

THE ROLE OF EMPLOYEE PERFORMANCE AS A MEDIATION VARIABLE IN THE EFFECT OF COMPENSATION, MOTIVATION, AND THE ENVIRONMENT OF THE WORKPLACE ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The research aims to review the role of employee performance on the relationship of compensation, motivation, and work environment which is thought to influence the performance of the organization in the implementation of human resource management at Bank Aceh in Banda Aceh, Indonesia. Primary data collection method with survey method by involving all employees to answer questions through questionnaires circulated to all employees. The analysis method uses Path Analysis, where this method is to find out the direct or indirect effects of the independent variable (exogenous) on the dependent variable (endogenous). The results of the study show the role of employee performance on the relationship between compensation, motivation, and workplace environment towards Bank Aceh's organizational performance. Employee performance mediates the influence between compensation, motivation, and workplace environment on organizational performance is 0.294; 0.234; and 0.357. To more clearly see the discussion.

Keywords: Performance, compensation, motivation, workplace environment, human resources

INTRODUCTION

Research on employee performance is a study of employee behavior to produce a capable performance. Organizational performance is cumulative of individual employee performance in various fields and the expertise they contribute to the progress of the organization. Many previous studies that pay attention to the performance of employees include some of them (Martini, Rahyuda, Sintaasih, 2018; Franco & Franco, 2017; Memari, Mahdieh, & Marnani, 2013; Hernaus & Mikulić, 2014; Ohme & Zacher, 2015; Ibrahim, Sulaiman, Kahtani, & Jarad-Abu, 2012; Abdullah, 2006). Their research on employee performance has not given attention to employees in banking organizations.

The performance of employees in manufacturing companies, other service companies is different from the performance of employees in the banking service industry. The definition of a bank is a financial intermediary that is tasked with collecting and channeling funds in the community to improve people's lives. Whereas the banking concept is everything related to banks.

The collection of funds from the public is carried out by banks through savings or savings and the distribution of funds is done through credit or loans to the public. After knowing the

main task and function of the bank is to collect and channel funds in the community, maybe you will still ask how is the operational system or how the bank works? If the bank only collects and disburses funds how can the bank benefit? And how the bank can survive to pay the salaries of its employees. The bank's operational system starts from savings. First of all the bank will take the money that has been collected and take profits, then give some of the profits in the form of interest to the savings customer.

The bank's profits are obtained from investing the savings funds into higher interest investments. Banks can also lend to customers who need funds with a loan interest higher than the savings interest. Therefore we are very interested in making a study of employee performance in the banking services industry. This study places classic variables (compensation, motivation, and workplace environment) as independent variables, although those variables seem very classical, but of course very different from now, where an era full of advances in information technology constantly changes.

For us researchers, this is actually very interesting to review. Previous research on compensation, motivation, and the work environment has provided many important information Susan, et al. (2010), suggest that men and women must seek different paths and endpoints to optimize compensation. Janell (2013), suggest that, regardless of team identity, firms can benefit from offering both team and individual performance-based compensation. Constantine (2015) said that organizations strive to gain market competitiveness by motivating employees to share knowledge cooperatively, and protect organizational-specific knowledge from external takeovers. Ramos, Figueiredo, & Pereira-Guizzo (2018), found that working group support is a good work environment for workers in encouraging creativity. From some of the previous studies that we reviewed above, we have not found performance as a strong variable mediating the relationship of compensation, motivation, and work environment to organizational performance, therefore we try to reexamine the role of employee performance as a variable mediation in the organization of banking services companies.

LITERATURE REVIEW

Employee Performance

According to Wibowo. (2010), performance is defined as the realization of tasks assigned to employees based on his personal qualifications are within reasonable limits. But Ivancevich, Konopaske and Matteson (2005) concluded that performance is a function of capacitation, opportunity and encouragement to do something useful for themselves and the organization. Robbins & Judge (2009), looks at the performance from the physical point of view of goods produced by employees.

From the three views given about employee performance in principle the same, namely there is something that is generated through an activity in the form of concrete services or goods. Ibrahim (2015) agrees on the three opinions, but the important thing is that the results are achieved in both quantity and quality.

Compensation

According to Wayne (1990), compensation includes forms of direct or indirect cash payments in the form of employee benefits and incentives to motivate employees to work earnestly to achieve better productivity. Wayne's opinion was supported by Kappel who said, when you give your workers regular service every day or every month. But you also give other wages to those workers. Can that be said as compensation? What is compensation? Compensation is

the total cash and non-cash payments that you give to employees in return for the work they do for your business (Kappel, 2018). Mangkuprawira (2011: 203), adding compensation is an important component in relation to employee motivation.

Motivation

According to DeCenzo & Robbins (1996) said that motivation as a desire to do something activities conditioned by activity or the ability to satisfy some needs. Based on studies conducted on motivation, where ways of giving motivation to employees have been widely practiced in the company today in all sectors, with various measurements. According to Moorhead & Griffin (2013: 84), motivation is a series of forces that cause to be involved in a behavior, not another behavior. Moorhead Griffin added that managers generally struggle seriously to motivate employees to improve their performance and careers (2013 : 85). Sejalan dengan itu, Chairil et al.(2017), motivation is the extrinsic and intrinsic drive of a worker to work as well as possible.

Employee Performance

According to Rivai (2004), performance is the overall result or success of a person both qualitatively and quantitatively in a certain period in accordance with predetermined work standards. Rivai, adding that a person's performance does not stand alone but is also influenced by other factors such as job satisfaction, compensation for one's skills, abilities and individual characteristics. In addition, employee performance is also determined by ability, desire, and environment.

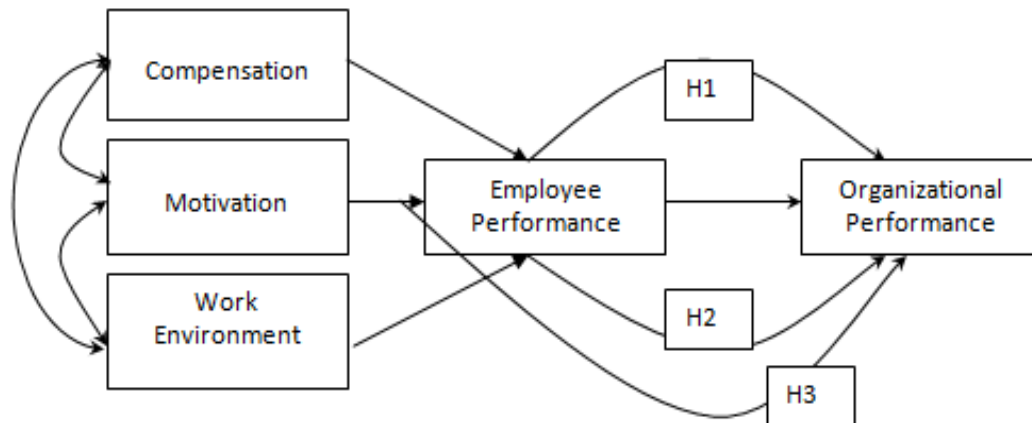
Employee Performance As Mediator

The AMO Model argues that employee performance is a function of three important components: ability, motivation and opportunity to do (Obeidat et al., 2016).

Imran et al. (2016), emphasizes employee creativity as a mediator variable. The results of his research show that knowledge processes have a positive impact on company performance and the creativity of employees partially mediates their relationship.

In addition, an intensive knowledge culture has a strengthening effect on the relationship between the process of knowledge and creativity of employees. Gupta & Sharma (2018), chose employee engagement as a mediator. The results found that all constructs taken in the study - LMX, HI HRP and ER - have a positive influence on employee ERP through EE.

Current research aims to examine the role of employee performance as mediating the effect of compensation, motivation, and work environment on organizational performance (Bank Aceh).

Research Framework**Figure 1. Research Framework****Hypothesis**

- H1: The effect of compensation on organizational performance is mediated by employee performance
- H2: The influence of motivation on organizational performance is mediated by employee performance
- H3: The influence of the work environment on organizational performance is mediated by employee performance

RESEARCH METHODOLOGY**Data Collection Method**

The primary data of this study was obtained by circulating questionnaires to the entire population. Pupulasi research is all employees working at the Bank Aceh Head Office in Banda Aceh. This study does not use population samples, but the entire population was used as research respondents.

Questionnaire Method

Questionnaires circulated to respondents contain questions in 2 parts, first questions about the characteristics of respondents. The second part is about research variables (employee performance, organizational performance, compensation, motivation, and work environment). Answers to questions in questionnaires in the form of a Likert scale with a score of 1 to 5 (from very low = 1 to very high = 5) the respondent chose the one they experienced.

Data Analysis Method

Data were analyzed using the Path Analysis method by using the SPSS version 22 program. Path analysis is the development of multiple regression models that are used to test the suitability of the correlation matrix of two or more models compared to the researcher. The model is depicted as a circle and arrow showing a causality relationship.

RESULTS OF RESEARCH AND DISCUSSION

Table 1 shows the direct effect of employee performance on Bank Aceh's organizational performance. The t-count value obtained from the SPSS Output Coefficients table for employee performance variable (Z) is 23.164. That is, $t \text{ count} > t \text{-table}$ ($23.164 > 1.979$). Thus it can be concluded that the variable employee performance influences Bank Aceh's organizational performance.

Table 1: Test results directly influence employee performance on organizational performance (Coefficients Sub Structure 1)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.560	0.855		1.823	0.070
Employee performance	0.665	0.029	0.882	23.164	0.000

a. Dependent Variable: Organizational performance

To test its significance, it can be done by comparing the sig values. from the SPSS Output Coefficients table with a value of $\alpha = 5\%$. From the table the value of Sig. for variable employee performance is 0,000. When compared with $\alpha = 0.05$, the value of Sig. smaller than α ($0.000 < 0.05$). That is, employee performance has a significant influence on Organizational Performance (Bank Aceh). the magnitude of Beta (path coefficient) variable employee performance (Z) on bank performance (Y) is equal to 0.882 (ρ_{yz}).

To find out the effect of variable employee performance (Z) on bank performance (Y) can be seen by looking at the R square value in table 4.28, where the value of R square = $0.778 = 16.3\%$. So, at 77.8% the value of the bank performance variable is influenced by employee performance, while the remaining 22.2% is influenced by other variables outside of this study. Meanwhile, the magnitude of the path coefficient for other variables outside the study which affects the value of the variable Y ($\rho_Z = \sqrt{1-R^2} = \sqrt{1-0.778} = 0.222$). to be more clearly seen in Table 2.

Table 2: The test results influence employee performance on organizational performance (Coefficients Sub Structure 1)
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.882 ^a	0.778	0.777	1.455

a. Predictors: (Constant), Employee performance

b. Dependent Variable: Organizational performance

Still referring to table 2, the R value (correlation coefficient) is known as 0.882. This means that the relationship between the independent variable compensation to the dependent variable of employee performance is strong (because the value of R is greater than 0.5) and in the same direction (because the value of R is positive). Thus a substructure 3 path diagram is obtained which is presented with the path coefficient values that have been obtained through data analysis as shown in Figure 2.

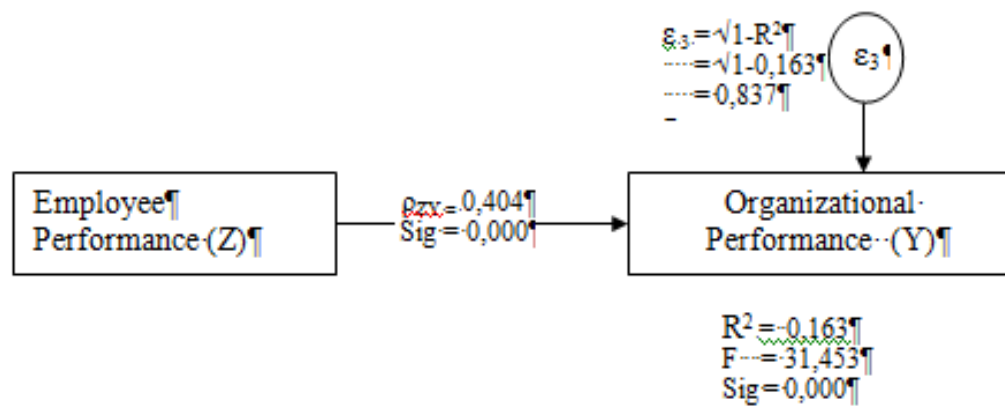


Figure 2: The test results are the magnitude of the direct effect between employee performance and organizational performance (substructure 1)

Table 3 shows the results of the calculation of the magnitude of the direct effect, indirect effect, and the total effect of each exogenous variable on endogenous variables. Based on Table 3, the results of the study also provide information about the total effect of compensation (x1) on organizational performance (Y) is 0.651 or 65.1%, the total effect of work motivation (x2) on organizational performance (Y) is 0.512 or 51.2% , and the total effect of the work environment (x3) on organizational performance (Y) is 0.642 or 64.2%.

Table 3: Results of Estimated Direct and Indirect Effects

Variable	Path coefficient	Effect		
		Direct	Indirect (via Z)	Total
$X_1 \rightarrow Z$	0.333	0.333	-	0.333
$X_2 \rightarrow Z$	0.265	0.265	-	0.265
$X_3 \rightarrow Z$	0.405	0.405	-	0.405
$X_1 \rightarrow Y$	0.357	0.357	$0.333 \times 0.882 = 0.294$	$0.357 + 0.294 = 0.651$
$X_2 \rightarrow Y$	0.278	0.278	$0.265 \times 0.882 = 0.234$	$0.278 + 0.234 = 0.512$
$X_3 \rightarrow Y$	0.285	0.285	$0.405 \times 0.882 = 0.357$	$0.285 + 0.357 = 0.642$
$Y \rightarrow Y$	0.882	0.882	-	0.882

Description:

X1 = Compensation

X2 = Work Motivation

X3 = Work environment

Z = Employee performance

Y = Organizational performance (Bank Aceh)

The role of employee performance as a mediating variable

1. The effect of compensation on organizational performance, employee performance as a mediator. Figure 3 shows the effect of compensation (x1) on organizational performance which is mediated by employee performance of 29.5%. Based on the results of the analysis that there is a role of mediation by the performance of employees with significance ($\text{sig } \alpha = 5\%$) and Z affect Y also on significance ($\text{sig } \alpha = 5\%$).

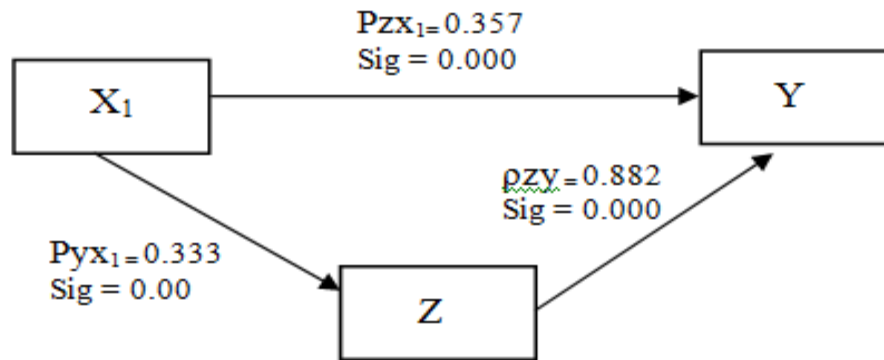


Figure 3: The test results of the effect of compensation on organizational performance employee performance as mediator

2. The effect of work motivation on organizational performance, employee performance as a mediator of 23.4%. Graphically the relationship of work motivation variables to Bank Aceh's organizational performance through employee performance is illustrated in figure 4.

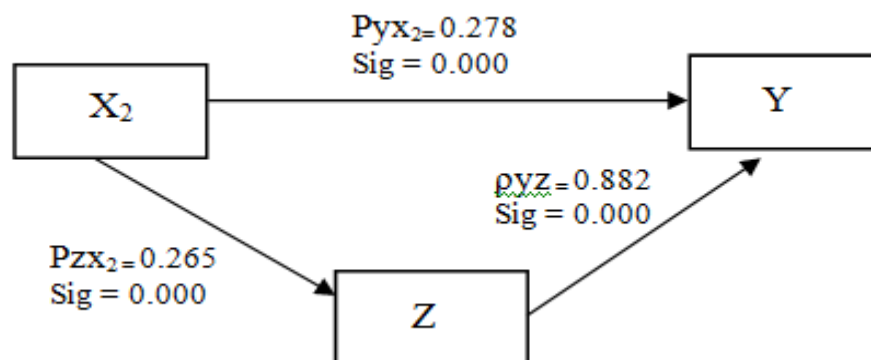


Figure 4: The test results of the effect of work motivation on organizational performance employee performance as mediator

3. The effect of work environment on organizational performance, employee performance as a mediator of 35.7%. The role of employee performance as mediating the relationship of the work environment and organizational performance is significant at the level of $\alpha = 5\%$.

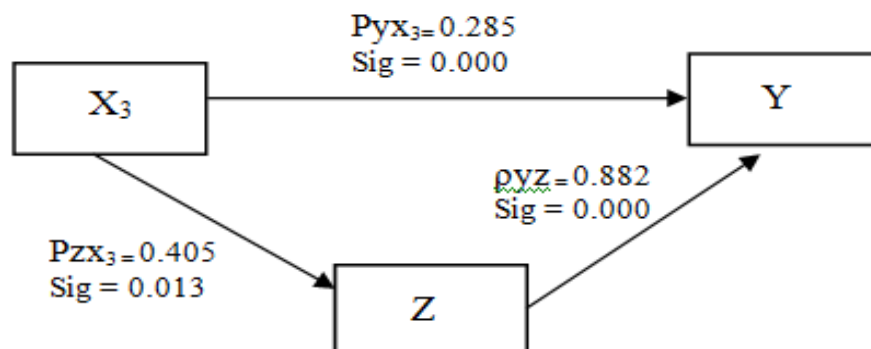


Figure 5: The test results of the effect of work environment on organizational performance employee performance as mediator

CONCLUSION

This study emphasizes the role of mediating variable employee performance on causality between compensation (x1), motivation ((x2), and work environment (x3) on organizational performance (Bank Aceh). Based on the results of primary data analysis using path analysis methods, then we find that employee performance variables in Bank Aceh Organization (Z) have a significant role in their role as mediators of causality between all independent variables on the dependent variable (organizational performance) .The results of this study increasingly clarify the role of employee performance in an organization important.The results of this study also further strengthen the theory and previous research (Moorhead & Griffin, 2013: 84; Obeidat et al., 2016; Imran et al., 2016; Gupta & Sharma, 2018).

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