

THE EFFECT OF EXTRINSIC MOTIVATION AND COMPENSATION ON EMPLOYEE PERFORMANCE (STUDY ON EMPLOYEES AT A RETAIL COMPANY IN THE CITY OF BANDUNG)

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ABSTRACT

This research aims to know the effect of extrinsic motivation and compensation on employee performance at a retail company in Bandung. This study also aims to analyze the most dominant factor between extrinsic motivation and compensation on employee performance. This research method uses descriptive and verification methods. Researchers obtained data and information that would support this research by taking the object of research as many as 40 employees using a questionnaire aimed at employees.

Based on the study's path analysis results, the extrinsic motivation variable has a direct effect of 24%, an indirect effect through a relationship with compensation of 19.5%, and a total effect of 43.5%. The compensation variable has a direct effect of 23.5% and an indirect effect through the extrinsic motivation of 19.5%, a total effect of 43.0%. The results of the correlation coefficient of determination expressed in percentages describe the magnitude of the contribution of all independent variables, namely extrinsic motivation and compensation, in determining the performance variable, which is 0.865 or 86.5%. In contrast, other factors that do not affect performance that is not examined are shown by the value of $\epsilon = 0.135$ or 13, 5%. The conclusions and suggestions obtained are considered in connection with the study's results; namely, management should be able to maintain and increase extrinsic motivation and compensation to improve performance.

Keywords: extrinsic motivation, compensation, employee performance

INTRODUCTION

The company is an organization that has various goals. The activities of a company in achieving these goals require the management of production factors consisting of natural resources, human resources, capital, raw materials, machinery, and technology. (Macke &

Genari, 2019) The locus of this research is a company engaged in the retail sector which always tries to meet the needs and services needed by its customers. Human resources are one of the essential resources in carrying out company activities. (Stahl, Brewster, Collings & Hajro, 2020) To achieve company goals, the problems faced by management are not only found in raw materials, work tools, production machines, money, and the work environment but also involve employees who manage the other factors of production. (Suryadana & Sidharta, 2019) Human resources, like other factors of production, are inputs that companies process and produce output. (Stahl, Brewster, Collings & Hajro, 2020) Humans as labor are one of the production factors that have an essential role in company activities and other supporting factors such as venture capital.

To become the retail store of choice for consumers, business partners, the labor market, the public, and the government amid various choices and business competition. For this reason, it is necessary to meet the community's needs by providing quality products, superior service, and a friendly and pleasant shopping atmosphere. (Davis-Sramek, Ishfaq, Gibson & Defee, 2020) In achieving good company results, employee performance is expected to increase, but based on the results of initial observations, employee performance has decreased. This is indicated by the large number of workers carrying out activities outside of work where this should not be allowed in the field, the attitude of employees who are still not friendly to customers, and employees who need to be faster and more adept at serving customer requests. Some indications of low employee performance are as follows: Indications of low performance include employees carrying out activities outside of work. These employees are less adept at providing services to consumers, and the attitude of employees who could be more friendly to consumers.

The decline in employee performance will significantly affect the company's profits and sales targets, where employees with poor performance and low morale will make the company's targets not achieved. So that it will be difficult for the company to compete with other companies, and in the end, it can also experience bankruptcy if repairs are not immediately carried out so the company can continue to run stably. (Davidescu, Apostu, Paul & Casuneanu, 2020) Based on the results of the pre-survey of researchers, there are problems with the performance and motivation of its employees. Providing low salaries is one of the problems in the field, resulting in employees being lazy to work, so the high level of employee absenteeism continues to increase every month, and the targets set by the company still need to be achieved. Moreover, the store's operational processes were disrupted, and employee performance decreased. The service needs to be faster and more friendly to consumers, such as dirty floors and mirrors, dusty selfies, dirty fitting rooms, and messy displays. Several empty products are left, and employees' appearance needs to be neater, so this atmosphere creates dissatisfied consumers on employee performance.

Performance is a description of the level of achievement of the implementation of an activity program or policy in realizing the goals, objectives, vision, and mission of the organization as outlined through the strategic planning of an organization. (Foster & Sidhartha, 2019) One of the considerations for employee performance is fair compensation and appropriate motivation. Research conducted by Hersona & Sidharta (2017); Kumari,

Barkat Ali & Abbas (2021); Nilasari, Nisfiannoor & Devinta (2021) proves that motivation and compensation influence employee performance.

Researchers made initial observations and found that employee performance was still in the low category. This can be proven by the quality, quantity, and timeliness in completing work, such as being slow to serve consumers with a predetermined time target. In addition, main employee facilities such as resting areas and lockers for storing personal items belonging to employees still need to be improved for employees, so employees are uncomfortable, as well as places of worship and dirty toilets, this has reduced employee motivation. This non-maximum performance is also influenced by work motivation. Work motivation must be provided to employees, from small things such as praise, incentives, or bonuses to giving awards to employees who excel. However, this is not enforced by the leadership of the employee concerned. They are doing all work as it is, with their respective conditions, without any innovation to improve employee performance. In addition, employees often carry out loyalty, such as working hours that exceed their time and are not paid overtime.

Low employee performance causes company goals not to be adequately achieved because employee actions do not support effectiveness and efficiency in carrying out work. As a result, the company has to accept material and immaterial losses because employees' work is always late. In addition, other employees must do unfinished work, causing the workload to increase.

Factors that affect performance achievement are ability and motivation, which suggest that motivation is formed from an employee's attitude in dealing with situations and the work environment. (Kellner, Cafferkey & Townsend, 2019) Lack of motivation at work will reduce employee enthusiasm to make the best contribution to their work. If motivation is low, enthusiasm for work will decrease, resulting in the quality of employee performance. (Pak, Kooij, De Lange & Van Veldhoven, 2019)

In addition to the problem of motivation that still needs to be optimal, The low performance of employees is also due to compensation that still has to be in line with expectations. Therefore it has an impact on the productivity and performance of its employees. (Rehman, Mohamed & Ayoup, 2019) The lack of compensation to appreciate employees makes employee performance decrease. Employees feel less than the compensation provided by the company. Compensation in the form of bonuses or specific promotions sometimes also does not pay attention to the work abilities of its employees, and the provision of salaries is sometimes given late on time. This will cause employees jealousy, making them feel there is injustice in giving compensation.

Provide compensation to stimulate and motivate the workforce to improve work performance. Therefore, employees will be more satisfied and motivated to achieve organizational goals when adequately compensated. However, if employees perceive their compensation as inadequate, their job performance, motivation, and satisfaction can drop drastically. If appropriately managed, compensation helps the company to achieve its goals and acquire, maintain and keep good employees. Conversely, with adequate compensation, existing employees will likely stay in the company, and reassignment is difficult. (Aburumman, Salleh, Omar & Abadi, 2020)

The provision of good and fair compensation will reflect satisfaction to employees because all the capabilities issued by employees are by the compensation provided by the company. (Zafar, Sarwar, Zafar & Sheeraz, 2020) Employees will complain a lot if the compensation provided is not appropriate. This will cause employees to be lazy to work, and morale and performance will also decrease. Conversely, employees will not complain much if the compensation is appropriate. Employees will also take positive actions. (Fauzan, 2020)

Based on the existing problems, the formulation of the problem is how much influence motivation and compensation have on employee performance. Therefore, the purpose of this study was to collect data and information regarding the relationship between extrinsic motivation and compensation and employee performance and to determine how much influence motivation and compensation have on employee performance.

METHOD

This study uses a verification descriptive analysis method and can also be used to test hypotheses or answer research questions. This descriptive research aims to make a systematic, factual, actual, and accurate description, picture, or painting of the facts, the nature of the relationship between the phenomena investigated and then analyzed to draw conclusions and test the truth of existing theories but not to create a new theory. This research was conducted for four months at a retail company in Bandung with 40 employees as respondents.

The research variables are work motivation (X1) and compensation (X2), and employee performance (Y). Employee performance is the level of work that results in achieving the job requirements. Employee performance indicators used include work quality, work quantity, and timeliness.

The method of testing the data using verification analysis wants to test the truth of a hypothesis that will be implemented through data collection in the field. For example, to determine the effect between variable X on variable Y.

RESULTS AND DISCUSSION

According to the research data, the characteristics of the respondents include: gender, which is dominated by women 60%, ages 31-40 years 55%, the education of most SMK/SMK graduates 55%, and a working period of 1-10 years is 90%.

The results of the Verification Analysis calculation show that the correlation results are used to show how far the average relationship of a variable and the strength of the relationship between the independent variables are careful. The positive relationship

between variables with a value of 0.819 has a robust positive relationship. The calculation results with the path coefficient of extrinsic motivation (pyx1) of 0.490, the path coefficient of compensation (pyx2) of 0.485 with the path equation as stated below:

$$Y = 0,490X1X1 + 0,485X2 + \epsilon$$

Where:

Y = Employee Performance

X1 = Extrinsic motivation

X2 = Compensation

ϵ = Epsilon variable

The direct and indirect effects show that the extrinsic motivation variable has a direct or indirect effect, namely 0.435. While the compensation variable has the most significant influence, equal to 0.430, this is because the dimensions of compensation variables, such as salary incentives and wages, are one of the dominant variables affecting employee performance. However, even though the dimensions of the extrinsic motivation variable are not as large as the compensation variable, they still influence employee performance. Therefore, the effect of extrinsic motivation and compensation on employee performance is 0.865.

One of the things that need to be done to improve the performance of employees is that employees need good extrinsic motivation so that in carrying out every task and work given, they can do it with high self-confidence, accompanied by high morale. The more they are motivated, the more their totality at work will increase and will have a positive impact on improving performance. In addition to providing extrinsic motivation, the next thing that needs to be considered to improve employee performance is the determination of appropriate labor compensation for employees according to company regulations. Therefore, every employee in the company can carry out their duties properly and obey their obligation. His superiors ordered them. The goal is that all employees can comply with every code of conduct that applies in the company, all of this is done so that every employee can show their best performance.

Motivation is an important variable that needs significant attention for organizations to improve employee performance. Work motivation is encouragement or enthusiasm from within a person or employee to do something or work because of external stimulation, be it superiors or the environment. The relationship between motivation and employee performance, including Kellner, Cafferkey & Townsend (2019), is that work motivation positively affects employee performance.

The company's development is indicated to be influenced by the extrinsic motivation of employees and the compensation received by employees. High employee extrinsic motivation will encourage employees to do the job as well as possible. High extrinsic motivation is indicated to create high employee performance. That way, the product results are also getting better and by what is expected. To reward employees, companies need to

provide compensation to employees. Employees will feel valued by the company for the work they have done.

They are providing extrinsic motivation accompanied by providing meaningful compensation for employee performance. Companies need to provide good extrinsic motivation and fair compensation to get good employee performance in order to achieve company goals. Employees who are well motivated to work and are given the compensation they deserve will get the job done well. Employees will try to give their best performance to the company. According to Zafar, Sarwar, Zafar & Sheeraz (2020), one of the compensation goals is to encourage individuals to do something. Proper compensation will motivate employees to provide the best performance and optimal work productivity.

The compensation system used for salespeople significantly influences individual salespeople's performance and the effectiveness of corporate sales. It is related to the control system used by companies (Kumari, Barkat Ali & Abbas, 2021). In simple terms, compensation is something employees receive for their work. Compensation policies generally only focus on the amount paid to employees. If the amount of compensation is sufficient, it is sufficient and suitable. The problem is more complex because it is adequate according to the company's point of view, but more is needed by the employee concerned.

If employees are satisfied with the compensation provided by the company and have great motivation to work, then employee performance will also increase in the company (Pak, Kooij, De Lange & Van Veldhoven, 2019). This means that giving compensation by the rules and regulations of the company will automatically increase employee performance and will have a good impact on the company.

Employees must also be consistent with the organization's development strategy (e.g., work organization, total quality) and the company's people (business strategy). Therefore, using incentive programs or systems to improve performance requires a clear and visible link between performance and compensation and a climate of trust between the people who work and those who provide rewards. (Edgar, Zhang & Blaker, 2020; Nilasari, Nisfiannoor & Devinta, 2021; Tuuli & Van Rhee, 2021) For employees to be motivated to improve their performance, companies should use skills as the basis for calculating compensation. It is also necessary to explain to employees that the compensation given is calculated based on their skills and ability to develop their skills to support completing the tasks assigned to them.

CONCLUSION

Extrinsic Motivation and Employee Compensation simultaneously affect Employee Performance. Meanwhile, other factors were studied and also influenced performance. Organizational Culture, Work Environment, Leadership, and so on are other variables. To improve employee performance, the company should provide knowledge to employees about the importance of loyalty to the company. This is very important so that employees

have a high responsibility for the company. The company also provides employees with more knowledge about how to work effectively to complete their work on time, increasing the company's productivity level. The company also trains employees to get used to coordinating among their team members. Aims to achieve good communication between departments within the company.

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