

Effect of Compensation and Physical Work Environment on Employee Performance with Employee Satisfaction as an Intervening Variable

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Abstract – An employee who has a high performance and better able to support the achievement of the goals and objectives set by the company. Performance is the result of the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities assigned to him (Mangkunagara, 2007) Employees can work well if you have a high performance that can produce good work anyway. With the high- performance that employees, is expected to achieve organizational goals.

This study examines the effect of compensation and work environment on employee performance with job satisfaction to be intervening variable. Data on compensation, work environment, job satisfaction, and employee performance obtained through observation, record keeping and questioner with respondents. The data obtained are then analyzed using Partial Least Squares (PLS)

Statistical tests results showed (1) the compensation proved significant positive effect on job satisfaction the path coefficient of 0.434 and T-Stats for 4.880, (2) work environment proved to be a significant positive effect on job satisfaction the path coefficient of 0.434 and T-Stats for 4.074, (3) job satisfaction proved to be a significant positive effect on employee performance the path coefficient of 0.264 and T-Stats for 2.458, (4) compensation proved positive and significant effect employee performance the path coefficient of 0.242 and T-Stats for 2.912, (5) work environment proved positive and significant effect employee performance the path coefficient of 0.378 and T-Stats for 3.343. Based on test results obtained statistical results of all variables positive and significant impact.

Keywords – Compensation, Work Environment, Job Satisfaction, Employee Performance.

I. INTRODUCTION

On the higher business competition level, competition in deploying not only the products, but also competition in human resources. This is supported by the opinion Nawawi (2000: 167) which states that human resources are an asset in the company to be aware of the existence and development potential. Therefore, in order to boost employee morale, the company must provide appropriate compensation to the type of work and the working class of employees with a purpose to maintaining employee satisfaction towards the company.

The Company is not possible apart from human labor, even though the company's activities that already have

substantial capital and modern technology, because after the rapid advancement of technology without supported by humans as resources, the company's goals will not be achieved, and thus of human resources is essential for given direction and guidance from company management in general and human resource management in particular.

Human resource issues are still in the spotlight, and the foundation for the company to continue to survive in the era of globalization. Human resources have a major role in every activity of the company. Although supported by infrastructure and redundant power sources, but without the support of qualified human resources, the company's activities will not be resolved properly. This indicates that human resources is the key principal that must be considered with all their needs. Therefore, the success or failure of an organization or institution will be determined by the human factor or its employees in achieving objectives. Employees are required to show a good performance.

An employee who has a good performance can support the achievement of goals and objectives that have been set by the company. Performance is the result of the quality and quantity of work accomplished by an employee in carrying out their duties in accordance with the responsibilities given to him (Mangkunagara, 2007) Employees can work well if you have a high performance so that it can produce good work anyway. With the high performance that employees expected organizational goals can be achieved, otherwise difficult or even organizational goals can not be achieved when employees work does not have a good performance so that it can not produce good work anyway.

The success of an organization in retaining employees who have owned can not be achieved with an easy way. It can only be realized thanks to the expertise of the organization in understanding the needs of employees and create a conducive working environment so as to provide job satisfaction for employees and optimally motivated. Based on the above description researchers interested in conducting research in KPN (Koperasi Pegawai Negeri) EstikaDewata because, allegedly there are problems the compensation given by the company. It is seen from the company stating that the current employee turnover is quite high. Of the report obtained by the researchers say that an average of the last 5 years (2010-2015) employee turnover occurred as many as 10 employees, although still below 5%

of the phenomenon remains a concern of corporate management. Based on interviews, data showed that the average of employees who left the company complained that the compensation of the company less willing or less meets their needs. So that employee satisfaction is low or easily influenced by a compensation offer from another company.

If it happens continuously without any correction would cause emotional conflict on employees. This will obviously have an impact on progress. Companies, especially in terms of achieving objectives.

There is also a research gap of previous investigators researchers interrelationships of the Loyalty Employee Compensation variable as follows:

Variable	Found	Researchers
Inconsistency research findings variable Compensation for Employee Performance	Compensation has positive effect on Employee Performance	Ririvega Kasenda, 2013
	Compensation is not significant to employee performance	Darfina Juniarti, 2014
Inconsistency research findings Work Environment variables for the Employee Performance	Work Environment has positive effect on Employee Performance	Wahyu Setiaji, Ken Sudarti
	Work environment is not significant to the Employee Performance	Dwi Agung Nugroho Arianto, 2013

In connection with the problem and the research gap of researchers History, the author is interested in conducting a study with the title **“Effect Of Compensation And Physical Work Environment On Employee Performance With Employee Satisfaction As An Intervening Variable.”**.

As for the issue to be resolved in this study are as follows:

1. Is compensation has positive effect on employee satisfaction on KPN Estika Dewata?
2. Is the physical work environment has positive effect on employee satisfaction on KPN Estika Dewata?
3. Is employee satisfaction has positive effect on employee performance on KPN Estika Dewata?
4. Is compensation has positive effect on employee performance on KPN Estika Dewata?

5. Is the physical work environment has positive effect on employee performance in KPN Estika Dewata?

The purpose of this study is as follows:

1. To determine the effect of Compensation for Employee Satisfaction on KPN Estika Dewata
2. To determine the effect of the Physical Work Environment Employee Satisfaction on KPN Estika Dewata
3. To determine the effect of Job Satisfaction on Employee Performance in KPN Estika Dewata
4. To determine the effect of compensation on the Employee Performance on KPN Estika Dewata
5. To determine the effect of Physical Work Environment in the Employee Performance KPN Estika Dewata

The expected benefits of this research are:

1. Theoretical Benefits

Used as input for other researchers, academic or deepen the management science and useful as advanced research with the object of the same research.

2. Practical Benefits

Provide information as input for KPN Estika Dewata in improving the performance of employees so as to provide maximum results.

II. THEORETICAL REVIEW

A. Theoretical Study

1. Compensation

Compensation is everything received by employees as remuneration for their work in Handoko (2001: 156) According to Gomez-Mejia in Ninuk (2002: 109); Schuler and Jackson and Luthans in Ninuk (2002: 109), the total compensation can be classified into three main components, namely: First, the basic compensation is the compensation amount and a fixed payment, such as wages and salaries. Second, variable compensation is a variable amount of compensation or repayment is uncertain. The variable compensation is designed as a tribute to the employees who are doing well. Including variable compensation is the incentive payments to individuals or groups, gainsharing, bonus, profit sharing (profit sharing), employee stock ownership plans (employee stock-ownership plans) and stock-option plans. Third, is the final component of the total compensation is a benefit or sometimes also called indirect compensation (indirect compensation) Included in this component are: (1) protection of the public, such as social security, unemployment and disability; (2) personal protection in the form of pensions, savings, additional severance and insurance; (3) payment when it does not work like during training, paid leave, sick, on vacation, and personal events; (4) The life cycle benefits in the form of legal assistance, elder care, child care, health programs, and counseling.

Michael and Harold in Ninuk (2002: 114) divide the compensation in three forms, namely the material, social and activity. Forms of material compensation is not only in money, such as salaries, bonuses, and commissions, but all forms of physical amplifier (physical reinforcer), such as parking facilities, telephone and comfortable office space,

as well as various forms of allowances eg pensions, health insurance.

While social compensation is closely linked to the need to interact with others. This form of compensation, for example status, recognition as an expert in his field, achievement award, promotion, tenure certainty, recreation, formation of groups of decision-making, and a special group formed to solve organizational problems.

While the activity compensation is compensation that is capable of compensating for aspects of the job he did not like to give an opportunity to perform certain activities.

Researchers chose the theory of Michael and Harold were used as the basis for the preparation of a questionnaire-based compensation definitions and theories of compensation which has been described previously.

2. *Work Environment*

The work environment is a place where employees perform work activities. The work environment can bring positive and negative effects for employees in order to achieve its results. The working environment in a company is very important to note management. Although the work environment does not carry out the production process in a company, but the work environment has a direct impact on the employees who carry out the production process. Work environment for its employees concentrate can improve performance. Instead inadequate working environment will reduce performance. At this time the work environment can be designed in such a way as to create a working relationship that binds the workers in its environment. A good working environment is safe, peaceful, clean, not noisy, bright and free from all kinds of threats and interference that can hamper employee to work optimally. Work environment will impact both for the continuity of employment, in contrast, are less conducive working environment will bring a negative impact on the continuity of employment.

According Sedarmayati (2009: 21) definition of work environment is a whole tool tooling and materials encountered, the surrounding environment in which one is working, working methods, as well as the arrangement works both as individuals and as a group.

According Sedarmayanti (2009: 21) "in outline, the type of work environment is divided into two namely: a. the physical work environment, and b. non-physical work environment".

a. *Physical Work Environment*

According Sedarmayanti (2009: 22) "physical work environment are all located around the workplace that may affect employees either directly or indirectly".

Physical work environment can be divided into two categories, namely:

- 1) Environment is directly related to the employee (such as: employment center, chairs, tables and so on)
- 2) Environmental intermediary or the general environment can also be called a work environment that affect the human condition, such as temperature, humidity, air circulation, lighting, noise, mechanical vibration, odor, color, etc.

b. *Non-Physical Work Environment*

According Sedarmayanti (2009: 31) states that the non-physical work environment is all of the circumstances relating to the employment relationship, either with superiors or with fellow colleagues or relations with subordinates".

Researchers chose Sedarmayanti theory that is used as the basis for the work environment questionnaire based on the definitions and theories work environment that has been described previously.

3. *Job satisfaction*

Job satisfaction is a pleasant emotional disposition and loves his job. This attitude is reflected by the morale, discipline and work performance (Fathoni, 2006: 174) Luthans (2006: 431) Job satisfaction is a result of the employees' perception of how good a job they give the items considered important. Job satisfaction is a way of looking someone whether they are positive or negative nature of the job (Siagan 2003: 295) Job satisfaction in the job is a job satisfaction enjoyed in the job for obtaining employment goals, placement, treatment, and the atmosphere of the working environment (Fathoni, 2006: 174)

Handoko (2001: 195) conditions or job dissatisfaction would be the feedback that affects job performance in the future. The purpose of job satisfaction are important for companies, workers who are satisfied is a pre-condition for increased productivity, responsiveness, quality and customer service (kaswan, 2012: 284)

Job satisfaction is influenced factor of each other interrelated, although each factor may not be able to be separated perfectly, but with the statistical analysis of factors that exist can be separated so as to provide an indication of the influence of factors that exist with job satisfaction (kaswan 2012: 286)

Robbins (2006: 91) states that in measuring job satisfaction can be determined from the following four factors:

- 1) The work is mentally challenged
- 2) Fair rewards and promotions
- 3) The working conditions are supportive
- 4) Co-workers who support

Luthans (2006: 431) suggests some measurable indicators of job satisfaction as follows:

- 1) Salary

Some of wages received and the degree to which this can be seen as deem appropriate in comparison to others in the organization

- 2) Promotion Opportunities

The opportunity to advance within the organization.

- 3) Supervision

The ability of providers to provide technical assistance and support behavior.

- 4) Co-workers

The degree to which colleagues technically proficient and socially supportive.

- 5) The job itself

In the case where the work provides an interesting task, opportunities for learning, and the opportunity to accept responsibility.

Researchers chose Luthans indicators used as the basis for the preparation of a questionnaire based on the definition of employee job satisfaction and job satisfaction theories that have been described previously.

4. Performance

Performance is an important element in the management, who referred to the performance or the performance is the result or the level of a person's success as a whole during a certain period in carrying out duties under a variety of sizes, such as standard work, targets, goals or criteria that have been determined in advance and agreed together. Some experts agree that the performance refers to the level of success in implementing the tasks and the ability to achieve the set objectives, among others by Judge (2006) which defines the performance of employees as a result of work accomplished by individuals that are tailored to the role or task the individual in a company at a certain period of time, which is associated with a particular standard size or value of the company where the individual works. According to Singh and Billingsley (1996) that the performance is the result of work performed by employees in accordance with the objectives to be achieved in the work done. Nawawi (2003) that the performance is the result of work achieved in executing the tasks assigned to them based on skills, experience, sincerity and time. Performance as the results of a job function or activity of a person or group within an organization that is affected by various factors in order to achieve organizational goals in a certain time period (Tika, 2006)

Standard performance of employees is employee performance assessment methods as part of HR management development system to encourage the optimization of the utilization of human resources. McNeese-Smith (1996) revealed several factors used to measure the performance of employees, namely:

- 1) The level of quality of the work,
- 2) The level of tenacity and endurance work,
- 3) The level of discipline and attendance,
- 4) The level of cooperation among co-workers,
- 5) The level of concern will be safety,
- 6) The level of responsibility for the results of work
- 7) The level of initiative / creativity possessed.

Researchers chose McNeese-Smith's theory which was used as basis for the preparation of questionnaires performance of employees based on the definitions and theories of performance of employees who have been described previously.

B. Research Paradigm

Literature review of previous research aims to determine the relationship between studies that have been done before to be performed. Below researchers will give the conclusion of the studies that have been done:

1. Andita Wahyu Utami, Sudarsih, Agus Priyono (2015), "Analisis Pengaruh Penempatan Karyawan dan Kompensasi Terhadap Kinerja Karyawan dan Loyalitas Karyawan sebagai Variabel Intervening". This study concludes that the compensation has a positive and significant effect on employee performance.
2. Ririvega Kasenda (2013), "Kompensasi dan Motivasi Pengaruhnya Terhadap Kinerja Karyawan". This study

concludes that the compensation has a significant influence on employee performance.

3. Jagarin Pane dan Sih Darmi Astuti (2009), "Pengaruh Budaya Organisasi, Kepemimpinan Transformasional, dan Kompensasi Terhadap Kinerja Karyawan". This study concludes that the compensation has a positive and significant effect on employee performance.
4. Wahyu Setiaji, Ken Sudarti, "Peningkatan Kinerja Karyawan Melalui Kepuasan Kejadian Kompensasi Serta Lingkungan Kerja". This study concludes that the compensation has a positive and significant influence on employee performance.
5. Mita, Afnita, Mahlia Muis, Fauziah Umar, "Pengaruh Budaya Organisasi dan Kompensasi Terhadap Kinerja Karyawan". This study concludes that the compensation has a significant influence on employee performance.
6. Mashal Ahmed, Abu Bakar Ahmed (2014), "The Impact of Indirect Compensation on Employee Performance". This study concludes that the compensation has a significant influence on employee performance.
7. Bolande Odunlami, Oludele Matthew (2014), "Compensation Management and Employees Performance in The Manufacturing Sector". This study concludes that the compensation has a significant influence on employee performance.
8. Gardjitoet, et. al (2014), "Pengaruh Motivasi Kejadian Lingkungan Kerja Terhadap Kinerja Karyawan". This study concluded that the working environment has a significant influence on employee performance.
9. Gita Sugiyarti (2012), "Pengaruh Lingkungan Kerja, Budaya Organisasi dan Kompensasi Terhadap Kepuasan Kerja Untuk Meningkatkan Kinerja Pegawai". This study concludes that the work environment positive and significant impact on job satisfaction, besides the study also found organizational culture positive and significant impact on job satisfaction, in addition, this study also found that compensation positive and significant impact on job satisfaction, but it also study it also found the work environment positive and significant effect on employee performance, but it is also the study also found that job satisfaction is positive and significant effect on the performance of employees, and study also found that compensation positive and significant effect on employee performance.
10. Desy Purnamiet. et. al (2014), "Pengaruh Kompensasi dan Kepuasan Kerja Terhadap Kinerja Karyawan". This study concludes that the compensation positive and significant impact on job satisfaction, but it is also the study found that compensation positive influence on employee performance.

C. Effect Between Variables

1. Effect of Compensation on Employee Satisfaction

Research conducted by the Wahyu Setiaji and Ken Sudarti (2012) in variable compensation and job satisfaction shows that compensation has a positive and significant effect on job satisfaction. Similarly, the Desy

research Purnami et.al (2014) and Gita Sugiyarti (2012), which examines the influence of compensation on job satisfaction also show that the compensation proved positive and significant effect on job satisfaction. Based on the above it can be formulated hypotheses as follows:

H1: Compensation has positive effect on Employee Satisfaction.

2. Effect of Physical Work Environment on Employee Satisfaction

Research conducted by the Wahyu Setiaji and Ken Sudarti (2012) on the work environment and job satisfaction shows that the working environment has a positive and significant impact on job satisfaction. Similarly, the research Gita Sugiyarti (2012), which examines the influence of the working environment on job satisfaction also show that the working environment proved positive and significant effect on job satisfaction. Based on the above it can be formulated hypotheses as follows:

H2: Physical Work Environment has positive effect on Employee Satisfaction.

3. Effect of Employee Satisfaction on Employee Performance

Research conducted by the Wahyu Setiaji and Ken Sudarti (2012) in the variable job satisfaction and employee performance showed that job satisfaction has a positive and significant influence on employee performance. Similarly, the Desy research Purnami et.al (2014) and Gita Sugiyarti (2012), which examines the effect of job satisfaction on employee performance also showed that job satisfaction proved positive and significant effect on employee performance. Based on the above it can be formulated hypotheses as follows:

H3: Employee Satisfaction has positive effect on Employee Performance

4. Effect of Compensation on Employee Performance

Research conducted by the Rev. Setiaji and Ken Sudarti (2012) in variable compensation and employee performance shows that compensation has a positive and significant influence on employee performance. Similarly, the Desy research Purnami, et.al (2014), Gita Sugiyarti (2012), RirivegaKasenda (2013), Jagarin Pane (2009), MitaAfnita (2014), and Andita et. al (2015), which examines the influence of compensation to employee performance also showed that the compensation proved positive and significant effect on employee performance. Based on the above it can be formulated hypotheses as follows:

H4: Compensation has positive effect on Employee Performance

5. Effect of Physical Work Environment on Employee Performance

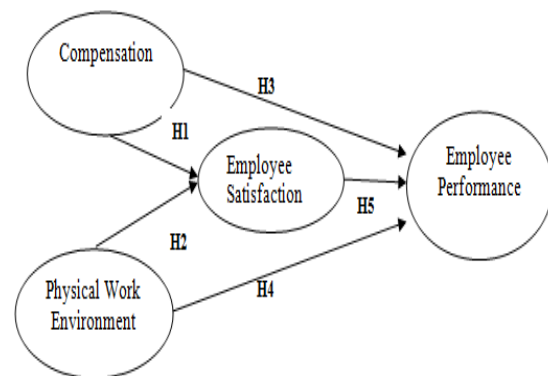
In the opinion of Mangkunagara (2004) work environment has a very close relationship to employee performance. These results are consistent with studies Sugiyarti Gita (2012) states that the working environment positive and significant effect on employee performance.

Similarly, research conducted by Gardjitoet. al (2014), which examines the influence of work environment on employee performance also showed that the working environment proved positive and significant effect on employee performance. Given these findings, it has been tested and proven that the physical work environment has an influence on employee performance. Based on the above it can be formulated hypotheses as follows:

H5: Physical Work Environment has positive effect on Employee Performance

D. Conceptual Framework

Relationship variables examined included: Compensation (X1), Physical Work Environment (X2), Employee Satisfaction (Y1), and Employee Performance (Y2) can be described conceptual framework can be presented role in the image below :



E. Hypotesis

The hypothesis is a temporary answer to the problem formulation described above, and therefore the need holding proof of the truth through empirical data collected. The hypothesis of this study, namely:

H1: Compensation has positive effect on Employee Satisfaction.

H2: Physical Work Environment has positive effect on Employee Satisfaction.

H3: Employee Satisfaction has positive effect on Employee Performance

H4: Compensation has positive effect on Employee Performance

H5: Physical Work Environment has positive effect on Employee Performance

III. RESEARCH METHOD

A. Population and Sample Research

1. Subject and Object Research

In this study, the research subjects were all employees in the Office of KPN Estika Dewata which is the object of this research is compensation, work environment, job satisfaction and employee performance in KPN Estika Dewata.

2. Population and Sample Determination

Population is the generalization region consisting of; object / subject that has a certain quantity and

characteristics defined by the researchers to learn and then drawn conclusions (Supranto: 2003: 76) Total population in this study amounted to 65 people, who are employees of KPN Estika Dewata. Total population of 65 people entirety is taken as respondents. This method is called with a saturated or census sampling method.

B. Research Instrument

1. Research Variable and Operational Variable Definition

a. Research Variable

The research variables are the changes that have variations in the value of (Ferdinand, 2006) This study uses three variables:

1) Independent Variable

The independent variables are variables that affect the dependent variable, both positive effects and the negative effects (Ferdinand, 2006) As the independent variable in this study is the Compensation and Work Environment Physical. In this study, the independent variables are:

a) Compensation = X1

b) Physical Work Environment = X2

2) Dependent Variable

The dependent variable is the variable that is the center of attention of researchers. The essence of a problem, easily visible to recognize a variety of dependent variables used in a model (Ferdinand, 2006) In this study, the dependent variable is:

Employee Performance = Y2

3) Intervening Variable

Theoretically intervening variables are variables that affect the dependent and independent relationship into direct and indirect relationships that can be observed and measured. (Ghozali, 2005) In this study, an intervening variable that becomes variable between / intervening are:

Employee Satisfaction = Y1

b. Operational Variable Definition and Indicator

The operational definition is something inherent meaning in a variable by specifying the activity or action that needs to measure the variables. Operational Definition of variables is decomposed into empirical indicators include:

1) Compensation Variable (X1)

Variable	Indicator	Item
Compensation (X1)	material compensation	- Salary - Reward - Health Insurance
	social compensation	- Status recognition as an expert in his field - Appreciation of Achievement - Promotion
	activity compensation	- Training - Recreation

2) Physical Work Environment Variable (X2)

Variable	Indicator	Item
Physical Work Environment (X2)	Lighting	- Lighting
	Air Temperature	- Air Temperature
	Noise	- Noise

	Coloring	- Coloring
	Space Needed	- Space Needed
	Job Security	- Job Security
	Employee Relationship	- Employee Relationship

3) Employee Satisfaction Variable(Y1)

Variable	Indikator	Item
Employee Satisfaction (Y1)	Promotion Oportunities	- Promotion Oportunities Satisfaction
	Supervision	- Supervision Satisfaction
	Co-Worker	- Co-worker Satisfaction
	Job Itself	- Job Satisfaction

4) Employee Performance Variable (Y2)

Variable	Indicator	Item
Employee Performance (Y2)	Quality of Work Level	Quality of Work Level
	Tenacity and Durability of Work Level	Tenacity and Durability of Work Level
	Discipline and Attendance Level	Discipline and Attendance Level
	Cooperation among Co-Worker	Cooperation among Co-Worker
	Safety Work Concern Level	Safety Work Concern Level
	Responsibility of Work Level	Responsibility of Work Level
	Initiative Creativity of Work Level	Initiative Creativity of Work Level

2. Method of Collecting Data

Data needed in this research is data on employee perceptions about the influence of compensation, work environment and job satisfaction on employee performance. Collecting data in this study done in several ways:

a. Questionnaire

The questionnaire is the method of data collection is done by providing the questions to the respondents to the questionnaire guide. The questionnaire in this study using open and closed questions.

b. Observation

Observation is a method of research where researchers conducted direct observations on the object of study.

c. Literature Review

Literature review is the method of data collection is done by reading books, literature, journals, reference related to this study and previous research related to the research that is being done.

C. Types and Source Data

1. Data Type

Data is something used or needed in research using certain predetermined parameters (Priyatno, 2008) Something in question is one that is a fact. Then Algifari (2000) defines the data that is information that has been processed into tables or grafik. Informasi itself is the result of the data collection methods used in the study (Algifari, 2003) It can be concluded that the data is something very useful for researchers, especially in the research process, and to support research.

The type of data in this study (Priyatno, 2008) are:

- a. Qualitative data, ie data that form of words, sentences, schemes, and images, such as literature and theories related to the study authors.
- b. The quantitative data, the data is expressed as a numerical scale or numbers, such as: qualitative data diangkakan (scoring)

2. Data Source

In this study, the data collection methods used comes from two sources:

1. Primary Data

Is data obtained directly from respondents using closed questionnaire. Measurement results are used by the closed questionnaire using Likert scale. Selection of the Likert scale based on the consideration that this study used to measure attitudes, opinions and perceptions of respondents about the social phenomenon that is around. For the purposes of quantitative analysis answers were suspended a maximum of 5 and a minimum score of 1.

2. Secondary Data

Retrieved from books, literatures and journals related to the research.

D. Data Analysis Method

1. Descriptive Statistics Analysis Method

Intended use descriptive analysis method is to provide an overview of the demographics of survey respondents (age, gender, and education end), as well as a description of the study variables.

Descriptive analysis of respondents' demographic research done by assigning numbers in both quantity (frequency) and percentage. Meanwhile, the description of the variables of research carried out to reveal the respondents' perceptions of statements made in the research instrument of the variables studied. Average (mean) were used in this analysis to determine the distribution of respondents to the statements in the instruments used in this study.

2. Inferential Statistical Analysis Methods

Inferential analysis technique used to test the empirical model and the hypothesis proposed in this study. The analysis technique used is a structural equation model (Structural Equation Modeling - SEM) variance-based or component-based SEM, known as Partial Least Square (PLS) PLS is a method of analysis that is powerful, because it does not assume the data must use measurements of a certain scale, used in the sample size is small (30-50 unit or <100 units), and can also be used to confirm the theory (Ghozali, 2008; Hair et al. , 2010)

Based on the conceptual framework of research that is built on the theory and previous research studies, the

empirical model can be described this study as presented in the following figure

Empirical model in the image above consists of two models:

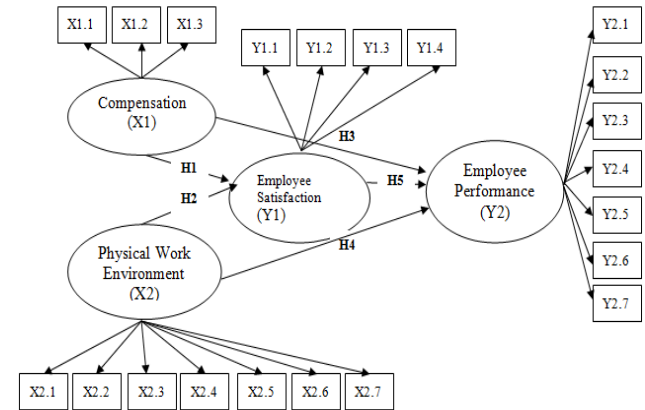
- 1) Inner model (structural model) that specifies the relationship between latent variables. In this study, the inner model is a specification of the relationship variable compensation (X1), Physical Work Environment (X2), job satisfaction (Y1), and employee performance (Y2);
- 2) Outer Model (measurement model) specifies the relationship block indicator / item statement with latent variables.

PLS evaluation model based on measurement predictions that have the nature of non-parametric. Evaluation model consists of two parts, namely the evaluation of the measurement model and structural model evaluation. Further explanation can be described as follows:

1) Evaluation Measurement Model or Outer Model

Outer measurement model or models with reflective indicators are evaluated based on the convergent and discriminant validity of the indicators and composite reliability to block indicator. Outer models with formative indicators are evaluated by comparing the magnitude of relative weight and the significance of the size of the weight (Chin in Ghozali, 2008)

In this study all the variables are latent variables with reflective indicators, so that the evaluation of the measurement model are as follows:



a. Convergent validity

The first part of the outer test models is convergent validity. Indicators are considered valid if it has an outer loading values above 0.5 and the value of T-Statistic above 1.96 (the degrees of freedom than or n = 500, statistical approaches Z. Meanwhile, 0:05 critical value $\alpha = 1.96$)

b. Discriminat validity

The second part is testing the validity dscriminant. This test can be done by examining the cross loading with latent variables or by comparing the square root of average variance extracted (\sqrt{AVE}) each latent variable to the correlation between the latent variables in the model. When the value of each indicator in cross loading the corresponding variable value is compared to the largest cross loading on the other latent variables, it is said to be valid. Or, if the square root of average variance extracted

($\sqrt{\text{AVE}}$) latent variables is greater than the correlation across other latent variables then said to have a good discriminant validity. Recommended AVE value must be greater than 0:50.

c. Composite reliability (pc)

The third (last) in the outer model is a composite test reliability, the test value of reliability between the block indicator of constructs that make it up. Group indicator that measures a variable has a composite reliability was good if it has a composite value reliability above 0.70 ($pc \geq 0.70$)

2) Evaluation of the structural model or Inner Model

Goodness of Fit models R-square is measured using predictive relevance for the structural model. Q-Square predictive relevance for the structural model, measure how well the observed values generated by the model and parameter estimation. Q2 value > 0 indicates the model has predictive relevance, otherwise if the value of $Q2 \leq 0$ indicates the model lacks predictive relevance. Magnitude Q2 has a value with a range of $0 < Q2 < 1$. Q2 is getting closer to the value of 1 means indicates that the model is getting better.

3) Testing Hypothesis

Hypothesis testing is done by statistical test t (t-test) If in this test was obtained p-value < 0.05 (5% alpha), means significant testing, and vice versa if the p-value > 0.05 (5% alpha), means insignificant. When the results of testing the hypothesis on models outer significantly, it indicates that the indicator is viewed can be used as a measuring instrument latent variables. Meanwhile, when the test results on the inner models is significant, it means that there is a significant influence of the latent variables to other latent variables.

4) Examination Mediation

Examination of this mediation model in principle to determine the intervention of mediating variables, whether TEBUKTI mediate in full (fully mediated) or partially (partially mediated) or not as a mediating variable. The mediation model inspection methods follow the instructions Hair et al. (2010), namely:

- Examine the effects of the independent variable on the dependent variable in the model involving mediating variables (effect A),
- Examine the effects of independent variables on the dependent variable in the model without involving the mediating variables (effect B),
- Examine the effects of independent variables to mediating variables in the model (effect C),
- Examine the effects of mediating variables on the dependent variable in the model (D effect)

Based on the results of the fourth above effects (effect of A, B, C, and D), then it can be proved and the intervention of mediating variables with the following criteria:

- If the C and D effects were significant, but not significant effect of A, then the mediation proved fully (fully mediated) in the model.
- If the effect of C, D, and A significant, then the mediation proved partially (partially mediated) in the model.
- If the effect of C, D, and A significant, but the path coefficient (standardized) A effect is similar to the path

coefficients on effect B, then mediation is not proven / supported in the model.

- If one, the effect of C or D is not significant, then mediation is not proven / supported in the model.

In accordance with the criteria in the examination of the mediation, it will be known whether or not important mediating variables in the research model.

IV. FINDINGS AND DISCUSSION

A. Object Research Description

1. Company Overview

KPN Estika Dewata first established at 1981, precisely at 11 Desember 1981, with legal entity No. 935/B.H/VIII/1981 with named “Koperasi Pegawai Negeri Estika Dewata PT. Bank Mandiri (Persero) Tbk. Kanwil XI Denpasar” with officials :

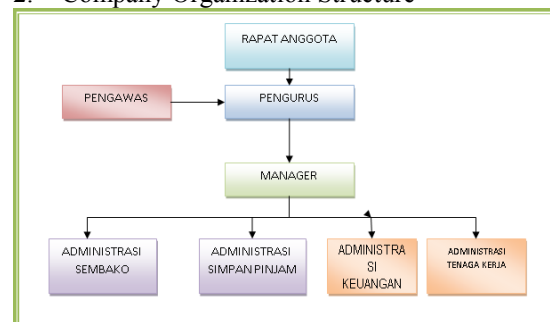
1. Name : Pande Made Rai
Job : PT. Bank Mandiri (Persero) Tbk.
Address : Denpasar
Position : Leader

2. Name : I Ketut Sri Arthaguna
Job : PT. Bank Mandiri (Persero) Tbk.
Address : Kanwil XI
Position : Exchequer

3. Name : Ni LuhPutu Maria Kartika
Job : PT. Bank Mandiri (Persero) Tbk.
Address : Kanwil XI
Position : Secretary

In 1981 the Civil Servants Cooperative aesthetic Dewata run any kind of Business Savings and Loans and Business Grocery in line with the number of members and the increase in business volume. Cooperative Travel from year to year growth and increase the number of members and volume of business, in line with the development in 1997 of Cooperative change the deed for the first time in accordance Amendment of Articles of Association of Cooperatives are becoming BH Number: 159 / BH / PAD / KWK.22 / III / 1997 dated March 31, 1997 under the name Civil Servants Cooperative aesthetic Dewata PT Bank Mandiri (Persero) Tbk. or in short KPN Gods aesthetic with the kind of savings and loans, and groceries.

2. Company Organization Structure



3. Respondent Character

a. Respondent character on gender

Gender	Count (person)	Percentage (%)
Male	39	60
Female	26	40
Total	65	100,00%

b. Respondent character on age

Age Interval	Count (person)	Percentage (%)
20 – 30	24	36,92
31 – 40	21	32,31
41 – 50	16	24,62
51 -60	4	6,15
Total	65	100,00%

c. Respondent Character on educational level

Educational Level	Count (person)	Percentage (%)
SLTP	9	13,84
SLTA	50	76,93
D3	1	1,54
S1	5	7,69
Total	65	100,00%

B. Variable Research Description

Descriptive analysis was conducted to determine picture of respondents' perceptions of statements made in the research instrument of the variables studied. The analysis was performed by calculating the average (mean) based on the percentage of respondents in each of the indicators in the study variables, namely compensation (X1), physical work environment (X2), job satisfaction (Y1), and employee performance (Y2) The higher the average value obtained showed the better the respondents to the indicators or variables.

1. Compensation Variable Description (X1)

Indicator	Respond (%)					(Mean)
	1	2	3	4	5	
X1.1 Material Compensation	-	-	6.2	72.3	21.5	4.15
X1.2 Social Compensation	-	-	12.3	64.6	23.1	4.11
X1.3 Activity Compensation	-	-	3.1	81.5	15.4	4.12
Compensation(X₁)						4.13

2. Physical work Environment Variable Description (X2)

Indicator	Respond (%)					(Mean)
	1	2	3	4	5	
X2.1 Lighting	-	-	1.5	80.0	18.5	4.17
X2.2 Air Temperature	-	-	-	78.5	21.5	4.22
X2.3 Noise	-	-	-	75.4	24.6	4.25
X2.4 Coloring	-	-	1.5	78.5	20.0	4.18
X2.5 Space Needed	-	-	-	73.8	26.2	4.26
X2.6 Job Security	-	-	1.5	63.1	35.4	4.34

X2.7 Employee Relationship	-	-	3.1	53.8	43.1	4.40
Physical Work Environment (X₂)						4.26

3. Employee Satisfaction Variable Description (Y1)

Indicator	Respond (dalam %)					Rerata (Mean)
	1	2	3	4	5	
Y1.1 Promotion Opportunities	-	-	9.2	61.5	29.2	4.20
Y1.2 Supervision	-	-	-	75.4	24.6	4.25
Y1.3 Co-Worker	-	-	-	73.8	26.2	4.26
Y1.4 Job Itself	-	-	-	58.5	41.5	4.42
Employee Satisfaction (Y₁)						4.28

3. Employee Performance Variable Description (Y2)

Indicator	Respond (%)					(Mean)
	1	2	3	4	5	
Y2.1 Quality of Work Level	-	-	1.5	78.5	20.0	4.18
Y2.2 Tenacity and Durability of Work Level	-	-	-	78.5	21.5	4.22
Y2.3 Discipline and Attendance Level	-	-	-	66.2	33.8	4.34
Y2.4 Cooperation among Co-Worker	-	-	-	58.5	41.5	4.42
Y2.5 Safety Work Concern Level	-	-	-	72.3	27.7	4.28
Y2.6 Responsibility of Work Level	-	-	-	70.8	29.2	4.29
Y2.7 Initiative Creativity of Work Level	-	-	-	73.8	26.2	4.26
Employee Performance (Y₂)						4.28

C. Inferential Analysis Result

In this study, the data analysis technique used is PLS with Smart PLS Program. Based on the results of data processing using PLS, further evaluating structural equation modeling. In this evaluation, there are two evaluations fundamental, namely: 1) evaluation of the measurement model (outer model) to determine the validity and reliability of indicators that measure latent variables, and 2) evaluation of the structural model (inner model) to determine the accuracy of models and hypothesis testing, the results of PLS analysis can be delivered following exposure.

1. Measurement Model Evaluation (Outer Model)

a. Outer Model Examination

Variable	Indicator	Outer Loading	T-Statistic
Compensation(X₁)	Material Compensation(X1.1)	0.810	23.538
	Social Compensation (X1.2)	0.841	15.854
	Activity Compensation (X1.3)	0.822	17.099
Physical Work Environment (X₂)	Lighting (X2.1)	0.861	23.571
	Air Temperature (X2.2)	0.843	15.821
	Noise (X2.3)	0.876	24.732
	Coloring (X2.4)	0.807	14.170
	Space Needed (X2.5)	0.835	14.378

Employee Satisfaction (Y₁)	Job Security (X2.6)	0.778	13.702
	Employee Relationship (X2.7)	0.653	13.389
	Promotion Opportunities (Y1.1)	0.783	12.491
	Supervision (Y1.2)	0.894	28.192
	Co-Worker (Y1.3)	0.879	23.383
Employee Performance (Y₂)	Job Itself (Y1.4)	0.774	12.367
	Quality of Work (Y2.1)	0.807	13.331
	Tenacity and Durability (Y2.2)	0.784	11.897
	Discipline and attendance (Y2.3)	0.818	17.982
	Cooperation (Y2.4)	0.758	12.087
	Safety Work Concern (Y2.5)	0.778	11.162
	Responsibility of Work (Y2.6)	0.745	8.389
Initiative Creativity (Y2.7)	0.735	8.725	

b. Discriminant Validity Examination

Variable	AVE	√ AVE	Correlation			
			X ₁	X ₂	Y ₁	Y ₂
Compensation (X₁)	0.660	0.812	1.000			
Physical Work Environment (X₂)	0.649	0.806	0.635	1.000		
Employee Satisfaction (Y₁)	0.683	0.826	0.690	0.684	1.000	
Employee Performance (Y₂)	0.592	0.769	0.648	0.686	0.669	1.000

c. Composite Reliability

Variable	Composite Reliability
Compensation (X₁)	0.854
Physical Work Environment (X₂)	0.928
Employee Satisfaction (Y₁)	0.895
Employee Performance (Y₂)	0.910

2. Structural Model Measurement (Inner Model)

a. Goodness of Fit Examination Result

Structural Model	Dependent Variable	R-square
1	Employee Satisfaction (Y ₁)	0.578
2	Employee Performance (Y ₂)	0.575

$$\text{Calculation : } Q^2 = 1 - [(1 - R_1^2)(1 - R_2^2)]$$

$$Q^2 = 1 - [(1 - 0.578)(1 - 0.575)]$$

$$= 0.8207$$

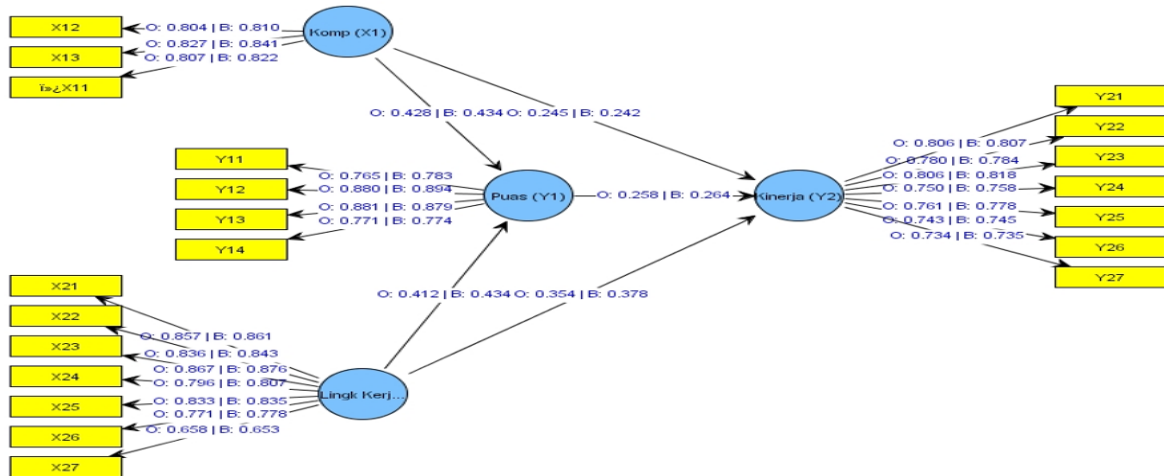
D. Hypothesis Examination Result

Hypothesis testing is done by t-test with sorting for testing the effect of direct and indirect or mediating variable testing. The following sections are described in a row directly influence the test results and testing the mediating variable.

1. Direct Effect Examination

No	Variable Relationship	(Bootstrapping)	T-Statistic	Keterangan
1	Compensation (X ₁) → Employee Satisfaction (Y ₁)	0.434	4.880	Significant
2	Physical Work Environment (X ₂) → Employee Satisfaction (Y ₁)	0.434	4.074	Significant
3	Compensation (X ₁) → Employee Performance (Y ₂)	0.242	2.912	Significant
4	Physical Work Environment (X ₂) → Employee Performance (Y ₂)	0.378	3.343	Significant
5	Employee Satisfaction (Y ₁) → Employee Performance (Y ₂)	0.264	2.458	Significant

Based on the analysis performed can be presented research model image according to the analysis of PLS as follows:



2. Undirect Effect Examination

	Mediation Employee Satisfaction Variable (Y ₁) pada:	Efek				Information
		(A)	(B)	(C)	(D)	
1	Compensation (X ₁) → Employee Performance (Y ₂)	0.242 (Sig.)	0.346 (Sig.)	0.434 (Sig.)	0.264 (Sig.)	Partial Mediation
2	Physical Work Environment (X ₂) → Employee Performance (Y ₂)	0.378 (Sig.)	0.513 (Sig.)	0.434 (Sig.)	0.264 (Sig.)	Partial Mediation

nb: Significant (Sig.) = T-statistic > 1.96 pada α : 5%

Calculation of Direct, Undirect Effect Examination and Total

No	Variable Relationship	Direct Effect	Undirect Effect	Total Effect
1	Compensation (X ₁) → Employee Satisfaction (Y ₁) → Employee Performance (Y ₂)	0.242	0.115 (0.434 * 0.264)	0.357
2	Physical Work Environment (X ₂) → Employee Satisfaction (Y ₁) → Employee Performance (Y ₂)	0.378	0.115 (0.434 * 0.264)	0.493

V. CONCLUSIONS

A. Conclusions

1. Compensation has positive and significant effect on employee job satisfaction on KPN Estika Dewata. This finding suggests that the compensation that was developed at the KPN Estika Dewata by prioritizing activities, and supported compensation of material and social compensation can improve employee job satisfaction is reflected in the aspect of promotion opportunities, supervision, co-workers, and the work itself.
2. Physical work environment has positive and significant effect on employee job satisfaction on KPN Estika Dewata. These findings provide clues that physical work environment on KPN Estika Dewata that prioritizes lighting, and coupled air temperature, noise, use of color, space required, job security and working relationships can improve employee job satisfaction of aspects of promotion opportunities, supervision, co-workers, and the work itself

3. Compensation has positive and significant effect on the performance of employees in the KPN Estika Dewata. These findings indicate that compensation is developed on KPN Estika Dewata with the advanced compensation activity, and supported compensation for material and social compensation can improve employee performance based on the quality of the work, tenacity and endurance work, discipline and attendance, cooperation among coworkers, concern will be safety, responsibility for the work and initiative / creativity possessed.
4. Physical work environment has positive and significant effect on the performance of employees in the KPN Estika Dewata. These findings provide meaning, the better the physical working environment that is based illumination, and followed by air temperature, noise, use of color, space required, job security and working relationship capable of directing performance improvement based on the quality of the work, tenacity and endurance work, discipline and attendance, cooperation among coworkers, will concern safety, responsibility for the work and initiative / creativity of.
5. Job satisfaction has positive and significant effect on the performance of employees in the KPN Estika Dewata. These findings provide a sense, the more satisfied employees work with emphasis on supervision and supported promotional opportunities, co-workers, and the work itself can improve employee performance based on the quality of the work, tenacity and endurance work, discipline and attendance, cooperation among coworkers, concern will safety, responsibility for the work and initiative / creativity possessed.

B. Limitation of Research

Limitations that can be delivered from this study are based on a relatively short implementation study (cross-sectional). This limitation would affect low generalizability of research, given the problems faced relatively complex and dynamic employees from time to time. When the model is applied to the other terms and conditions that allow obtain different results. In addition to the development of indicators that are more relevant to use on each - each variable, as well as many factors as determinants of employee performance. This is because efforts to improve

the achievements of employees working quite crucial in this era of increasingly dynamic and uncertain.

C. Suggestion

1. In order to improve job satisfaction and employee performance, increase compensation to the KPN Estika Dewata should be to encourage the implementation of tasks and better jobs. Therefore, it is necessary efforts - efforts to increase the compensation by giving priority to material compensation, and supported social compensation and activity compensation. By applying the appropriate compensation to the employees of KPN Estika Dewata more satisfied in their work and lead to improvements in performance.
2. Physical work environment also contributes to improving the performance of employees at the KPN Estika Dewata through job satisfaction. Based on the direct leadership of KPN Estika Dewata to give attention to the physical work environment, especially lighting, and coupled air temperature, noise, use of color, space required, job security and working relationship. With good physical working environment, job satisfaction will be able to grow and lead to improvements in performance
3. For future researchers can replicate the model of this research through a longitudinal approach (from time to time), and permits use in organizations/ other companies. In addition, future researchers can modify the research model by adding or develop indicators and other variables. It is based on that the determinant of employee performance are many and differ from one another organizational conditions.

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