

The Improvement of Employee's Performance in Plastic Ore Industry: Mediating Role of Work Motivation

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Abstract

This study aims to examine and analyze the influence of organizational culture and compensation on work motivation and its implications for employee performance in the plastic ore industry in Indonesia. Based on an initial survey of 30 employees, it was found that 56.67% of employees showed below-average performance indications. This study uses Structural Equation Modeling (SEM) analysis to determine the effect of each independent variable on the dependent variable partially and simultaneously. The independent variables used are organizational culture and compensation, the dependent variable is work motivation and performance. Each variable uses 6 indicators. The results of the SEM analysis show that organizational culture influences motivation by 0.354 and performance by 0.394. The compensation variable influences motivation by 0.378 and performance by 0.251. Motivational variables affect the performance of 0.317. Simultaneously, organizational culture and compensation influence the motivation of 0.497 while the organizational culture, compensation and motivation affect the performance of 0.764.

Keywords: *Organizational Culture, Compensation, Motivation, Performance, Employees, Plastic Ore Industry.*

Introduction

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An organization cannot build a professional work team without good human resources (Parameswari & Yugandhar, 2015), because human resources are a central and important element in every organization (Tannady & Sitorus, 2017), human resources are also the key to success. for industrial growth (Rahayu et al., 2018). Human resource management is the key to developing high labor productivity (Brito & Oliveira, 2016), developing employees who must work with the organization's vision so that the strategies implemented by the organization can run well (Tannady, et al., 2019). Organizations must realize that human resource management must be realistic and organizations must keep their human resources up to date (Hamid, et al., 2017; Nurprihatin et al., 2020). The success of a company is highly depend on employee's performance, therefore every employee is required to have knowledge, skills, and abilities, besides that they must also have experience, motivation, self-discipline, and high morale so that they have good performance and company performance. It will also increase to achieve the company's goals (Sitorus & Tannady, 2021). It is very important for organizations to have employees with high performance (Aboazoum et al., 2015). Purwanto et al. (2020) states that performance is a real behavior displayed by each person as his work performance in accordance with his position in the company.

Employees who have high motivation will produce good performance (Rahayu, Rasid & Tannady, 2019). Research conducted by Tannady et al. (2019) states that there is a positive relationship between motivation and employee performance. Research conducted by Qatmeemalmarhoon, et al. (2017) stated that motivation has a positive and significant effect on employee performance. According to Rizal, et al. (2014), motivation is a basic thing besides compensation for employees for the realization of goals in an organization. The organization must be able to generate the motivation that exists within the employee.

Work motivation factors are closely related to goal-directed behavior. Employees will be motivated to get balanced compensation for their performance and the compensation they receive will also affect their motivation to work productively and efficiently. Research conducted by Rizal, et al. (2014) stated that compensation has a positive and significant effect on motivation. Research conducted by Setiadi, et al. (2016) also stated that there is a positive and significant relationship between compensation and motivation. Research conducted by Hameed, et al. (2014) stated that compensation has a positive effect on employee performance. Organizational culture plays an important role in developing and maintaining employee motivation levels. Employees can be more effective in their current work and

realize their best potential, when there is a match between individual motivation and organizational culture (Yusof, et al., 2016). According to Sokro (2012), motivation is a key component of organizational culture. Organizational culture plays an important role in an organization regarding how people feel about their work, level of motivation, commitment, and have job satisfaction. Research conducted by Kalavathi & Anand (2017) states that organizational culture has a positive effect on motivation. Research conducted by Tannady et al. (2020) states that there is a positive relationship between organizational culture and motivation. Good performance from employees does not appear easily, it will appear if employees feel comfortable in a company accompanied by the implementation of a good organizational culture from the company. Research conducted by Emeka & Philemon (2012) states that organizational culture has a positive influence on employee performance. Research conducted by Wanjiku & Agusioma (2014) states that there is a positive influence between organizational culture and employee performance. Research conducted by Shahzad, et al. (2013) stated that organizational culture has a positive and significant effect on employee performance.

Researchers conducted a survey of employee performance at five companies engaged in the plastic ore industry by distributing questionnaires to 100 respondents who worked in the marketing division, finance and accounting division, import division (warehousing and purchasing), delivery order division (customer service and logistics), and the tax division (tax). The statement items used in the questionnaire were developed from employee performance indicators according to Paschal & Nizam (2016). The statistical conclusion from the initial survey is that 59% of employees perform below average. Based on a series of problems that have been raised and looking at the relationship between variables that are suspected to have a relationship with performance, this study aims to analyze and test the effect of organizational culture and compensation variables on work motivation both partially and simultaneously, as well as analyze and test the influence of organizational culture variables, compensation and work motivation on performance either simultaneously or partially.

Research Methodology

The flow of this research begins by conducting a survey of employee performance at a company engaged in the plastic ore industry by distributing questionnaires to 30 respondents as an initial survey. The statement items used in the questionnaire were developed from employee performance indicators according to Paschal & Nizam (2016). The data processing process begins by conducting a data quality test which includes validity and reliability tests, validity tests using the Corrected Item–Total Correlation value, if $r_{\text{count}} > r_{\text{table}}$ and is positive then the statement or indicator is declared valid. If $r_{\text{count}} < r_{\text{table}}$ then the item or statement or indicator is declared invalid (Madyatmadja et al., 2020). Reliability test with Cronbach's Alpha, the research instrument is declared reliable if it has a Cronbach's Alpha value > 0.6 (Andry et al., 2019). The next stage is to perform a descriptive analysis of the respondent's characteristics and the average value of the questionnaire, after which a structural equation modeling analysis with PLS is carried out which includes testing the measurement model (outer model) and testing the structural model (inner model).

Analysis & Discussion

Validity & Reliability Test

The validity test was carried out by looking at the Corrected Item–Total Correlation value, while the reliability test was carried out by looking at the Cronbach's Alpha value of each instrument. The number of samples in this research instrument trial were 30 respondents who worked in five companies engaged in the plastic ore industry, so the r_{table} value to be compared with the calculated r value of each statement item was 0.361 (r_{table} at $n = 30$, degrees of freedom (df) = $n - 2$ and a significant level of 0.05). Table 1 shows the results of the validity test for all statement indicators.

Table 1.

Validity Test

Organization Culture		Compensation		Work Motivation		Performance	
Indicators	Corrected	Indicators	Corrected	Indicators	Corrected	Indicators	Corrected
	Item Total Correlation		Item Total Correlation		Item Total Correlation		Item Total Correlation
BO1	0.780	K1	0.912	M1	0.770	KK1	0.896
BO2	0.694	K2	0.924	M2	0.909	KK2	0.924
BO3	0.859	K3	0.949	M3	0.970	KK3	0.936
BO4	0.879	K4	0.955	M4	0.901	KK4	0.963
BO5	0.831	K5	0.901	M5	0.911	KK5	0.891
BO6	0.786	K6	0.935	M6	0.872	KK6	0.868

All indicators have a corrected item-total correlation value above the r table value (0.361), so that all statement items in the research instrument are declared valid and can be used as research instruments. The next stage is the reliability test, Table 2 shows the results of the reliability test for all statement indicators.

Table 2.

Reliability Test

Organization Culture		Compensation		Work Motivation		Performance	
Indicators	Cronbach Alpha	Indicators	Cronbach Alpha	Indicators	Cronbach Alpha	Indicators	Cronbach Alpha
BO1	0.922	K1	0.976	M1	0.969	KK1	0.969
BO2	0.932	K2	0.974	M2	0.955	KK2	0.966
BO3	0.912	K3	0.972	M3	0.948	KK3	0.965
BO4	0.912	K4	0.971	M4	0.956	KK4	0.963
BO5	0.915	K5	0.976	M5	0.954	KK5	0.969
BO6	0.922	K6	0.974	M6	0.960	KK6	0.972

Based on the results of the reliability test above, all statement items have a Cronbach's Alpha value > 0.6 which means that all instruments are reliable and can be used.

Outer Model Evaluation

The measurement model testing phase includes testing Convergent Validity, Discriminant Validity, and Composite Reliability. The results of the PLS analysis can be used to test the research hypothesis if all indicators in the PLS model have met the requirements of convergent validity and discriminant validity.

Convergent Validity

Convergent validity test is done by looking at the loading factor value of each indicator to the construct. For confirmatory research, the loading factor limit used is 0.7 while for exploratory research, the loading factor limit used is 0.6. Therefore, this study is a confirmatory study, the limit of the loading factor used to test the convergent validity of each indicator is 0.7. The following is the estimation result of the PLS model.

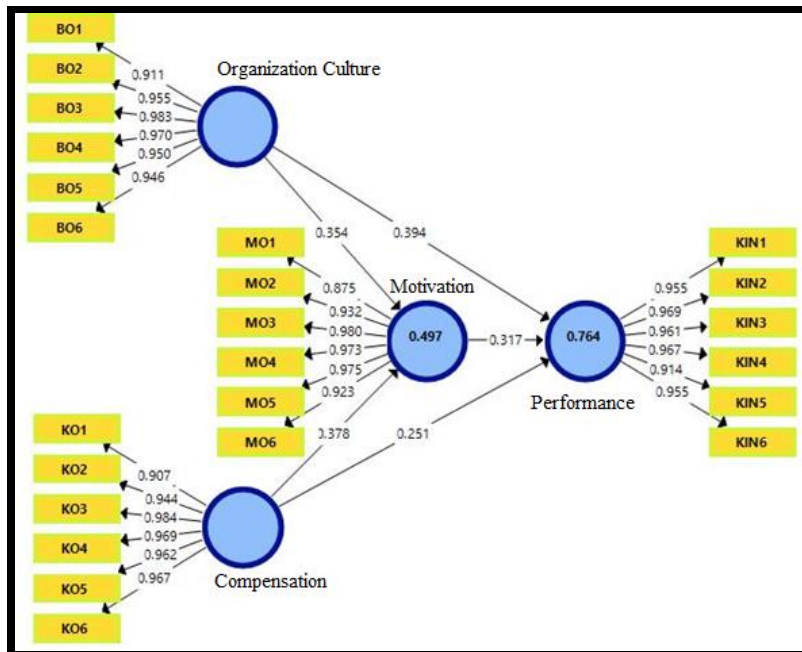


Figure 1. PLS Model Estimated (Algorithm)

Based on the estimation results of the model in Figure 1, all indicators have a loading factor value above 0.7, this shows that all indicators are valid in measuring their constructs so that they can be used in research.

Discriminant Validity

Discriminant validity is carried out to ensure that each concept of each latent variable is different from other variables. The model has good discriminant validity if the AVE square value of each exogenous construct exceeds the correlation between the construct and other constructs. The results of the discriminant validity test can be seen in Table 3.

Table 3.

Discriminant Validity

	BO	KK	KO	MO
BO	0.953			
KK	0.823	0.953		
KO	0.855	0.803	0.956	
MO	0.677	0.754	0.681	0.944

Composite Reliability

The composite reliability test provides a measure of the internal consistency of the indicators of a construct variable that shows the degree to which the variable is formed. A construct or variable is said to be reliable if it has a CR value > 0.7 The composite reliability test results can be seen in Table 4.

Table 4.

Composite Reliability

Variable	CR
Organization	0.872
Culture	0.921
Motivation	0.956
Compensation	0.879
Performance	

Inner Model Test

Q^2 Predictive Relevance - In PLS analysis, Q^2 indicates the predictive power of the model. The model Q^2 value of 0.02 indicates the model has weak predictive relevance, the model Q^2 value of 0.15 indicates the model has moderate predictive relevance and the model Q^2 value of 0.35 indicates the model has strong predictive relevance.

Table 5.

Q^2 Predictive Relevance

	SSO	SSE	Q^2
BO	330,000	330	
KK	330,000	117,516	0.644
KO	330,000	330,000	
MO	330,000	195,013	0.409

The results of the analysis show that the value of Q^2 model with endogenous variable employee performance (KK) is 0.644, this indicates that the full PLS model has strong

predictive relevance, as well as the value of Q^2 model with endogenous variable motivation (MO) is 0.409 which also shows predictive strong relevance. Goodness of Fit of the PLS Model - One way to assess the goodness of fit of the PLS model is to look at the SRMR value of the PLS model. The PLS model is declared to have met the criteria for goodness of fit model if the SRMR value is < 0.10 and the model is declared perfect fit if the SRMR value is < 0.08 . The results of the goodness of fit model test show that the SRMR value of the PLS model is 0.044. Therefore, the SRMR value of the model is below 0.10, then the PLS model is declared fit, so it is feasible to use it to test the research hypothesis.

Significance Test (Partial Effect Test) - The results of the model fit test and Q square indicate that the PLS model that has been built is feasible to be used to test hypotheses in the study. The results of the significance test at a significant level of 5% can be seen in Table 6.

Table 6.

Significant Test

	Original Sample	Sample Mean	Std Dev.	T Statistics	P Values
BO > KK	0.394	0.383	0.135	2.908	0.002
BO > MO	0.354	0.332	0.151	2.341	0.010
KO > KK	0.251	0.264	0.150	1.672	0.048
KO > MO	0.378	0.401	0.137	2.762	0.003
MO > KK	0.317	0.311	0.092	3.439	0.000

Based on the results of the analysis, the following results were obtained, the P value of the influence of organizational culture variables on motivation (BO -> MO) is significant with a P value of 0.010 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that organizational culture has a positive and significant effect on employee motivation. The P value of the influence of the compensation variable on motivation (KO -> MO) is significant with a P value of 0.003 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that compensation has a positive and significant effect on employee motivation. The P value of the influence of the organizational culture variable on employee performance (BO -> KK) is significant with a P value of 0.002 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that organizational culture has an effect positive and significant on performance. The P value of

the influence of the compensation variable on employee performance (KO -> KK) is significant with a P value of 0.048 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that compensation has a positive effect and significant to employee performance. The P value of the influence of the motivation variable on employee performance (MO -> KK) is significant with a P value of 0.000 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that motivation has a positive effect and significant to employee performance.

Partial Influence (*Effect Size/f Square/f²*) - In PLS analysis, the value of f square (f²) shows the partial effect of each predictor variable on endogenous variables variabel. According to Cohen (1988), the f square value obtained can then be categorized in the category of small effect (f² = 0.02), medium effect (f² = 0.15), and high effect (f² = 0.35). Table 7 show value f² each exogenous variable on the endogenous variable.

Table 7.

Partial Effect

	BO	KK	KO	MO
BO		0.166		0.067
KK				
KO		0.067		0.076
MO		0.215		

Based on Table 7, some results show that work motivation is the most influential factor on employee performance. The results of the analysis also show that compensation and organizational culture have almost the same effect on employee motivation. Large Simultaneous Effects - The magnitude of the partial effect of exogenous variables together on endogenous variables can be seen from the value of R square model. The value of R square shows the simultaneous effect (together effect) of exogenous variables on endogenous variables. Table 8 shows the value of R square and adjusted R square of research variables.

Table 8.

Simultaneous Effect

	R Square
KK	0.764
MO	0.497

The R square value of the motivation variable is 0.497, this shows that the model with the endogenous work motivation variable has predictive power in the moderate category, with the model 49.7% of the variance of the employee motivation variable can be explained by organizational culture and compensation variables. The R square value of the employee performance variable is 0.764, this shows that the model with the endogenous variable of employee performance has predictive power in the strong category, with the model 76.4% of the variance of the employee performance variable can be explained by the variables of motivation, organization culture and compensation.

The Influence of Organizational Culture on Motivation. The P value of the influence of organizational culture on motivation (BO -> MO) is significant with a P value of 0.010 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that organizational culture has a positive effect. and significant to employee work motivation. This shows that the better the organizational culture in the company, the higher the employee's work motivation and vice versa. The Effect of Compensation on Motivation. The P value of the influence of the compensation variable on motivation (KO -> MO) is significant with a P value of 0.003 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that compensation has a positive and significant effect on work motivation. This shows that the better the compensation provided by the company to employees, the higher the employee's work motivation and vice versa. The Influence of Organizational Culture on Performance. The P value of the influence of organizational culture variables on employee performance (BO -> KK) is significant with a P value of 0.002 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then Ho is rejected and it is concluded that organizational culture has an effect positive and significant on employee performance. This shows that the better the organizational culture in the company, the higher the employee's performance and vice versa.

Effect of Compensation on Performance. The P value of the influence of the compensation variable on employee performance (KO -> KK) is significant with a P value of 0.048 and the

original sample is positive so that the P value obtained is significant and the original sample is positive, then H_0 is rejected and it is concluded that compensation has a positive effect and significant to employee performance. This shows that the better the compensation provided by the company to employees, the higher the employee's performance and vice versa. The Effect of Motivation on Performance. The P value of the influence of the motivation variable on employee performance (MO -> KK) is significant with a P value of 0.000 and the original sample is positive so that the P value obtained is significant and the original sample is positive, then H_0 is rejected and it is concluded that motivation has a positive effect and significant to employee performance. This shows that the higher the employee's work motivation in the company, the higher the employee's performance and vice versa.

Conclusion

Organizational culture and compensation partially have a positive and significant effect on employee work motivation in the plastic ore industry. The better the organizational culture and compensation in the company, the higher the work motivation of employees in the company and vice versa. Organizational culture and compensation simultaneously affect employee motivation in the plastic ore industry with a large contribution of 49.7%. Organizational culture, compensation and motivation partially have a positive and significant effect on employee performance in the plastic ore industry. The better the organizational culture, compensation and motivation that developed in the company, the higher the performance of employees in the company and vice versa. Motivation, organizational culture, and compensation simultaneously affect employee performance in the plastic ore industry with a large contribution of 76.4%.

Leaders should set a good example for employees, companies should have a clear vision and mission that gives meaning and direction to employees' long-term work. The company should actively encourage each unit to cooperate with other units. Companies should be able to make employees always compete well without disturbing the work environment. The company should provide employee salaries in accordance with the results of their work and provide bonuses to employees if the work results reach or exceed the set targets. Companies should be able to provide protection to employees with health and security guarantees within the company. Management provides facilities and infrastructure that supports all employee

activities and makes employees have good communication relationships with superiors and co-workers.

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