

The Influence of Compensation, Work Environment, and Motivation on Employee Performance at PT. Lippo Karawaci Tbk

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ABSTRACT

This study aims to examine the effect of compensation, work environment, and motivation on employee performance at PT. Lippo Karawaci Tbk. A quantitative approach was employed using survey methods, with data collected from 164 respondents through structured questionnaires. Data analysis was conducted using multiple linear regression, supported by correlation analysis, classical assumption tests, and hypothesis testing. The results show that compensation, work environment, and motivation have positive and significant effects on employee performance, both partially and simultaneously. Compensation has the strongest influence, followed by the work environment and motivation. The regression analysis indicates that all independent variables contribute positively to improving employee performance. The coefficient of determination ($R^2 = 0.696$) suggests that 69.6% of the variation in employee performance can be explained by these variables, while the remaining 30.4% is influenced by other factors. These findings highlight the importance of effective compensation systems, a supportive work environment, and strong employee motivation in enhancing organizational performance. This study provides practical implications for management in developing strategies to improve employee performance through integrated human resource practices.

Keywords: Compensation, Work Environment, Motivation, Employee Performance, Human Resource Management

JEL Classifications: JEL Classifications codes.

1. INTRODUCTION

Background

Globalization has significantly transformed economic and business environments, leading to increasingly intense competition across industries. Organizations are now required to continuously improve their operational performance in order to remain competitive and sustainable. In this context, companies must enhance planning, implementation, and control processes to ensure efficiency and effectiveness in achieving organizational goals.

Human resources play a critical role in organizational success, as employees are key drivers in achieving company objectives. Organizations must manage their workforce effectively to ensure optimal performance outcomes. One of the main challenges faced by management is how to provide appropriate compensation, create a conducive work environment, and enhance employee motivation in order to improve performance. These factors are essential in ensuring that employees remain productive, committed, and aligned with organizational goals.

PT. Lippo Karawaci Tbk, as a company operating in the property, real estate, and urban development sectors, requires a high level of employee performance to support its growing operations. As the organization expands, the need for qualified and well-managed human resources becomes increasingly important. Employees should not only be treated as operational assets but also as strategic partners who contribute to organizational success.

Compensation is one of the key factors influencing employee performance. It represents both financial and non-financial rewards provided to employees in return for their contributions (Martoyo, 2007). Adequate compensation reflects the value of employees' work and can enhance job satisfaction, loyalty, and commitment. However, compensation must be aligned with employee expectations to avoid dissatisfaction and reduced performance.

In addition to compensation, the work environment plays a significant role in shaping employee performance. A supportive and comfortable work environment can enhance concentration, motivation, and productivity. Conversely, an inadequate work environment may lead to decreased performance and employee dissatisfaction. The work environment includes both physical and non-physical aspects, such as workplace facilities and interpersonal relationships (Ahyari, 1999; Nawawi, 2003).

Motivation is another crucial factor influencing employee performance. It refers to the internal and external forces that drive individuals to perform tasks and achieve organizational goals. High levels of motivation are associated with improved

performance, while low motivation can hinder productivity. Motivation is influenced by both individual factors and organizational conditions, such as compensation, supervision, and recognition.

Given the importance of these variables, this study aims to examine the influence of compensation, work environment, and motivation on employee performance at PT. Lippo Karawaci Tbk. Understanding these relationships is essential for improving organizational performance and developing effective human resource management strategies.

Problem Formulation

Based on the background described above, this study seeks to address several key research questions related to employee performance and its influencing factors. The study examines how compensation, work environment, and motivation are implemented within the organization and how these variables affect employee performance.

The research also investigates whether each independent variable has a significant effect on employee performance individually, as well as whether they simultaneously influence performance. These questions are essential in understanding the relationships between the variables and identifying key drivers of performance improvement.

Research Objectives

The main objective of this study is to analyze the relationship between compensation, work environment, and motivation as independent variables and employee performance as the dependent variable at PT. Lippo Karawaci Tbk. Specifically, this study aims to examine the implementation of each variable within the organization and to measure the extent to which these variables influence employee performance, both partially and simultaneously.

Significance of the Study

This study provides both theoretical and practical contributions. From a practical perspective, the findings are expected to provide valuable insights for PT. Lippo Karawaci Tbk in improving human resource management practices, particularly in relation to compensation, work environment, and motivation. From an academic perspective, this study contributes to the development of knowledge in human resource management and can serve as a reference for future research. For researchers, this study also enhances understanding of the relationship between key organizational variables and employee performance.

Previous Studies

Previous studies have examined the relationship between compensation, motivation, work

environment, and employee performance. Research by Putri (2001) found that motivation factors such as salary, work environment, interpersonal relationships, and job security positively influence employee performance. Other studies have also shown that prosocial motivation contributes to higher performance levels across various sectors (Perry & Hondeghem, 2008; Grant, 2008; Rioux & Penner, 2001; Iliès et al., 2006; Kamdar & Van Dyne, 2007).

Furthermore, Purnomo (2008) found that leadership, motivation, and work environment significantly influence employee performance. Studies by Prabowo (2009) and Sudarwanto also highlight the importance of motivation and career development in improving performance. These findings consistently demonstrate that organizational and psychological factors play a crucial role in shaping employee outcomes.

Conceptual Framework

This study is based on the assumption that employee performance is influenced by compensation, work environment, and motivation. Compensation reflects the rewards received by employees, the work environment represents the conditions in which employees operate, and motivation drives employees to achieve organizational goals.

These variables form a conceptual framework in which compensation (X1), work environment (X2), and motivation (X3) act as independent variables, while employee performance (Y) serves as the dependent variable. This framework is aligned with a quantitative approach using multiple regression analysis to examine the relationships among variables.

Hypotheses

- Compensation has a positive effect on employee performance.
- Work environment has a positive effect on employee performance.
- Motivation has a positive effect on employee performance.
- Compensation, work environment, and motivation simultaneously have a positive effect on employee performance.

Employee Performance

Employee performance is a key indicator of organizational success, reflecting how effectively employees carry out their duties in achieving organizational goals. Performance is commonly understood as the result of work achieved by employees in terms of both quality and quantity, based on assigned responsibilities (Mangkunegara, 2005). It is also closely related to organizational strategy,

customer satisfaction, and economic contribution (Armstrong & Baron in Wibowo, 2010).

Performance can be interpreted as actual job performance, representing the real achievements obtained by individuals in their work. It is influenced by various factors, including individual abilities, work effort, and organizational support (Mangkunegara, 2005). Bernardin and Russell (1993) further emphasize that performance depends on the interaction between ability, effort, and opportunity, which can be evaluated through measurable outputs.

From an organizational perspective, performance represents the effectiveness of an organization in achieving its objectives. It involves not only outcomes but also the processes used to achieve those outcomes. Therefore, performance measurement serves as an important managerial tool for improving decision-making and accountability.

Several factors influence employee performance, including personal factors such as skills, competence, motivation, and commitment; leadership factors such as guidance and support; team factors such as cooperation; system factors such as organizational processes and facilities; and contextual factors such as environmental pressures (Armstrong & Baron, 1998). These factors highlight that performance is multidimensional and influenced by both individual and organizational conditions.

Performance Measurement

Performance measurement involves assessing both the outcomes and processes of work. Aguinis (2009) identifies two main dimensions of performance: task performance and contextual performance. Task performance refers to behaviors directly related to producing goods or services, while contextual performance includes behaviors that support organizational effectiveness, such as cooperation, initiative, and adherence to organizational norms.

In addition, Dharma (2010) emphasizes that performance measurement should be based on observable and objective indicators, ensuring that results are within the control of employees and supported by reliable data. Mondy and Noe (in Gomes, 2013) further identify several dimensions of performance, including quantity and quality of work, job knowledge, creativity, cooperation, dependability, initiative, and personal qualities.

Mangkunegara (2001) also highlights key performance indicators such as quality, quantity, reliability, and work attitude. These indicators provide a comprehensive framework for evaluating employee performance and are widely used in organizational studies.

Compensation

Compensation is defined as the total rewards provided to employees in return for their contributions to the organization, including both financial and non-financial benefits (Martoyo, 2007). It plays a crucial role in influencing employee behavior, job satisfaction, and performance. According to Mathis and Jackson (2006), compensation is a key factor that determines why individuals choose to work for a particular organization.

Compensation can be categorized into direct financial compensation, indirect financial compensation, and non-financial compensation (Ivancevich, 2001). Direct compensation includes salaries, wages, and bonuses, while indirect compensation includes benefits such as insurance and retirement plans. Non-financial compensation refers to intrinsic rewards, such as job satisfaction, recognition, and opportunities for career development.

The importance of compensation lies in its ability to attract, retain, and motivate employees. Fair and competitive compensation systems can enhance employee loyalty and commitment, while inadequate compensation may lead to dissatisfaction and reduced performance (Handoko, 1994; Fraser, 1992; Strauss & Sayles, 1990).

Compensation systems can be designed based on job positions or employee skills. Job-based compensation focuses on the value of specific roles within the organization, while skill-based compensation rewards employees based on their competencies and abilities (Gomez-Mejia et al., 1995; Schuler & Jackson, 1999). Skill-based compensation is particularly relevant in modern organizations that require flexibility and continuous learning.

Work Environment

The work environment refers to the conditions in which employees perform their tasks. It includes both physical and non-physical aspects, such as workplace facilities, organizational climate, and interpersonal relationships (Ahyari, 1999; Nawawi, 2003).

A conducive work environment enhances employee comfort, concentration, and productivity, leading to improved performance. Conversely, a poor work environment can reduce motivation, increase errors, and negatively impact performance. The work environment also influences employee well-being and job satisfaction, making it a critical factor in organizational success.

Theoretical perspectives suggest that employees are more likely to perform effectively when they trust management and understand how their work contributes to organizational goals. A supportive work environment fosters engagement, collaboration, and positive work attitudes.

Work Motivation

Work motivation refers to the internal and external forces that drive individuals to perform their tasks and achieve organizational objectives. It plays a central role in determining employee performance. According to McClelland's theory, individuals are motivated by needs such as achievement, affiliation, and power, which influence their behavior in the workplace.

Motivation is closely linked to performance, as employees with higher motivation levels tend to demonstrate greater effort, persistence, and productivity. Grant (2008) highlights that prosocial motivation can enhance performance by encouraging employees to contribute to organizational goals. Similarly, Motowidlo (2003) emphasizes that performance is influenced by motivation, competence, and supporting resources.

Motivation is influenced by both individual factors, such as personal needs and attitudes, and organizational factors, such as compensation, supervision, and recognition. Therefore, organizations must create conditions that support employee motivation to achieve optimal performance.

Conceptual Framework

Based on the theoretical review, employee performance is influenced by compensation, work environment, and motivation. Compensation represents the rewards received by employees, the work environment reflects the conditions under which employees operate, and motivation drives employees to perform effectively.

These variables form a conceptual framework in which compensation (X1), work environment (X2), and motivation (X3) act as independent variables, while employee performance (Y) serves as the dependent variable. This framework is consistent with a quantitative approach using multiple regression analysis to examine both partial and simultaneous relationships among variables.

Work Environment

The work environment refers to all conditions surrounding employees while performing their duties, which can directly or indirectly influence their performance. It includes physical aspects such as workspace layout, lighting, temperature, and noise, as well as non-physical aspects such as interpersonal relationships and organizational climate (Ahyari, 1999; Sedarmayati, 2001). A supportive work environment enables employees to perform tasks effectively, while a poor environment may hinder productivity and reduce job satisfaction.

According to Mardiana (2005), the work environment encompasses the daily conditions under

which employees carry out their work. Similarly, Rivai (2005) highlights that organizational success is influenced by both internal and external environmental factors, indicating that alignment between organizational goals and environmental conditions is essential for achieving performance outcomes. Sukanto and Indriyo (2000) further emphasize that elements such as lighting, noise control, cleanliness, and workplace safety significantly affect employees' ability to work efficiently.

The importance of the work environment lies in its role in supporting organizational effectiveness. A well-designed work environment improves employee comfort, enhances concentration, and minimizes errors, ultimately leading to higher performance (Ermiati & Sembiring, 2011). Conversely, inadequate working conditions can result in decreased productivity and increased dissatisfaction among employees.

The work environment can be classified into physical and non-physical components. Physical work environment refers to tangible aspects such as equipment, workspace, and environmental conditions, while non-physical work environment relates to social interactions, communication, and relationships within the organization (Sedarmayanti, 2001). A positive non-physical environment, characterized by good communication and harmonious relationships, fosters collaboration and organizational commitment (Nitisemito, 2000).

Key elements of the work environment include lighting, temperature, cleanliness, workspace, noise levels, and safety conditions (Parlinda, 1993). These elements must be carefully managed to create a conducive working atmosphere. Additionally, factors such as workspace design, ventilation, and noise control play a critical role in ensuring employee comfort and efficiency (Sarwanto, 1998).

Indicators of a good work environment include adequate lighting, proper temperature, good air circulation, appropriate workspace layout, cleanliness, low noise levels, workplace safety, and positive relationships among employees and between supervisors and subordinates (Sedarmayanti, 2007). These indicators are essential in evaluating how well the work environment supports employee performance.

Work Motivation

Work motivation is defined as the internal and external forces that stimulate individuals to take action and sustain effort in achieving organizational goals. It originates from the concept of motive, which refers to the driving force behind human behavior (Nawawi, 2003). Motivation plays a crucial role in influencing employee performance, as it determines

the level of effort, persistence, and commitment demonstrated by employees in their work.

Motivation can be understood as a condition that encourages individuals to act in a certain way to fulfill their needs. According to Martoyo (2007), work motivation is the driving force that generates enthusiasm and willingness to work. It is influenced by both intrinsic and extrinsic factors, making it a complex and multidimensional concept.

Several motivational theories provide insight into employee behavior. Content theories, such as Maslow's hierarchy of needs, explain that individuals are motivated by a sequence of needs ranging from physiological needs to self-actualization (Munandar, 2001). Herzberg's two-factor theory distinguishes between hygiene factors, which prevent dissatisfaction, and motivators, which promote satisfaction and performance. Alderfer's ERG theory further simplifies human needs into existence, relatedness, and growth, emphasizing that these needs can be pursued simultaneously.

Motivation can be categorized into intrinsic and extrinsic motivation. Intrinsic motivation arises from within the individual, driven by personal satisfaction and interest in the work itself. Extrinsic motivation, on the other hand, is influenced by external factors such as rewards, recognition, and working conditions (Nawawi, 2003).

Factors influencing work motivation include individual characteristics such as needs, goals, attitudes, and abilities, as well as organizational factors such as compensation, supervision, job security, and recognition (Martoyo, 2007). Employees are motivated to work when they believe that their efforts will help fulfill their personal and professional needs.

Peterson and Plowman (in Martoyo, 2007) identify several key human desires that drive motivation, including the desire to live, the desire to possess, the desire for power, and the desire for recognition. These desires highlight the importance of aligning organizational policies with employee needs to enhance motivation and performance.

Indicators of work motivation, based on Maslow's theory, include physiological needs, safety needs, social needs, esteem needs, and self-actualization needs (Munandar, 2001). These indicators provide a framework for measuring employee motivation and understanding its impact on performance.

3. RESEARCH METHODOLOGY

Research Object

This study examines the influence of compensation, work environment, and intrinsic

motivation on employee performance at PT. Lippo Karawaci Tbk. These variables are selected based on their theoretical relevance and empirical importance in explaining variations in employee performance within organizational settings.

Research Location and Time

The research was conducted at PT. Lippo Karawaci Tbk, located at Jalan Bulevar Gajah Mada No. 2121, Tangerang, Indonesia. The data collection process was carried out over a six-month period, from November 2013 to April 2014, allowing sufficient time for instrument preparation, data collection, and analysis.

Operationalization of Variables

This study employs four main variables consisting of three independent variables and one dependent variable. Compensation (X1) is conceptualized as direct financial compensation, indirect financial compensation, and non-financial compensation, including salaries, incentives, benefits, and intrinsic job rewards (Ivancevich, 2001). Work environment (X2) is categorized into physical and non-physical dimensions, including workplace conditions, safety, and interpersonal relationships (Sedarmayanti, 2001). Motivation (X3) is measured based on Maslow's hierarchy of needs, including physiological, safety, social, esteem, and self-actualization needs (Munandar, 2001). Employee performance (Y) is assessed through indicators such as quality, quantity, reliability, and work attitude (Mangkunegara, 2001).

Each variable is measured using multiple indicators that reflect its conceptual dimensions, ensuring construct validity and alignment with the research model. The measurement scale used is an interval scale derived from Likert-type responses.

Population and Sample

The population in this study consists of all employees of PT. Lippo Karawaci Tbk, totaling 277 individuals. Due to practical constraints, a sample is selected to represent the population. The sample size is determined using the Slovin formula (Umar, 2004) as follows:

$$n = \frac{N}{1 + N(e)^2}$$

where n represents the sample size, N is the population size, and e is the margin of error set at 5%. Based on this formula, the sample size is calculated as 164 respondents, ensuring adequate representation of the population.

Data Collection Methods

Data were collected using a survey method with structured questionnaires distributed to respondents. The questionnaire consists of closed-ended questions measured using a five-point Likert scale ranging from strongly disagree to strongly agree. This approach allows for standardized data collection and facilitates quantitative analysis.

In addition to questionnaires, interviews were conducted to obtain deeper insights and validate responses. Supporting data were also gathered through documentation and literature review to strengthen the theoretical foundation of the study (Bungin, 2010).

Research Instrument

The primary research instrument used in this study is a questionnaire designed to measure the variables of compensation, work environment, motivation, and employee performance. The instrument includes two main sections: respondent demographic information and variable measurement items.

The use of questionnaires is based on the assumption that respondents have adequate knowledge of their own conditions and can provide reliable answers (Hadi, 1996). The instrument is tested for validity and reliability before being used for data collection.

Data Analysis Techniques

Data analysis in this study combines descriptive and inferential statistical methods. Descriptive analysis is used to summarize data characteristics, including mean, median, standard deviation, and frequency distribution. Inferential analysis is used to test hypotheses and examine relationships among variables.

Validity and Reliability Testing

Validity testing is conducted using the Pearson Product Moment correlation method to assess the accuracy of the measurement instrument. The formula used is:

$$r = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

An item is considered valid if the calculated correlation coefficient exceeds the critical value at a significance level of 0.05.

Reliability testing is performed using Cronbach's Alpha to measure internal consistency:

$$\alpha = \frac{k \cdot r}{1 + (k - 1)r}$$

where k represents the number of items and r is the average inter-item correlation. A value of $\alpha \geq 0.60$ indicates acceptable reliability.

Regression Analysis

To examine the relationship between variables, this study employs both simple and multiple linear regression analysis. Simple regression is used to analyze the partial effect of each independent variable on the dependent variable:

$$Y = a + bX$$

Multiple regression is used to analyze the simultaneous effect of compensation, work environment, and motivation on employee performance:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

where Y represents employee performance, X_1 is compensation, X_2 is work environment, X_3 is motivation, a is the constant, b represents regression coefficients, and e is the error term.

Correlation and Determination Analysis

Correlation analysis is used to measure the strength and direction of the relationship between variables using the Pearson correlation coefficient. The coefficient of determination is calculated to determine the proportion of variance in the dependent variable explained by the independent variables:

$$Kd = r^2 \times 100\%$$

This measure indicates how much of the variation in employee performance can be explained by compensation, work environment, and motivation.

Classical Assumption Tests

To ensure the validity of the regression model, several classical assumption tests are conducted. Multicollinearity is tested using tolerance and Variance Inflation Factor (VIF) values, with a tolerance value greater than 0.10 and VIF less than 10 indicating no multicollinearity (Ghozali, 2005).

Heteroscedasticity is tested using scatterplot analysis, where a random distribution of residuals indicates homoscedasticity. Normality is tested using histogram and normal probability plots, where data distribution should follow a diagonal pattern to meet the normality assumption.

4. RESULTS AND DISCUSSION

Company Overview

PT. Lippo Karawaci Tbk is a leading property company in Indonesia, headquartered in Tangerang. The company operates in various sectors, including property development, healthcare services, commercial facilities, and asset management. Since its establishment and subsequent merger in 2004, the company has expanded significantly, becoming one of

the largest property developers in Indonesia with diversified business units.

The company's business activities include land acquisition, property development, sales, and maintenance. It also manages integrated developments such as residential areas, shopping centers, hospitals, and hotels. This diversification strategy strengthens the company's competitive position and supports sustainable growth through recurring income streams.

The vision of PT. Lippo Karawaci Tbk is to become a leading property company that enhances the quality of life for society while creating value for shareholders. Its mission focuses on providing high-quality living environments, developing sustainable business growth, and delivering integrated services across multiple sectors.

Organizational Structure and Functions

The organizational structure of PT. Lippo Karawaci Tbk is designed to support operational efficiency and strategic decision-making. Key roles include the President Director, who is responsible for overall leadership and strategic direction, and the Chief Executive Officer, who oversees operational, marketing, and project divisions.

Operational management is supported by several divisions, including finance, human resources, marketing, and information systems. Each division plays a critical role in ensuring that organizational activities are aligned with corporate objectives. This structured hierarchy enables effective coordination and enhances organizational performance.

Respondent Profile

The study involved 164 respondents, representing employees of PT. Lippo Karawaci Tbk. The demographic profile of respondents provides insight into the characteristics of the workforce and supports the interpretation of research findings.

Based on age distribution, the majority of respondents are aged 30 years or below, accounting for 54% of the sample. This indicates that the workforce is relatively young, which may influence adaptability, motivation, and performance dynamics within the organization.

In terms of gender, female respondents slightly dominate the sample, representing 53%, while male respondents account for 47%. This balanced distribution reflects diversity within the organization and suggests that gender is not heavily skewed in the workforce.

Regarding job positions, respondents are distributed across various departments, with the largest proportion coming from the marketing division (27%), followed by accounting (20%) and project control (16%). This distribution indicates that the

sample captures perspectives from different functional areas, enhancing the reliability of the findings.

In terms of educational background, the majority of respondents hold undergraduate degrees (84%), followed by diploma and postgraduate degrees. This suggests that the workforce has a relatively high level of education, which may contribute to better understanding and responses to organizational policies and practices.

Discussion of Findings

The findings of this study highlight the importance of compensation, work environment, and motivation in influencing employee performance. The demographic characteristics of respondents suggest that the organization employs a relatively young and educated workforce, which is likely to respond positively to well-structured management practices.

From a theoretical perspective, the relationship between compensation and performance aligns with the notion that fair and competitive rewards enhance employee motivation and productivity. Employees who perceive compensation as equitable are more likely to demonstrate higher levels of commitment and performance.

The work environment also plays a significant role in shaping employee behavior. A supportive and well-organized work environment improves comfort, reduces stress, and facilitates effective task completion. This finding is consistent with previous studies emphasizing the importance of both physical and non-physical workplace conditions.

Motivation emerges as a critical factor influencing performance, as it drives employees to exert effort and achieve organizational goals. Employees with higher motivation levels tend to exhibit greater initiative, persistence, and engagement in their work.

Overall, the combined influence of compensation, work environment, and motivation provides a comprehensive explanation of employee performance. These variables interact to create conditions that either enhance or hinder organizational effectiveness.

2. Descriptive Analysis of Research Variables

The descriptive analysis was conducted based on responses from 164 participants collected through structured questionnaires. The interpretation of respondents' answers was based on Likert scale measurements, where higher scores indicate stronger agreement with the statements (Sugiyono, 2012).

The compensation variable shows that the majority of respondents expressed positive perceptions, with 44% strongly agreeing and 55% agreeing. This indicates that employees perceive compensation as fair and appropriate, which is an

important factor influencing employee attitudes and behavior (Hasibuan, 2013).

Similarly, the work environment variable demonstrates positive responses, with 37% strongly agreeing and 62% agreeing. A supportive work environment contributes to employee comfort and productivity, as suggested in organizational behavior theory (Sedarmayanti, 2011).

The motivation variable also shows strong agreement, indicating that employees possess high levels of motivation. Motivation is considered a driving force that influences employee performance and organizational outcomes (Robbins & Judge, 2013).

Employee performance as the dependent variable reflects high agreement levels, suggesting that employees perceive their performance positively. This aligns with the assumption that favorable organizational conditions enhance performance outcomes (Mangkunegara, 2013).

Correlation Analysis

The correlation coefficient is used to measure the strength and direction of the relationship between variables. The Pearson correlation formula is expressed as:

$$r = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

(Sarwono, 2006)

The results indicate that compensation has a strong positive correlation with employee performance ($r = 0.670$), while the work environment ($r = 0.724$) and motivation ($r = 0.648$) also show strong positive relationships. All correlations are significant at the 0.05 level, indicating that the relationships are statistically reliable (Ghozali, 2005).

These findings imply that improvements in compensation, work environment, and motivation are associated with increased employee performance. This supports prior studies emphasizing the importance of these variables in organizational performance.

Classical Assumption Tests

To ensure the validity of the regression model, classical assumption tests were conducted. The multicollinearity test was assessed using Tolerance and Variance Inflation Factor (VIF), calculated as:

$$VIF = \frac{1}{1 - R^2}$$

(Ghozali, 2005)

All variables show tolerance values above 0.1 and VIF values below 5, indicating no multicollinearity.

Heteroscedasticity was tested using scatterplot analysis, where residuals are expected to be

randomly distributed. The absence of a clear pattern indicates homoscedasticity, meaning the variance of errors is constant (Gujarati, 2003).

Normality was assessed using graphical methods such as histogram and normal probability plot. The data distribution follows the diagonal line, indicating that residuals are normally distributed (Ghozali, 2005).

Multiple Linear Regression Analysis

The multiple linear regression model is expressed as:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y = Employee Performance

X₁ = Compensation

X₂ = Work Environment

X₃ = Motivation

a = Constant

b₁, b₂, b₃ = Regression coefficients

e = Error term

(Sugiyono, 2012)

The regression results indicate that compensation ($\beta = 0.515$), work environment ($\beta = 0.323$), and motivation ($\beta = 0.223$) all have positive effects on employee performance. This suggests that improvements in these variables lead to higher performance levels.

Hypothesis Testing

Hypothesis testing was conducted using the t-test, with the formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

(Sudjana, 2002)

The results show that compensation ($t = 8.668$), work environment ($t = 4.991$), and motivation ($t = 3.930$) all have significant effects on employee performance ($p < 0.05$). This indicates that all independent variables positively and significantly influence the dependent variable.

Coefficient of Determination

The coefficient of determination is calculated using:

$$R^2 = \frac{\sum SSR}{\sum SST}$$

(Ghozali, 2005)

The result shows $R^2 = 0.696$, meaning that 69.6% of the variation in employee performance is explained by compensation, work environment, and

motivation. The remaining 30.4% is influenced by other variables not included in the model.

The correlation coefficient ($R = 0.834$) indicates a strong relationship between independent variables and employee performance.

Discussion

The findings confirm that compensation, work environment, and motivation significantly influence employee performance. Compensation has the strongest effect, highlighting its role as a primary external motivator. This aligns with expectancy theory, which suggests that employees are motivated when rewards are perceived as fair (Robbins & Judge, 2013).

The work environment also plays a crucial role, as a supportive workplace enhances comfort and productivity. This finding is consistent with organizational behavior theories emphasizing the importance of physical and psychological conditions (Sedarmayanti, 2011).

Motivation acts as an internal driver that encourages employees to achieve better performance. Employees with higher motivation levels tend to be more engaged and committed to their work (Mangkunegara, 2013).

Overall, the integration of compensation, work environment, and motivation creates a strong foundation for improving employee performance. These results are consistent with previous empirical studies and reinforce the importance of human resource management practices in achieving organizational success.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

This study aimed to examine the influence of compensation, work environment, and motivation on employee performance. The research was conducted through structured stages, including instrument development, data collection, testing, and statistical analysis, following standard quantitative research procedures (Sugiyono, 2012).

The results indicate that compensation has a positive and significant effect on employee performance. This is supported by the regression coefficient ($\beta = 0.515$) and t-value ($t = 8.668$) with a significance level below 0.05, confirming that better compensation leads to improved employee performance. This finding aligns with human resource theories that emphasize compensation as a key external motivator influencing employee outcomes (Hasibuan, 2013).

The work environment also shows a positive and significant effect on employee performance, with

a regression coefficient ($\beta = 0.323$) and t-value ($t = 4.991$). A supportive and conducive work environment enhances employee comfort and productivity, which ultimately improves performance (Sedarmayanti, 2011).

Motivation is found to have a positive and significant influence on employee performance, as indicated by the regression coefficient ($\beta = 0.223$) and t-value ($t = 3.930$). This suggests that motivated employees tend to demonstrate higher levels of engagement and effectiveness in their work (Robbins & Judge, 2013).

Furthermore, compensation, work environment, and motivation simultaneously have a strong and significant influence on employee performance. The coefficient of determination ($R^2 = 0.696$) indicates that 69.6% of the variation in employee performance can be explained by these three variables, while the remaining 30.4% is influenced by other factors not examined in this study (Ghozali, 2005). Overall, these findings confirm that both external and internal factors play an important role in shaping employee performance.

Recommendations

Based on the findings of this study, several practical and theoretical recommendations can be proposed.

From a managerial perspective, organizations should focus on enhancing employee motivation as a strategic priority. Although all variables show significant effects, motivation plays a critical role in sustaining employee performance. Companies are encouraged to implement reward systems, career development opportunities, and recognition programs to maintain high levels of motivation among employees (Mangkunegara, 2013).

In addition, maintaining fair and competitive compensation systems is essential to ensure employee satisfaction and performance. Organizations should regularly evaluate compensation policies to remain aligned with employee expectations and industry standards.

Improving the work environment is also crucial. Organizations should create a supportive, safe, and comfortable workplace, both physically and psychologically, to enhance employee well-being and productivity.

From an academic perspective, future research is recommended to include additional variables that may influence employee performance, such as leadership style, organizational culture, or job satisfaction. Expanding the research scope and sample size would also improve the generalizability of findings.

Overall, this study contributes to the understanding of employee performance by

highlighting the combined effects of compensation, work environment, and motivation, providing both theoretical insights and practical implications for organizational management.

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