R): 0.812
Multiple Determination Coefficient (R²): 0.659 (65.90%)

This means that the variance in human resource performance can be explained by compensation and motivation by 65.90%. In other words, these two variables together influence human resource performance by 65.90%. The multiple regression equation obtained is:

$$Y = 2.541 + 0.164 X1 + 0.415 X2$$

The analysis of variance from the multiple regression shows that the regression equation is statistically significant. This is proven by the F-value: $F\_calculated = 50.906 > F\_table$ (p $= 0.01$) $= 4.04$. This regression equation suggests that a one-unit increase in compensation will raise human resource performance by 0.164 units, assuming other conditions remain constant. Similarly, a one-unit increase in motivation will raise performance by 0.415 units.

Based on the findings, it is evident that compensation significantly affects the performance of Fresh Mart Bahu Mall Manado's human resources. Both material and non-material compensation are significantly correlated with performance. Higher compensation tends to yield higher performance, while moderate or low compensation results in average or low performance.

This is understandable because individuals have daily needs both primary and secondary. To fulfill these needs, they work with the expectation of receiving wages or compensation appropriate to their job responsibilities.

Economic needs are a primary reason individuals work. Material compensation is a crucial motivator in encouraging individuals to contribute their efforts toward achieving organizational goals. However, compensation is not solely material. Some individuals also desire non-material compensation such as recognition, appreciation, and career development opportunities. Non-material rewards can significantly boost performance.

When individuals receive compensation that aligns with their expectations and workload, they are more motivated to work harder with the hope of receiving greater rewards whether material or non-material in the future. Compensation should at least meet the minimum needs of employees.

One of the primary reasons someone becomes part of the workforce is compensation. With appropriate compensation, individuals aim to meet their basic needs such as food, clothing, and shelter. Therefore, organizations must ensure that even the lowest level of compensation offered can meet these minimal needs.

The minimum compensation level varies across countries, regions, and even individuals. Despite these differences, establishing a minimum compensation threshold is critical. Organizations should determine both general minimum compensation (for entry-level employees) and specific minimum compensation (tailored to individual employees).

Failing to meet this standard can have serious implications: legal consequences, ethical concerns, accusations of inhumanity, and difficulty in recruiting quality human resources. Additionally, poor compensation may lead to low morale and discipline, which ultimately harms the organization's reputation and performance..

5. Conclusion

Based on the research findings and discussion, several conclusions can be drawn as follows:

1) The compensation factor has a strong correlation with human resource performance. Compensation is crucial due to its significant influence on the rise and fall of an individual's performance. The research findings demonstrate that compensation is one of the dominant factors affecting the improvement of human resource performance.
2) The research also indicates that motivation is an indispensable factor for human resources in carrying out and completing tasks. Human resources with high levels of motivation tend to work more effectively, completing tasks more quickly than those with lower motivation.
3) Collectively, compensation strategies and motivation significantly influence the performance of human resources at Freshmart Bahu Mall Manado..

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