



# Work Motivation as an Intervening Variable of Organizational Culture, Compensation, and Employee Performance

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## ABSTRACT

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This research aims to test and analyze the influence of Organizational Culture and Compensation on Employee Performance with Work Motivation as an Intervening Variable at PT EDS Manufacturing Indonesia. The independent variables used are Organizational Culture and Compensation, while the dependent variables are Employee Performance and the intervening variable is Work Motivation. The data collection method in this research was carried out by distributing questionnaires to 165 respondents from PT EDS Manufacturing Indonesia employees. The research method used is a quantitative method that is associative in nature using primary data. and the data analysis model used is Structural Equation Modeling (SEM) using PLS.4 The results of this research show that Organizational Culture has a positive and significant effect on employee performance with a coefficient value of 0.364, Compensation has a positive and significant effect on Employee Performance with a coefficient value of 0.247, Organizational Culture has a positive and significant effect on Employee Performance through Work Motivation with a coefficient value of 0.155, Compensation has a positive and significant effect on employee performance through work motivation with a coefficient value of 0.140. Work motivation has a positive and significant effect on employee performance with a coefficient value of 0.354.

**Keywords:** Organizational Culture, Compensation, Work Motivation, Employee Performance.

## INTRODUCTION

The current global competition affects business competition for all entities, as they strive to become successful and survive in the midst of the global crisis. The progress of a company is influenced by both internal and external factors. Companies that can adapt to the demands and changes in the work environment are more likely to achieve their goals. However, achieving organizational goals comes with complex problems, especially in managing human resources, production factors, raw materials, work tools, production machines, money, and the work environment.

Human resources are valuable assets that need to be properly maintained, as they are the driving force behind the functioning of other resources in the company. They play a crucial role in creating efficiency, effectiveness, and productivity, ultimately leading to the achievement of company goals. Human resources encompass all individuals working in the company, from subordinates to superiors. Recognizing the importance of employees, it is essential to give serious attention to their tasks in order to achieve the company's goals. When employees have high work motivation, they tend to work harder and be more dedicated. Conversely, low work motivation can result in lack of enthusiasm, giving up easily, and difficulty in completing tasks.

A manufacturing company is a business that transforms raw materials into finished or semi-finished products with sales value. The goal of every manufacturing industry is to maximize the use of resources efficiently and effectively. Manufacturing involves changing raw materials into a form that has added value, following standard operating procedures. In Indonesia, the manufacturing industry is an important sector that contributes to economic growth and job creation. In today's globalized and competitive era, manufacturing companies need to enhance employee performance to achieve business success.

PT. EDS Manufacturing Indonesia is an automotive manufacturing company established in 1989, originating from Japan. Each country and company has its own unique work culture and climate, which requires adjustments to create a positive organizational culture. Company leaders always expect their employees to deliver their best performance in fulfilling their assigned tasks. However, in recent years, companies have faced a decline in income due to decreased efficiency, with declining employee performance being one of the contributing factors.

In December 2022, the workers' union organized a demonstration right outside the company premises. The reason behind this protest was the dissatisfaction among employees regarding the management's decision to provide year-end allowances. Unfortunately, the demonstration resulted in employees being unable to enter the workplace, causing a halt in the production process. Consequently, the company's productivity and efficiency took a hit. The lack of motivation among employees due to the unsatisfactory compensation further contributed to their poor performance. This decline in performance can be attributed to the fact that employees feel undervalued by the company's year-end prizes. It is crucial to understand that performance is a measure of success achieved by individuals or organizations in their work. Without effective management, performance cannot be realized. Therefore, it is essential to implement performance management strategies that aim to enhance performance, optimize employee potential, and ultimately improve the organization as a whole.

Some employees have expressed that their motivation to work has decreased due to the lack of rewards for their achievements. In the past, the company used to have various awards such as best QCD, best QCC, best conveyor, and others. The absence of these recognition programs has resulted in a lack of motivation among employees to compete and provide the best for the company in terms of innovation, improvement, and performance. As a result, the work motivation at PT EDS Manufacturing Indonesia is currently quite low, which is evident from the declining employee performance. It is important to note that work motivation plays a significant role in employee performance, especially in today's era of globalization where the needs of employees are constantly evolving. By having factors that enhance work motivation, employees can be motivated to work more passionately and effectively fulfill their responsibilities and tasks within the given timeframe.

The organizational culture at PT EDS Manufacturing Indonesia is in dire need of improvement as it fails to inspire employees to perform at their best, consequently impacting their overall performance. This is evident through the rise in claims and discovered defects in the products manufactured, leading to decreased efficiency and heightened costs for the company. It's high time to revamp the existing organizational culture.

The company has been made aware of the dissatisfaction among employees of PT EDS Manufacturing Indonesia regarding their compensation. This lack of satisfaction has resulted in a lack of motivation among employees, ultimately affecting their performance. In order to retain competent employees and enhance their performance, the company has decided to offer appropriate compensation that aligns with their contributions and performance. By providing proper compensation, the company aims to boost employee

motivation and foster a sense of loyalty towards the organization.

Numerous employees have expressed their discontentment with the company's compensation scheme. Over the past few years, the company failed to meet the employees' expectations by not granting end-of-year gifts as per their desires or by reducing the gifts compared to previous years. Additionally, there has been a decline in the provision of facilities and recognition through various awards. Consequently, the absence of incentives has dampened the employees' motivation to outperform their peers, leading to a decline in overall employee performance.

The company's compensation program, which includes recognizing outstanding and top-performing employees, serves as a powerful motivator for employees to deliver their best performance and take ownership of their work outcomes. Enhancing employee performance is influenced by various factors, such as the organizational culture within the company, the compensation offered to all employees, with special emphasis on those with exceptional performance, and the individual competencies of each employee.

In addition to company culture and pay, there are other factors that can impact employee performance. Competency and leadership style play a crucial role in determining how well employees perform. When employees have strong skills and knowledge, they are more likely to excel in their roles. Similarly, effective leadership can inspire employees to do their best work and ultimately enhance overall performance.

Employee competency is the key to success in any organization. By ensuring that employees have the necessary skills and knowledge to meet job requirements and follow company rules, businesses can achieve their desired outcomes. When employees excel in their competencies, they contribute positively to the company's goals. It is crucial for companies to invest in activities that enhance employee competency in order to boost overall performance.

Upon initial assessment, it is clear that Competency is lacking, as evidenced by the lack of innovation and creativity among employees. It is crucial to enhance the skills and capabilities of employees to stay abreast of current advancements. The decline in competence can be attributed to the presence of numerous elderly employees.

Leadership style pertains to the specific approach a leader employs in their behavior, communication, and interaction to influence, guide, inspire, and manage other individuals or employees towards achieving the company's objectives.

After careful evaluation, it is apparent that the current leadership style is ineffective, as seen in the lack of motivation. Adopting a democratic and equitable leadership style can boost employee morale and encourage them to deliver their best performance.

After conducting extensive research at PT EDS Manufacturing Indonesia, it is evident that there are numerous issues hindering optimal employee performance. These include:

1. The company's organizational culture has not been fully integrated into the company's environment.
2. The compensation provided to employees does not align with the demands of their roles.
3. The lack of optimal work motivation among employees directly affects their overall performance.

According to the problem outlined, it appears that the employees at PT EDS Manufacturing Indonesia are not performing at their best due to an incomplete organizational culture, inadequate compensation, and subpar work motivation, all of which are negatively affecting their performance.

## LITERATURE REVIEW

Sustainable performance is crucial for organizational success. Performance-based management involves planning, measuring, and evaluating employee performance to enhance overall organizational performance. Human resources play a vital role in ensuring an organization's survival and growth. The strength of an organization lies in its people, from top management to lower-level employees. Initial observations at PT EDS Manufacturing Indonesia indicate a decline in employee performance. Data from the company shows a downward trend in work quality, productivity, and efficiency from 2020 to 2022. Work motivation,

organizational culture, compensation, and employee competencies are key factors influencing performance. The study conducted by (Graha & Rahardjo, 2016) revealed that Organizational Culture and Competency play a crucial role in enhancing employee performance. Although organizational culture may not be directly involved in the production process, it significantly impacts the employees responsible for it. Therefore, it is essential to cultivate a positive and supportive organizational culture to boost employee performance. The decline in performance among PT EDS Manufacturing Indonesia employees is believed to be linked to a lack of motivation. Motivation is a key factor that drives individuals towards achieving their goals, encompassing intensity, direction, and persistence. Performance is closely tied to motivation, as it influences behavior and explains variations in intensity. Ultimately, fostering motivation can lead to increased value for the company in terms of profits and competitive edge. The findings from a recent study carried out by (Sri & Nonik, 2018) reveal that motivation plays a crucial role in enhancing employee performance. Evaluating employee performance is vital for any organization striving to reach its objectives, thus necessitating the implementation of diverse strategies to boost employee productivity. Enhanced employee performance can greatly influence the overall efficiency and effectiveness of the company.

The organizational culture within a company plays a crucial role in influencing employee performance. It serves as a set of norms and values that guide behavior and differentiate one group from another. This culture acts as a code of ethics for members, even outside the organizational environment. By embracing and applying these values, employees are motivated to work towards achieving the company's goals. A positive and productive company culture helps employees reach their full potential. While not directly related to work tasks, organizational culture significantly impacts employee performance by shaping their personality and motivation, creating a comfortable and safe work environment.

The research conducted by (Wijaya, 2016) has revealed that organizational culture variables play a crucial role in enhancing performance. Compensation is another significant factor that influences employee performance. It is important to note that organizational culture has an impact on employee performance not only in the production area but also in the office setting. Organizational culture refers to the values embraced and implemented within an organization, serving as a cohesive force and a guiding principle for the behavior of its members in order to achieve the predetermined goals. The values that individuals adhere to are closely linked to their attitudes and behavior when it comes to delivering high-quality work. Therefore, organizational culture is a vital component in driving employee performance as it has the ability to shape an individual's personality based on the values upheld by the organization.

Another critical aspect that impacts employee performance is the compensation they receive. Compensation includes both cash and non-cash payments that employees get for their hard work. It is directly linked to the rewards employees receive, which plays a significant role in determining their value and performance. Moreover, compensation can serve as a driving force for motivation, either boosting performance or hindering it. Additionally, it can foster employee loyalty towards the company. Inadequate compensation management can lead to a decline in employee performance or even result in the loss of valuable employees.

## METHODOLOGY

In this research, researchers employed an associative causal relationship approach to determine the influence of Organizational Culture (X<sub>1</sub>), Compensation (X<sub>2</sub>), Employee Performance (Z), and Work Motivation (Y). The research methodology utilized was quantitative research. Primary and secondary data were utilized in this study. Primary data consisted of responses from questionnaires provided to respondents, containing information regarding the variables under investigation, particularly the influence of organizational culture and compensation on employee performance. Secondary data sources included relevant literature such as books, journals, and articles directly related to the research topic, supplemented by additional reference materials. Data collection primarily relied on distributing questionnaires to the research subjects.

This research was conducted on individual or personal employees who work at PT EDS Manufacturing Indonesia, where the company is located on Jl. Raya Serang KM 24, Balaraja Tangerang. The population in

this research is each individual who is an employee of PT EDS Manufacturing Indonesia, totaling 4,000 employees who will be taken from several divisions in the company's organizational structure. The sample used in this research was probability sampling with Simple Random Sampling or Simple Random Sampling. It is said to be simple because the sampling of sample members from the population is carried out randomly without paying attention to the strata in the population. For the number of sample respondents taken with SEM (Structural Equation Modeling) is a minimum of 100 samples. According to Hair in (Ferdinand, 2014) found that the appropriate sample size for SEM is between 100-200 samples. By referring to Hair's opinion, the number of samples used in the research was 165 respondents. The sampling technique is carried out based on the characteristics determined for elements of the target population which are adapted to the research objectives or problems. Based on this description, the sample in this study must meet the following criteria:

1. Status as an employee of PT. EDS Manufacturing Indonesia
2. Have a working period of more than 3 months when this questionnaire is distributed.

The data collection method in this research was carried out by interviews, observation, questionnaires and documentation. The questionnaire used is a closed questionnaire. The questions in the questionnaire were created using a Likert scale (1-5) which has 5 levels of answer preferences, each with a score of 1-5. The greater the value given by respondents to each factor, it shows that the factor has a more positive influence on employee performance. The questionnaire was shown to some of the employees who were the research sample.

The research employs structural equation modeling (SEM) as the data processing method. A quantitative analysis approach is adopted, specifically utilizing Partial Least Square (PLS). Partial Least Square encompasses two types of evaluation: the evaluation of the measurement model or outer model, and the evaluation of the structural model or inner model. The evaluation of the measurement model can be further divided into two categories: formative models and reflective models. The assessment of reflective models involves examining reliability indicators, internal consistency reliability, convergent validity, and discriminant validity. On the other hand, the evaluation of formative models includes assessing reliability and collinearity indicators.

Moving on to the evaluation of the structural model or inner model with PLS, it commences by analyzing the percentage of variance explained. This is done by observing the R-Squares for each endogenous latent variable, which serves as an indicator of the predictive power of the structural model. Additionally, the Stone-Geisser test is employed to test the predictive relevance, while the goodness of fit (GoF) is used to measure the overall model fit. The R-square assessment in this context is akin to the R-Square value in linear regression, representing the extent to which the exogenous variable can explain the variability of the endogenous variable. The R-Square value is categorized into three criteria: strong, moderate, and weak, with  $R^2$  values of 0.70, 0.45, and 0.25 respectively. A higher R-Square value indicates a better ability of the model to explain variance (Latan & Ghozali, 2017).

## RESULTS

### General Description of Respondents

Analysis of respondent response data is an elaboration of the questionnaire that was distributed to 165 respondents. Respondents were employees, both male and female, at PT EDS Manufacturing Indonesia.

**Table 1. Characteristics of Respondents**

Age	Amount	Percentage
20-25 years old	29	18%
26-30 years old	25	15%
31-35 years old	28	17%
36-40 years old	33	20%
41-45 years old	30	18%
46 > years	20	12%
Total	165	100%
Gender	Amount	Percentage
Man	50	30%
Woman	115	70%
Total	165	100%
Education	Amount	Percentage
Master	5	3%

Bachelor	27	16%
Diploma	22	13%
Senior High School	111	67%
Total	165	100%
<b>Years of service</b>	<b>Amount</b>	<b>Percentage</b>
1-5 years	56	34%
6-10 years	29	18%
11-15 years	23	14%
16-20 years	32	19%
21>years	25	15%
Total	165	100%

Respondents were grouped into 6 groups, namely the first group aged 20-25 years amounting to 18% or as many as 29 respondents, the second group namely aged 26-30 years amounting to 15% or as many as 25 respondents, the third group namely aged 31-35 years amounted to 17% or as many as 28 respondents, the fourth group, namely 36-40 years old, was 20% or 33 respondents, the fourth group was 31-45 years old, 18% or 30 respondents, and the sixth/last group >45 years old was 12% or 20 respondents.

There were more female respondents than male respondents. Male respondents were 30% or 50 respondents, while female respondents were 70% or 115 respondents.

The majority of respondents in this study had a high school education of 67% or 111 respondents, 13% had a D3 education or 22 respondents, 16% had a bachelor's degree or 27 respondents, and finally a master's degree was 3% or 5 respondents.

Respondents were divided into 5 groups, namely the first group with a length of service of 1-5 years amounting to 34%, namely 56 respondents, the second group with a length of work for 6-10 years amounting to 18%, namely 29 respondents, the third group 11-15 years amounting to 14%, namely 23 respondents, the fourth group 16-20 years was 19%, namely 32 respondents, the last >21 years was 15%, namely 25 respondents.

## Data analysis

### a. Test Outer Model

It is used as a tool to ensure whether it is suitable or not as a measurement, namely the latent relationship between variables and their indicators which consist of three types, namely Convergent validity, Reliability and Discriminant validity.

#### 1) Convergent validity test

In this study, a limit of 0.5 was used, so indicators with factor loading values above 0.5 were declared valid. The results of the validity test:

	Budaya Organisasi	Kinerja	Kompensasi	Motivasi
X1.1	0.912			
X1.10	0.930			
X1.2	0.842			
X1.3	0.845			
X1.4	0.851			
X1.5	0.848			
X1.6	0.914			
X1.7	0.927			
X2.1			0.879	
X2.2			0.880	
X2.3			0.821	
X2.4			0.803	
X2.5			0.889	
X2.6			0.868	
X2.7			0.848	
Y1				0.784
Y10				0.830
Y2				0.779
Y3				0.828
Y4				0.839
Y5				0.814
Y6				0.834
Y7				0.853
Y8				0.821
Y9				0.836
Z1		0.828		
Z2		0.827		
Z3		0.851		
Z4		0.862		
Z5		0.852		
Z6		0.783		
Z7		0.848		
Z8		0.883		

**Table 2. Convergent Validity Test Results**

Based on Table 2, the outer model value or correlation between constructs for each variable, namely X1, All factors show significant p-value. < 0.0001 so it can be concluded that each variable measurement is said to be valid and significant for its construct.

**2) Reliability Test**

According to Chin (1998) in(Ghozali & Latan, 2015), the value used to obtain reliability consists of Cronbach's Alpha and Composite Reliability must exceed 0.70 for confirmatory research and a value of 0.60 - 0.70 is still acceptable for exploratory research. The results of this test are as follows:

**Table 3. Composite Reliability Coefficient and Cronbach's Alpha Coefficient**

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Budaya Organisasi	0.960	0.963	0.966	0.783
Kinerja	0.941	0.942	0.951	0.709
Kompensasi	0.939	0.940	0.950	0.733
Motivasi	0.947	0.948	0.954	0.676

Based on Table 3 above, it can be concluded that each composite reliability coefficient construct for the variables Organizational Culture, Compensation, Work Motivation and Employee Performance meets the predetermined standards, namely 0.7 or it can be said that the reliability is acceptable (very good). Furthermore, it can be seen again that each Cronbach's alpha coefficient construct for the variables Organizational Culture, Compensation, Employee Performance and Work Motivation meets the predetermined standards, namely > 0.70 or it can be said that the reliability is acceptable (Very good). Average Variance Extracted Test(AVE) Shows how much variance the manifest variable has in the latent construct, a standard figure of 0.5 means good convergent validity which can also be interpreted as an average above the indicator variance. The number 0.50 or above is the standard AVE variable value(S. Haryono, 2017). The results of the research data processing above show that all variables have good construct validity.

### 3) Discriminant validity test

**Table 4. Results of AVE Root Values and Correlation Between Constructs**

	Budaya Organisasi	Kinerja	Kompensasi	Motivasi
Budaya Organisasi	0.885			
Kinerja	0.751	0.842		
Kompensasi	0.601	0.698	0.856	
Motivasi	0.675	0.762	0.658	0.822

From the results of the data processing above, we get the picture that all indicators have a higher correlation coefficient number for each variable itself compared to the correlation coefficient number of the indicator with other variables, so that in the end it is concluded that each indicator in the block forms a variable or construct in that column.

Meanwhile, discriminant validity is assessed by comparing the AVE root value per variable with the relationship between the variable and other variables. The AVE root number can be seen from output number 2, namely Discriminant Validity in the Fornell Larcker Criterion column. Referring to the results of the data processing above, it can be concluded that according to the test with AVE roots, this model has good discriminant validity.

#### b. Test the Inner Model

This model was tested to see the values of R Square, Q2, GoF, and test the influence between variables.

##### 1) R Square Analysis

The higher the R-square value shows that the greater the exogenous variable can explain the endogenous variable, so the better the structural equation. Attached is the output value of the R Square value as follows:

**Table 5. R-square value results**

	R-square	R-square adjusted
Kinerja	0.715	0.713
Motivasi	0.555	0.553

Based on the Table 5, it shows that:

- a) The R-square value of the Employee Performance variable is 0.715. The adjusted R-square value of 0.713 means that the variability of the Organizational Culture and Compensation constructs is 71.5% while the remaining 28.5% is explained by other variables outside the variables studied such as competence and leadership style. The R-Square value limits are divided into three criteria, namely R2 values of 0.70, 0.45 and 0.25 as strong, moderate and weak. The higher the R-Square value, the better the model is at explaining (Latan & Ghazali, 2017). With this it can be said that the influence is strong.
- b) The R-square value of the Work Motivation variable is 0.555. The adjusted R-square value of 0.553 means that the variability of the Organizational Culture and Compensation construct is 55.5% while the remaining 44.5% is explained by other variables outside the variables studied such as competence and leadership style. The R-Square value limits are divided into three criteria, namely R2 values of 0.70, 0.45 and 0.25 as strong, moderate and weak. The higher the R-Square value, the better the model is at explaining variance. (Latan & Ghazali, 2017). With this it can be said that the effect is moderate.



2) Effect size(f 2 )

**Table 6. Results of f Square Values**

	Budaya Organisasi	Kinerja	Kompensasi	Motivasi
Budaya Organisasi		0.233		0.275
Kinerja				
Kompensasi		0.112		0.223
Motivasi		0.196		

From the output above it can be seen as follows:

- a) The organizational culture variable on employee performance has an f square value of 0.233, with a medium effect.
  - b) The compensation variable on employee performance has an f square value of 0.112, with a medium effect.
  - c) The organizational culture variable on motivation has an f square number of 0.275, with a medium effect.
  - d) The compensation variable on work motivation, the f square figure is 0.223, has a medium effect.
  - e) The Motivation variable on employee performance, the f square figure is 0.196, has a medium effect.
- 3) Model Fit Test

Accomplished by examining SmartPLS output estimation results on SRMR values. Standardized Root Mean Square Residual (SRMR) is the average residual covariance, based on the transformation of the sample covariance matrix and the predicted covariance matrix into a relationship matrix. If the number obtained is less than 0.10 it is considered appropriate (Henseler 2014). The output results are as follows:

**Table 7. Model Fit Test Results**

	Saturated model	Estimated model
SRMR	0.047	0.047
d_ ULS	1.265	1.265
d_ G	1.434	1.434
Chi-square	2,568.948	2,568.948
NFI	0.808	0.808

Based on Table 7, the fit model in this study can be seen from the NFI value with the results of this study being 0.808 (p=0.001), which means good. So it can be concluded that from the results of this research analysis, 3 models have good goodness of fit according to the established criteria and 6 models have ideal goodness of fit because they meet the existing fit criteria.

**c. Hypothesis Testing (Influence between Variables)**

Intended to find a significant influence between the independent variable on the dependent variable by examining the path coefficients which show the parameter coefficients and the statistical significance value of T. The significance of the estimated parameters gives an idea of the correlation between research variables. The standard for rejecting and accepting the proposed hypothesis is to use a probability of 0.05.

The following is the structural model for hypothesis testing and the hypothesis testing table which is presented in Table 8 as follows:

**Table 8. Hypothetical Path Coefficients Values**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O /STDEV)	P values
Budaya Organisasi → Kinerja	0.364	0.358	0.114	3.185	0.001
Budaya Organisasi → Motivasi	0.438	0.435	0.098	4.456	0.000
Kompensasi → Kinerja	0.247	0.246	0.084	2.919	0.004
Kompensasi → Motivasi	0.394	0.394	0.098	4.035	0.000
Motivasi → Kinerja	0.354	0.361	0.117	3.038	0.002

Basis for decision making (based on significance value):

- If the Probability value (P values) > 0.05 then the hypothesis is accepted (there is a significant chance).

- a) Organizational culture has a significant positive effect on employee performance. This can be seen from the P Values <0.005 (0.001 <0.05, so the hypothesis is accepted. The coefficient value (original sample column) is 0.364, meaning that organizational culture has a significant positive influence on employee performance at PT EDS Manufacturing Indonesia.
  - b) Compensation has a significant positive effect on employee performance. This can be seen from the P Values <0.005 (0.001 <0.05, so the hypothesis is accepted. The coefficient value (original sample column) is 0.247, meaning that the compensation provided by the company has a significant positive influence on employee performance at PT EDS Manufacturing Indonesia.
  - c) Organizational Culture has a positive influence on Work Motivation. This can be seen from the P Values <0.005 (0.001 <0.05, so the hypothesis is accepted. The coefficient value (original sample column) is 0.438, meaning that Organizational Culture has a significant positive influence on employee work motivation in PT EDS Manufacturing Indonesia.
  - d) Compensation has a positive effect on work motivation. This can be seen from the P value <0.005 (0.001 <0.05, so the hypothesis is accepted. The coefficient value (original sample column) is 0.394, meaning that compensation has a significant positive effect on employee work motivation at PT EDS Manufacturing Indonesia.
  - e) Work Motivation has a significant positive effect on Employee Performance. This can be seen from the P Values <0.005 (0.001 <0.05, so the hypothesis is accepted. The coefficient value (original sample column) is 0.354, meaning work motivation has a significant positive influence on employee performance. Basis for decision making: (based on significance value )(H. Haryono, 2017).
- If the P value > 0.05 then H<sub>0</sub> is accepted (no effect)
  - If the P value ≤ 0.05 then H<sub>0</sub> is rejected (There is an influence)

#### d. SEM Analysis with Mediating Effects (Indirect Influence)

In this analysis we will see the high coefficient of influence, both direct and indirect. Testing through mediation to dig deeper into whether the mediating variable is successful in mediating the influence of the independent variable on the dependent or not, can be explained in the Indirect Effect output, if the P value is less than 0.05 then the independent variable has an effect on the dependent variable through the mediating variable. The results of path analysis on the Indirect Effect output, if the P value is less than 0.05, then there is a mediation effect (Sofyani, 2013).

- Direct, indirect and total influence

This is done to determine the coefficient of direct, indirect and overall influence which can ultimately be determined whether there is an influence of the mediating variable or not. Seen in the Indirect Effects and Total Effects output. The output results are as follows:

**Table 9. Indirect Effect Test Results and Total Effect Specific Indirect Effects**

	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Compensation → Motivation → Performance	0.140	0.141	0.054	2.575	0.010
Organization Culture → Motivation → Performance	0.155	0.161	0.072	2.164	0.031
<b>Total Effect</b>					
	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Organization Culture → Performance	0.519	0.518	0.095	5.454	0.000
Organization Culture → Motivation	0.438	0.435	0.098	4.456	0.000
Compensation → Performance	0.386	0.387	0.095	4.085	0.000

Compensation Motivation	→	0.394	0.394	0.098	4.035	0.000
Motivation Performance	→	0.354	0.361	0.117	3.038	0.002

Path Analysis Path Model Regression Equation Equation 1:

$$Y = \rho_{x1y}.X_1 + \rho_{x2y}.X_2 + \varepsilon_1$$

$$= 0.218X_1 + 0.387X_2$$

Path Analysis Equation 2:

$$Z = \rho_{x1z}.X_1 + \rho_{x2z}.X_2 + \rho_{yz}.Y + \varepsilon_2$$

$$= 0.445X_1 + 0.386X_2 + 0.200M$$

$X_1$  = Organizational Culture

$X_2$  = Compensation

$Y$  = Work Motivation

$Z$  = Employee Performance

$\varepsilon$  = error

### The analysis results are as follows:

- The direct influence of organizational culture on employee performance is 0.364 (check the Path Coefficient output), the regression coefficient for the indirect influence of organizational culture on employee performance through work motivation is 0.155 and the total influence is 0.519. With this it can be seen that the direct influence is greater than the indirect influence. Judging from the P value, the indirect influence of organizational culture on employee performance through work motivation is 0.031. Because the value is less than 0.05, it can be concluded that the organizational culture variable influences employee performance through work motivation at PT EDS Manufacturing Indonesia.
- The regression coefficient for the direct influence of compensation on employee performance is 0.247 (check the Path Coefficient output), the regression coefficient for the indirect influence of compensation on employee performance through work motivation is 0.140 and the total influence is 0.386. With this it can be seen that the direct influence is greater than the indirect influence. Judging from the P value, the indirect influence of compensation on employee performance through work motivation is 0.010. Because the value is less than 0.05, it can be concluded that the compensation variable influences employee performance through work motivation at PT EDS Manufacturing Indonesia.

### Conclusions for testing the influence of mediating variables are as follows:

- Organizational culture influences employee performance through work motivation. This is based on the indirect effect test which obtained a P value of less than 0.05 ( $0.031 < 0.05$ ).
- Compensation influences employee performance through work motivation. This is based on the Indirect effect test which obtained a P value of less than 0.05 ( $0.010 < 0.05$ ).

The tabulated results of the mediating variable influence test are as follows:

**Table 10. Hypothesis Specific Indirect Effects Values**

	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Compensation → Motivation → Performance	0.140	0.41	0.054	2.575	0.010
Organization Culture → Motivation → Performance	0.155	0.161	0.072	2.164	0.031

## DISCUSSION

### **Organizational Culture on Employee Performance**

Organizational Culture has a significant positive effect on employee performance at PT EDS Manufacturing Indonesia. This is evident from the P Values  $< 0.05$  ( $0.001 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.364, this variable shows a significant positive influence, meaning that for every unit increase in organizational culture, employee performance increases by 0.364. This finding aligns with previous research conducted by Jufrizen (2020), which also found a significant positive effect of organizational culture on performance. Zakie Irdhoanto Saiya (2015) similarly concluded from earlier research that there is a positive and significant influence of organizational culture on performance.

### **Compensation on Employee Performance**

Compensation also has a significant positive effect on employee performance at PT EDS Manufacturing Indonesia. This is supported by the P Values  $< 0.05$  ( $0.004 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.247, this variable exhibits a significant positive influence, meaning that for every unit increase in compensation, employee performance increases by 0.247. This finding is consistent with previous research by Fauzan (2022), which similarly found a significant positive effect of compensation on employee performance.

### **Organizational Culture on Work Motivation**

Organizational Culture significantly and positively influences work motivation at PT EDS Manufacturing Indonesia. This is evident from the P Values  $< 0.05$  ( $0.000 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.438, this variable demonstrates a significant positive influence, meaning that for every unit increase in organizational culture, work motivation increases by 0.438. This finding is consistent with previous research by Widuri et al. (2020), which similarly found a significant positive effect of organizational culture on work motivation.

### **Compensation on Work Motivation**

Compensation also has a significant positive effect on work motivation at PT EDS Manufacturing Indonesia. This is supported by the P Values  $< 0.05$  ( $0.000 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.394, this variable demonstrates a significant positive influence. This finding aligns with previous research by Supriyono (2021), which similarly found a significant positive effect of compensation on work motivation.

### **Organizational Culture on Employee Performance through Work Motivation**

Organizational Culture significantly and positively influences employee performance through work motivation at PT EDS Manufacturing Indonesia. This is evident from the P Values  $< 0.05$  ( $0.031 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.155, this variable demonstrates a significant positive influence, meaning that for every unit increase in organizational culture, employee performance through work motivation increases by 0.155. This finding is consistent with previous research by Al-Ayyubi (2019), which similarly found a significant positive effect of organizational culture on employee performance through work motivation.

### **Compensation on Employee Performance through Work Motivation**

Compensation has a significant positive effect on employee performance through work motivation. This is evidenced by the P Values  $< 0.05$  ( $0.010 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.140, this variable demonstrates a significant positive influence, meaning that for every unit increase in compensation, employee performance through work motivation increases by 0.140. This finding is consistent with previous research conducted by Faradina in 2022, which found a P Value of 0.040 for the Compensation variable on Employee Performance through Work Motivation, thus supporting the acceptance of this variable's effect on Employee Performance through Work Motivation.

### **Work Motivation on Employee Performance**

Work motivation significantly and positively influences employee performance. This is evident from the P Values  $< 0.05$  ( $0.002 < 0.05$ ), indicating acceptance of the hypothesis. With a coefficient value of 0.354, this

variable demonstrates a significant positive influence, meaning that for every unit increase in work motivation, employee performance increases by 0.354. This finding aligns with previous research conducted by Rozalia et al. (2015), which found a P Value of 0.000 for the Work Motivation variable on Employee Performance, thus supporting the acceptance of this variable's effect on Employee Performance.

## CONCLUSION

The research findings indicate that Organizational Culture and Compensation significantly influence Employee Performance and Work Motivation as Intervening Variables at PT EDS Manufacturing Indonesia. Specifically, Organizational Culture and Compensation contribute positively and significantly to Employee Performance and Work Motivation. Furthermore, Organizational Culture and Compensation also directly impact Work Motivation, which subsequently affects Employee Performance in the company.

### Implications

In terms of Organizational Culture, it is crucial for PT EDS Manufacturing Indonesia to focus on management support and enhance supervision of employee performance, as well as stimulate their creativity. Regarding Compensation, providing bonuses and incentives can be a strategy to improve employee performance. As for Motivation, it is important to socialize promotion opportunities to enhance job satisfaction.

### Limitations

This study has several limitations, such as only using two variables (Organizational Culture and Compensation) to measure employee performance through Work Motivation, while there are still many other factors influencing employee performance.

### Suggestion

To enhance employee performance, PT EDS Manufacturing Indonesia is advised to improve good leadership to build trust and pay attention to employee achievements. Additionally, increasing indirect compensation such as promotions can also be an effective strategy. Furthermore, it is important to address the need to develop creativity and improve employees' skills to motivate them to deliver their best performance.

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