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Mediating Role of Job Satisfaction in Relationship of Compensation, Motivation and Organizational Commitment on Employee Performance in Batam Island, Indonesia

Afit Afrizal ^{a,*}, Muhammad Muhammad ^a, Chablullah Wibisono ^a, Indrayani Indrayani ^a, Awis Al' Qarny ^a

^a Faculty of Economics, Universitas Batam, Batam Center, 29432 Kota Batam, Kepulauan Riau, Indonesia; muhammad@malahayati.ac.id (M.M); chablullah.wibisono@univbatam.ac.id (C.W); yaniindra@gmail.com (I.I); awisalqarny90@gmail.com (A.A.Q).

* Correspondence: afit1703@gmail.com (A.A).

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Abstract: Human resource is a creature that cannot escape from shortcomings in life for it often happens the problem of dissatisfaction, untruth, injustice, dishonesty, openness and indiscretions in the organization, such as a lack of concern for the organization to employees regarding compensation, motivation, organizational commitment, job satisfaction and employee performance. So, there needs to be a sense of concern in human resource management depth to the employees for all the activities of the organization to run smoothly. This study aimed to analyse the determination of compensation, motivation and organizational commitment to employee performance and job satisfaction as an intervening variable. The statistical method used to test the hypothesis is the Structural Equation Model with a total sample of 112 respondents. This study uses a questionnaire to measure the five-variable compensation, motivation, organizational commitment, job satisfaction and employee performance. The result of the analysis indicated that motivation has a significant positive effect on employee job performance. Also, this study found that job satisfaction mediates the relationship between compensation and organisational commitment to employee job performance. In conclusion, this study has successfully analysed the determinant factor of employee job performance and the role of job satisfaction in the relationship between compensation, motivation and organizational commitment to employee job performance.

Keywords: compensation; motivation; organisational commitment; job satisfaction; employee performance.



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1. Introduction

Humans are creatures created by Allah, who has a first degree higher than other creatures, when humans can fight his lust, then rank higher than the angels, in addition to the human mind as a balance consideration awarded earth. Intellect is a case law establishing the presence or absence or who knows the essence of something, so then people have an important role in the earth (Chalmers et al., 1992). Human resources in the organization have an important element in the successor organization to achieve goals and gain as much as possible (Semler, 1997; Sims, 2002). HR problems until now could not be resolved in addition, there are also differences in the conditions, it is very difficult to find a human who is in the group "true" means true knowledge, Human resource management is a creature that cannot escape from life's shortcomings in that often there are problems (DeCenzo et al., 2016; Legge, 2020). Based on the empirical results in the field of discontent, injustice, dishonesty, openness, and indiscretion in organizations often occur, this is caused by differences in background, conditions, culture, personal psychology, economics, religion and so on.

These conditions are very worrying as a result have an impact on the compensation that is not as expected, the motivation of workers decreases, less commitment to the organization of throwing responsibility and does not attempt to maintain the resources, and employee performance is not optimal, and therefore it is no wonder that until today many studies discuss the issue of satisfaction, performance, compensation, motivation and organizational commitment. For that, there needs to be an understanding of the management of human resources in more depth to the employees for all activities of the organization to run smoothly. Thus, researchers are interested to solve these problems or at least close the gap to these problems. This study aims to analyze the relationship between compensation, motivation and organizational commitment toward employee performance. Also, this study examines the mediating role of job satisfaction in the relationship between compensation, motivation organizational commitment and employee performance.

2. Literature Review

2.1. Job Satisfaction

Job satisfaction is an emotional state that is pleasant or unpleasant to name the employee's view of work (DeCenzo et al., 2016). Wahyudi (2018) stated that the indicators of job satisfaction namely: 1). Satisfaction with the work itself, 2). Satisfaction with salary, 3). Satisfaction with recognition, 4). Satisfaction with colleagues and superiors, 5). Opportunity to move forward.

2.2. Employee Performance

Performance is the quantity or quality of the work of individuals or groups within the organization in carrying out the duties and functions which are based on the norms, standard operating procedures and measurement criteria that have been established or accepted within the organization (Stanton & Julian, 2002). The employee performance indicators include quality, quantity, timeliness, effectiveness and self-reliance (Steffens et al., 2014).

2.3. Compensation

Compensation is all the administration of the company or organization, either in the form of money (financial) and not money (non-financial) to employees as remuneration for the work that has been done for the company (Mardiyanti et al., 2018). According to Kurniawan & Azzuhri (2012), the compensation indicators namely: 1). Conformity salary with the job, 2). The existence of a decent allowance, 3). The existence of appropriate incentives, 4). The provision of facilities, 5). Timeliness of payment of salaries.

2.4. Motivation

Motivation is a term used to indicate the presence of a number of impulses, desires, needs, and strengths (Khan & Sheikh, 2012). The indicators of motivation suggested by Schermerhorn & Chappell (2010) are 1). Performance (achievement), 2). Award (recognition), 3). Engagement (involvement), 4). Responsibility (responsibility), 5). Opportunity (opportunity).

2.5. Organizational commitment

Organizational commitment is defined as a situation where an employee favoring a particular organization as well as the goals and desires to retain membership in the organization (Purnomo et al., 2020). The indicators of motivation proposed by (Meyer & Allen, 2004) consists of 1). The assurance that a strong career in the company, 2). The level of involvement in the company's problems, 3). Level of interest in the company, 4). Feeling as part of the company, 5). Meaning the company for itself.

2.6. Hypothesis Development and Research Framework

2.6.1. Job Satisfaction Relationship with Employee Performance

The researchers at Cornell University developed the Job Descriptive Index (JDI) to assess the satisfaction of someone with dimensions: work, salary, promotion, coworkers, and supervision. Jones (2006) believes that satisfaction causes performance or performance does not lead to complacency. Vecchio (1995) defines job satisfaction as thoughts, feelings, and actions of a trend, which is a person's attitude towards work. Then proposed by Kreitner & Kinicki (2014) job satisfaction is an emotional response to the various aspects of a person's job. Supported by previous studies conducted Ariyanto (2019) proved that job satisfaction and significant effect on performance, later supported by data from Alexander et al. (1993).

2.6.2 Compensation relationship with job satisfaction

Compensation financial or non-financial is the right of the employee if they have fulfilled their obligations in place to work (Yousaf et al., 2014). Compensation is case sensitive but can impact job satisfaction, but on the contrary, if an employee is not satisfied with the compensation received or does not feel there is fairness in the granting of compensation it will be bad for the company (Igalens & Roussel, 1999). Mardiyanti et al. (2018) argue that compensation is all the administration of the company or organization, either in the form of money (financial) and not the money (non-financial) to employees as remuneration for the work that has been done for the company.

2.6.3. Motivation relationship with job satisfaction

Inevitably, when employee satisfaction arising from their needs is met, the recognition of the resulting performance is also a motivating factor for more productive employees in the company. Motivation is believed to have a positive effect on employee job satisfaction (Efendi & Yusuf, 2021). If the motivation of an employee gets high or increases, then the job satisfaction will increase, and vice versa if the employee motivation is low or declining, job satisfaction will be weak. According to Khan & Sheikh (2012), motivation is a term used to indicate the presence of a number of impulses, desires, needs, and strengths. Then, Suharto and Yamit (2003) in Efendi & Yusuf (2021) motivation is something that stimulation morale.

2.6.4. Relationships with Job Satisfaction Organizational Commitment

Employees will feel protected, comfortable, safe, and sure for a career in the company, so the company is very meaningful to employees when the company sticks to its commitments. Organizational commitment is defined also by Meyer & Allen (2004) as a form of the devotion of employees to the workplace. According to Colquitt et al. (2009), organizational commitment affects the employees' desire to remain a member of the organization or leave the organization to pursue other jobs. Kreitner & Kinicki (2014) that the commitment the organization has towards a positive and strong enough to work satisfaction. Supported previous studies conducted by Sarwani et al. (2019) proved the influence of organizational commitment on job satisfaction. The research framework is made based on the facts, observation and study of literature, supported by previous studies. Therefore, this framework contains a relationship between the variables involved in the research by supporting literature, and clearly defines the relationship between variables that exist. Also, it can be used as a base to solve the problems as well as the logical flow that exists between variables that will be very relevant to the issue under study.

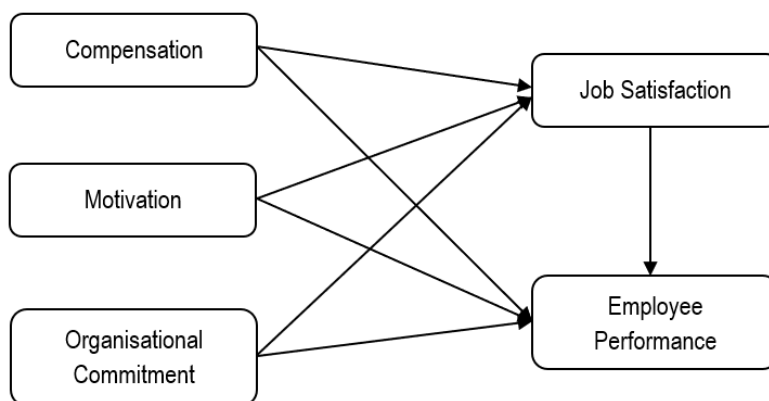


Figure 1. Conceptual Framework

3. Materials and Methods

This study is designed using a quantitative approach. The methodology is a master plan that contains the methods and procedures to collect and analyse the information required (Bryman, 2008), specify the sources of information, techniques to be used, the method of sampling until the analysis of the data to answer the research questions (Sileyew, 2019). The population of the region generalization that occurs from the object or subject in the quantity and specific characteristics defined by the researchers to learn and then drawn conclusions, the population is extremely pleased with the data and the totality of all possible values, both the count and measurement of quantitative and qualitative characteristics the specifics of a complete set of objects (Amaratunga et al., 2002). In this study, the population is 112 employees. The sampling technique used in this study is saturated sampling. Saturated Sampling is a sampling technique in which all members of the population are used as a sample. Another term is saturated sample census, where all members of the population are sampled.

The instruments used by researchers in gathering data using questionnaires. By distributing questionnaires to the respondents were made in the form of statements that are closed and each object was asked to choose one of the alternative answers that have been determined. The method in this research uses quantitative methods where the problem was discovered after researchers go into the field and if researchers obtain a new problem then the problem is studied again until all problems have been saturated and missed. The statistical tool used to test hypotheses is Structural Equation Model (SEM) version 24 and Statistical Product and Service Solutions (SPSS) version 20.

Model-based development theory has a strong theoretical basis for the study. Without a strong theoretical justification, a model has no meaning when analysed by Structural equation models (SEM). SEM is not used to produce a model, but to confirm a model that is supported by a theory based on empirical data (Hair Jr et al., 2017). In developing the model, a researcher is based on a theoretical footing enough to build relations on a phenomenon. Researchers have the freedom to establish as long as there is enough theoretical justification. The theoretical model that has been built in the first step will be described in a flow diagram (path diagram). Path diagram will facilitate researchers to investigate the relationships that you want to test causality. In the operation of counter SEM software (such as AMOS), causality was quite drawn on a path diagram, and then the language of the program will convert the image into the equation, and the equation becomes estimates.

SEM differences with other multivariate techniques are in the input data used in the modelling and estimation (Hair Jr et al., 2017). SEM only use a matrix of variance/covariance or correlation matrix as input data for the overall estimate. If the purpose of the analysis is testing a model that has gained justification theory, it is appropriate is variant-covariance matrix data. In this case, do not influence the interpretation of the size of causality in pathways that exist in the model. Input data correlation matrix can be used when the purpose of the analysis is to get an explanation of the pattern of causal relationships between variables. Researchers can explore the pathways which have a causal influence more dominant than the other lines. The guidelines used to determine the sample size that will be used for the estimation of the parameters are a). The sample size depends on the parameter estimation method used. If the parameter estimation uses Maximum Likelihood Estimation (MLE), the recommended sample size is 100-200, b). The sample size depends on the complexity of the model that will be examined. The more complex a model requires the sample size increases. In this case, there are guidelines that the sample size is 5-10 times the number of parameters in the model to be estimated, c). The sample size depends on the distribution data. When the distribution of data gets away from the normal, hence the required sample size the greater the guidelines of around 15 times the number of parameters to be estimated.

4. Results

This section reports the result of the analysis using SEM-AMOS. The goodness of fit index output is seen in Table 1 below:

Table 1. The result of the Goodness of Fit Index

Fit Index	Threshold	Result
Chi-square (χ^2)	Expected to be small	417.934
Chi-square Relative (χ^2/df)	≤ 3.00	1.640
Sig.	> 0.05	0.000
RMSEA	≤ 0.08	0.076
GFI	≥ 0.90	0.775
AGFI	≥ 0.90	0.713
TLI	≥ 0.90	0.920
CFI	> 0.90	0.775

Table 1 shows the goodness of fit index. The results indicated that the chi-square relative value is less than the threshold which is 1.640 (≤ 3.00). RMSEA value is less than 0.08 (e.g., 0.076). TLI value is higher than the threshold as much as 0.920 (≥ 0.90). Thus, this study concluded that the data collected are fitted and can conduct future analysis. In the next section, this study presents the result of hypothesis testing (see Table 2).

Table 2. Hypothesis Testing (Direct effect)

Dependent Variables	Coefficient	C.R	Sig.
Compensation --> Employee Performance	0.173	1.355	0.175
Motivation --> Employee Performance	0.643	4.373	0.000
Organisational Commitment --> Employee Performance	0.081	0.507	0.612

Table 2 shows the result of hypothesis testing. The result of the analysis indicated that motivation has a significant positive effect on employee job performance. Besides that, this study found that compensation and organisational commitment do not significantly affect employee job performance. In line with Hayes (2017), he stated that when the direct effect is not significant, it means that the proposed variable (e.g., job satisfaction) is mediation. Of these, we employ the mediating testing or indirect effect.

Table 3. Hypothesis Testing (Indirect effect)

Path Analysis	Coefficient	Std. Error	C.R	Sig.
Compensation --> Job Satisfaction --> Employee Performance	0.415	0.932	4.452	0.000
Organisational Commitment --> Job Satisfaction --> Employee Performance	0.360	0.149	2.403	0.016

Table 3 displays that job satisfaction mediates the relationship between compensation and organisational commitment to employee job performance. The regression coefficient of compensation is 0.415 or 41.5 percent, standard error is 0.932, critical ratio (C.R) is 4.452 and significant at the level 1 percent (sig.=0.000). Next, the organisational commitment regression coefficient is 0.360 or 36 percent, standard deviation is 0.149, critical ratio is 2.403 and significant at the level of 0.05 (sig.=0.016).

5. Discussion

The result of this study indicated that compensation does not significant effect on employee job performance. These findings contrast with Efendi & Yusuf (2021) who found that compensation has a significant positive effect on employee performance. In addition, the findings of the present study might be due to the respondents feeling that the salary received is not enough to pay for their home, motorcycle and other consumer loans. Next, this study found that motivation has a significant positive effect on employee performance. This result is supported by (Riyanto et al., 2017) who stated that motivation is one of the driving factors for job performance. Also, he added that Individual behaviour is driven by the need for achievement will appear when trying to do something in new ways and creative, seek feedback (feedback) about actions, choose a moderate risk of (being) in his actions; by choosing a moderate risk that there are still opportunities for higher achievement; and take personal responsibility for his actions.

The result of this study also found that organizational commitment does not significantly affect employee job performance. A similar result reported by Jernigan et al. (2016), found that employee job performance does not significantly affect by organizational commitment. The finding is dissimilar to Jernigan et al. (2002), which stated that a high organizational commitment will positively be correlated with job performance. Also, it is supported by previous studies Sarwani et al. (2019) said that organizational commitment has a significant positive relationship with employee job performance. The result means that when the company commits to its promise, the performance of employees will improve and employees feel protected, comfortable, safe, and sure for a career in the company, so the company is very meaningful to employees when the company sticks to its commitments. In addition, this study found that job satisfaction mediates the relationship between compensation and organisational commitment to employee job performance.

6. Conclusions

In conclusion, this study has successfully analysed the determinant factor of employee job performance and the role of job satisfaction in the relationship between compensation, motivation and organizational commitment to employee job performance. Individual behaviour driven by the need for achievement will appear when trying to do something in new ways and creative, seeking feedback about actions, and choosing a moderate risk. Also, when the

company's committed to its promise, the performance of employees will be improved, and employees feel protected, comfortable, safe, and sure for a career in the company.

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