

THE EFFECT OF WORK MOTIVATION AND COMPENSATION ON EMPLOYEE PERFORMANCE

(A STUDY ON EMPLOYEES OF PT TEGUHSINDO LESTARITAMA PONOROGO)

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Abstract

Employee performance is a key factor in achieving organizational goals. At PT TeguhSindo Lestaritama Ponorogo, performance has not been optimal, as reflected by a 91.34% work target achievement rate, a 3.81% product defect rate, a 4.8% absenteeism rate, and 19.08% of employees not receiving monthly incentives. This study aimed to examine the effect of work motivation and compensation on employee performance. A quantitative approach with saturated sampling was applied to all 65 employees. Data were collected through a questionnaire and analyzed using multiple linear regression with SPSS 25. The results indicate that work motivation and compensation have a positive and significant effect on employee performance, with a coefficient of determination of 63.6%. Work motivation was identified as the most dominant factor.

Keywords: work motivation, compensation, employee performance, saturated sampling.

A. INTRODUCTION

Business competition in the era of globalization and industrial transformation requires companies to possess quality human resources in order to sustain their competitiveness. A company's success is heavily influenced by the quality of its employees' performance, since good performance directly affects productivity, service quality, operational efficiency, and the achievement of company targets. In practice, many companies still face problems such as declining productivity, low morale, delayed task completion, and suboptimal target achievement.

PT TeguhSindo Lestaritama is a manufacturing company operating in the herbal pharmaceutical, natural medicine, and health-supplement and cosmetics industry since 1992. Its Ponorogo operational unit relies on 65 active employees spread across six work divisions, which requires precision, procedural compliance, timeliness, and a minimal *defect rate*. Internal

operational data for the period of January 2025 to February 2026 show that the realization of work-target achievement has never reached the ideal standard of 100 percent, averaging only 91.34 percent per month with an average product defect rate of 3.81 percent. The lowest achievement was recorded in April 2025 at 88.5 percent, with the highest defect rate of 5.2 percent.

This phenomenon is suspected to be related to two main factors, namely work motivation (X^1) and compensation (X^2). Employee attendance data for the same period show an average absenteeism rate of 4.8 percent (3.1 employees per month), peaking at 7.7 percent in August 2025. The recurring fluctuation in absenteeism indicates a fragility in employees' internal motivation. On the other hand, incentive-receipt data show that, out of 65 employees, an average of 12.4 employees (19.08 percent) did not receive an incentive each month due to *Standard Operating Procedure* (SOP) provisions based on *Key Performance Indicator* (KPI) achievement below 85 percent, attendance discipline, or disciplinary sanction status. This disparity in incentive receipt has the potential to trigger a perception of compensation unfairness and work demotivation.

Findings from previous studies on the relationship between work motivation, compensation, and employee performance remain inconsistent. Kaharuddin et al. (2025) and Asriningtyas and Kusumayadi (2022) found that work motivation has a positive and significant effect on employee performance, while Prawoto and Hasyim (2022) proved that compensation has a positive and significant effect. However, Wambrauw et al. (2024) found contradictory results, in which work motivation partially had no significant effect on employee performance. This discrepancy indicates a *research gap* that needs to be re-examined, particularly since previous studies were generally conducted on service companies, trading companies, or government institutions in large cities, while studies on manufacturing companies in regional areas such as Ponorogo Regency remain very limited. Therefore, this study was conducted to re-examine the effect of work motivation and compensation on employee performance in the context of a manufacturing company, namely PT Teguhindo Lestaritama Ponorogo.

Literature Review

Human Resource Management Theory (Robbins & DeCenzo, 2010) explains that a company's success is strongly influenced by the organization's ability to manage its employees through various human resource policies, including the provision of appropriate motivation and compensation. *Expectancy Theory* by Vroom explains that a person is driven to work when they believe their effort will result in good performance and rewards that match their expectations, through three components: *expectancy*, *instrumentality*, and *valence*.

Work motivation is defined as the internal and external drive that causes employees to be willing and enthusiastic about working to achieve organizational goals (Robbins & Judge, 2017; Hasibuan, 2019). Based on Maslow's hierarchy of needs (1954), work motivation is measured through five indicators: physiological needs, safety needs, social needs, esteem needs, and self-actualization needs.

Compensation is the entire form of remuneration given by a company to employees in return for their contribution to the organization (Hasibuan, 2019; Rivai, 2018), measured through the indicators of salary, wages, incentives, bonuses, allowances, work facilities, and work rewards. Employee performance is defined as the work outcome achieved by a person in carrying out tasks in accordance with the responsibilities assigned to them (Mangkunegara, 2017; Afandi, 2018), measured through the indicators of work quality, work quantity, timeliness, work effectiveness, and work independence (Robbins & Judge, 2017).

Previous studies largely show that work motivation and compensation have a positive effect on employee performance, both partially and simultaneously (Kaharuddin et al., 2025; Siles Zebua & Fida Oktafiani, 2024; Divva Grizelda Meisari et al., 2025; Marchelino Tryas Saputra & Kumara Adji Kusuma, 2025). However, some studies also found inconsistent effects, such as Wambrauw et al. (2024), who found that work motivation had no significant partial effect. This condition underlies the need to re-examine the relationship in different objects and industry contexts.

Research Objective

This study aims to provide empirical evidence regarding the effect of work motivation and compensation on employee performance, both partially and simultaneously, at PT TeguhSindo Lestaritama Ponorogo.

Research Hypotheses

H1: Work motivation has a positive and significant effect on employee performance at PT TeguhSindo Lestaritama Ponorogo.

H2: Compensation has a positive and significant effect on employee performance at PT TeguhSindo Lestaritama Ponorogo.

H3: Work motivation and compensation simultaneously have a positive and significant effect on employee performance at PT TeguhSindo Lestaritama Ponorogo.

B. METHOD

This study uses a quantitative approach with a causal design to examine the cause-and-effect relationship between work motivation (X^1) and compensation (X^2) on employee performance (Y) (Sugiyono, 2023). The population consisted of all 65 active employees of PT TeguhSindo Lestaritama Ponorogo. Given the relatively small population size, the sampling technique used was *saturated sampling* (census), so that the entire population was used as the sample, resulting in 65 respondents.

The work-motivation variable was measured with 10 items based on the five indicators of Maslow's hierarchy of needs (1954), the compensation variable was measured with 14 items based on the seven indicators of Hasibuan (2019), and the employee-performance variable was measured with 10 items based on the five indicators of Robbins and Judge (2017). Primary data were collected through a four-point Likert-scale questionnaire (Strongly Disagree = 1 to Strongly Agree = 4) distributed online to all respondents via Google Forms from March to June 2026.

Data were analyzed using SPSS 25 through several stages. Validity testing was carried out using *Pearson Correlation* (an item was declared valid if $r^{\text{count}} > r^{\text{table}}$ of 0.244 and significance <

0.05), and reliability testing used *Cronbach's Alpha* (declared reliable if the value > 0.60). Classical assumption tests were then conducted, comprising the normality test (*Kolmogorov-Smirnov*), the heteroscedasticity test (Glejser test), and the multicollinearity test (using *Tolerance* and *Variance Inflation Factor/VIF* values). Hypothesis testing was performed through multiple linear regression analysis, the t-test (partial), the F-test (simultaneous), and the coefficient of determination (R^2), with the criterion that a hypothesis is accepted if the significance value is less than 0.05.

C. RESULTS AND DISCUSSIONS

1. Respondent Characteristics

Of the 65 respondents, the majority were male (47 people or 72.31 percent), had worked for more than 3 years (39 people or 60.00 percent), were aged 31 to 40 years (27 people or 41.54 percent), and held a bachelor's or master's degree (35 people or 53.84 percent). These characteristics indicate that the respondents had sufficient work experience and understood the company's operational conditions, enabling them to provide answers consistent with actual conditions.

2. Validity and Reliability Tests

Table 1. Reliability Test Results

Variable	Cronbach's Alpha	Number of Items	Description
Work Motivation (X1)	0.704	10	Reliable
Compensation (X2)	0.863	14	Reliable
Employee Performance (Y)	0.744	10	Reliable

Source: Data processed with SPSS 25, 2026

The validity test results show that all items on the work-motivation (10 items), compensation (14 items), and employee-performance (10 items) variables have a *Pearson Correlation* value greater than r^{table} (0.244) with a significance of 0.000, so that all items are

declared valid. The reliability test results in Table 1 show that all variables have a *Cronbach's Alpha* value above 0.60 and are therefore declared reliable.

3. Classical Assumption Tests

The normality test using *Kolmogorov-Smirnov* shows a significance value of 0.200 (> 0.05), so the residual data are declared normally distributed. The heteroscedasticity test using the Glejser method shows a significance value of 0.116 for work motivation and 0.269 for compensation, both above 0.05, indicating that the regression model is free from heteroscedasticity symptoms. The multicollinearity test shows a *Tolerance* value of 0.993 and a *Variance Inflation Factor* (VIF) value of 1.007 for both independent variables, indicating that the regression model does not exhibit multicollinearity. Thus, all classical assumptions have been met and the regression model is suitable for hypothesis testing.

4. Hypothesis Test Results

The multiple linear regression analysis produces the equation $Y = 3.855 + 0.515X^1 + 0.290X^2$. The partial (t-test) and simultaneous (F-test) results are presented in Table 2 and Table 3.

Table 2. Multiple Linear Regression Analysis and Partial t-Test Results

Variable	Regression Coefficient	t count	Sig.	Description
Constant	3.855	-	-	-
Work Motivation (X1)	0.515	5.515	0.000	Significant
Compensation (X2)	0.290	4.877	0.000	Significant

Source: Data processed with SPSS 25, 2026

Table 3. F-Test (Simultaneous) and Coefficient of Determination Results

F count	F table	Sig.	R	R Square	Adjusted R Square
29.505	3.15	0.000	0.798	0.636	0.571

Source: Data processed with SPSS 25, 2026

The t-count values for work motivation (5.515) and compensation (4.877) are greater than t^{table} with a significance of 0.000 (< 0.05), so H^1 and H^2 are accepted: work motivation and

compensation each have a positive and significant partial effect on employee performance. The F-count value of 29.505 is greater than F^{table} (3.15) with a significance of 0.000, so H^3 is accepted: work motivation and compensation simultaneously have a positive and significant effect on employee performance. An R Square value of 0.636 indicates that work motivation and compensation are able to explain 63.6 percent of the variation in employee performance, while the remaining 36.4 percent is explained by other factors outside the model, such as leadership, work discipline, organizational culture, work environment, and work experience.

5. Discussion

Work motivation is proven to have a positive and significant effect on employee performance, with a regression coefficient (0.515) greater than that of compensation (0.290), making work motivation the most dominant factor. This finding is in line with Kaharuddin et al. (2025), Asriningtyas and Kusumayadi (2022), and Astuti et al. (2024), who found that work motivation has a positive effect on employee performance. Employees' internal drive—arising from the fulfillment of physiological, safety, social, esteem, and self-actualization needs—is shown to shape work enthusiasm, responsibility, and initiative that push employees to achieve work targets optimally. This finding also addresses the *research gap* identified by Wambrauw et al. (2024), who found that work motivation had no significant effect in a different industry context; at PT Teguhindo Lestaritama Ponorogo, work motivation is instead proven to be significant and dominant.

Compensation is also proven to have a positive and significant effect on employee performance, consistent with Prawoto and Hasyim (2022) and Divva Grizelda Meisari et al. (2025). Employees who feel they receive fair compensation—whether in the form of salary, wages, incentives, bonuses, allowances, work facilities, or work recognition—tend to hold a positive perception of the company, which drives them to deliver their best work results. Nevertheless, the fluctuation in incentive receipt observed in the field, where an average of 19.08 percent of employees did not receive an incentive each month, indicates that the transparency and fairness of

the compensation scheme still need to be improved so that its contribution to performance can be further optimized.

The simultaneous test results show that work motivation and compensation jointly have a significant effect on employee performance, consistent with Kaharuddin et al. (2025) and Siles Zebua and Fida Oktafiani (2024). Both factors complement one another: internal psychological drive becomes more effective when supported by an appropriate financial reward system. This result reinforces *Human Resource Management Theory* (Robbins & DeCenzo, 2010), which asserts that effective human resource management through the provision of appropriate motivation and compensation can produce employees with high ability, motivation, and commitment toward achieving organizational goals, and it also supports *Expectancy Theory*, which explains that confidence in work outcomes and rewards that match expectations is the main driver of employee work behavior.

D. CONCLUSIONS

This study proves that work motivation and compensation each have a positive and significant partial effect on the performance of employees at PT Teguhindo Lestaritama Ponorogo, with work motivation being the most dominant factor. Work motivation and compensation also have a positive and significant simultaneous effect on employee performance, explaining 63.6 percent of the variation in employee performance. The combination of internal psychological stimulation and external financial appreciation is proven to be an important foundation for shaping employee work performance in a regional-scale herbal pharmaceutical manufacturing company. This study is limited by its scope, covering only a single company and a limited number of variables restricted to two main constructs.

E. SUGGESTIONS

PT Teguhindo Lestaritama Ponorogo is advised to re-evaluate its incentive-achievement scheme to make it more proportional and transparent across divisions, while also strengthening a

culture of non-financial appreciation from supervisors to maintain the stability of employees' internal motivation in the long term. The company also needs to maintain the quality of its facilities and work resources through regular maintenance. Employees are advised to continue maintaining time discipline and two-way communication with supervisors to support optimal task completion. Future researchers are advised to expand the scope of research to other objects and regions and to add other relevant variables beyond this study's model, such as leadership style, work discipline, organizational culture, and the effectiveness of work-training programs.

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