



# The Influence of Compensation on Employee Performance Mediated by Job Satisfaction Among Sales Department Employees at PT SBC Ngoro Jombang

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## ABSTRACT

This study aims to understand and explain the influence of compensation on employee performance through job satisfaction among sales department employees at PT SBC Ngoro Jombang. The research method used is path analysis with t-tests and Sobel tests to examine the direct and indirect relationships between compensation, job satisfaction, and employee performance at PT SBC Ngoro Jombang. The population of the study consists of all sales department employees at PT SBC Ngoro Jombang, with a sample of 65 people selected using census technique. The data source is primary data obtained from the distribution of questionnaires. Based on the analysis results, it can be concluded that: First, compensation has an effect on the performance of sales department employees at PT SBC Ngoro Jombang. Second, compensation affects job satisfaction of sales department employees at PT SBC Ngoro Jombang. Third, job satisfaction influences the performance of sales department employees at PT SBC Ngoro Jombang. Fourth, compensation affects employee performance through job satisfaction among sales department employees at PT SBC Ngoro Jombang.

Keywords: Job Satisfaction, Employee Performance, Compensation

## 1. Introduction

Every company needs employees to achieve its goals. To reach these goals, high employee performance is highly desired by the company because high performance allows the company to plan policies for achieving its targets. Employee performance is a crucial aspect of a company's goal achievement efforts. Employee performance can be reflected in their ability to meet certain requirements set by the company.

One factor that can drive good employee performance in a company is job satisfaction. According to Robbins (2016), job satisfaction is an individual's general attitude toward their job, including interactions with colleagues and superiors, adherence to organizational rules and policies, meeting performance standards, and working conditions that are often less than ideal. When employees find their jobs enjoyable and engaging, they are more willing to put in extra effort for the company's benefit, ultimately leading to better employee performance.

Various factors can stimulate job satisfaction, which in turn enhances employee performance, one of which is compensation. According to Hasibuan (2014), compensation is all forms of remuneration, whether direct or indirect, received by employees in return for their services to the company. A good compensation

system can provide satisfaction to employees because it enhances their well-being, allowing them to meet their living needs.

Compensation can also influence employee performance. If the compensation provided by the company matches the work performed by employees, then employee performance can improve. Simamora (2014) states that compensation is what employees receive as a reward for their contributions to the organization. Compensation is important for the company because it is hoped that the investment in compensation will lead to higher employee performance and productivity.

PT SBC Ngoro Jombang is one of the largest and most comprehensive retail stores in Jombang, with several branches both in and outside the city. This company provides a range of products including furniture (such as sofas, chairs, mattresses, wardrobes, dressing tables, dining tables, etc.), electronics (such as televisions, fans, dispensers, rice cookers, washing machines, refrigerators, blenders, stoves, sewing machines, etc.), phones and accessories, and various brands and types of laptops. As a retail store, PT SBC Ngoro Jombang needs employees to serve its customers.

Based on direct observations, it was found that the sales department employees at PT SBC Ngoro Jombang have not fully met the target criteria set by the company, indicating that their performance is not optimal. The less-than-optimal performance of employees is linked to issues they face. Some employees experience low job satisfaction due to the heavy workload, often requiring overtime to complete their responsibilities. Dissatisfaction also arises from the lack of career advancement opportunities within the company. Additionally, some employees complain about the high targets set by the company and the difficulty in achieving them.

Based on the above, the research problem to be addressed is whether compensation affects employee performance through job satisfaction among employees at PT SBC Ngoro Jombang. It is hoped that the results of this study will serve as an evaluation tool for the management of PT SBC Ngoro Jombang.

## **2. Literature Review**

### **2.1. Compansation**

According to Simamora (2014), compensation is what employees receive as a reward for their contributions to the organization. Nawawi (2011) defines compensation as rewards or incentives for workers who contribute to achieving the company's goals through their work. Indicators for measuring compensation include: 1) Salary, 2) Incentives, 3) Benefits, and 4) Facilities (Simamora, 2014).

### **2.2. Job Satisfaction**

Rivai (2004) defines job satisfaction as an individual's evaluation of their attitude toward their work, whether they are pleased or displeased, satisfied or unsatisfied. As'ad (2015) links job satisfaction closely with employees' attitudes toward their work, the work situation, and the cooperation between management and staff. Indicators for measuring job satisfaction include: 1) Job Content, 2) Supervision, 3) Organization and Management, 4) Opportunities for Advancement, 5) Co-workers, and 6) Working Conditions (Rivai, 2004).

### **2.3. Employee Performance**

According to Jackson et al. (2006), employee performance affects how much they contribute to the organization, including factors like quantity, quality, timeliness, attendance, and cooperative attitude. Sutrisno (2019:151) views performance as the work results achieved based on an individual's behavior in performing work activities. Indicators for measuring employee performance include: 1) Quantity, 2) Quality, 3) Reliability, 4) Attendance, and 5) Ability to Work with Others (Jackson et al., 2006).

Handoko (2015) describes compensation as everything employees receive in return for their work. A good compensation program is crucial for a company as it reflects the company's effort to retain employees and enhance their well-being. Effective compensation systems can provide employee satisfaction and help meet their living needs.

H1: It is hypothesized that compensation significantly affects job satisfaction among employees at PT SBC Ngoro Jombang.

According to Nawawi (2011), compensation is a reward or incentive for workers who have contributed to achieving the company's goals through their work activities. Compensation is an important factor for a company because the management's investment in compensation is expected to result in employees providing performance that exceeds the value of the compensation given.

H2: It is hypothesized that compensation significantly affects employee performance at PT SBC Ngoro Jombang.

According to Triton (2007), job satisfaction needs to be monitored for its impact by linking it to the output produced, such as productivity. When employees experience high job satisfaction, they are more likely to strive to achieve the productivity targets set by the company.

H3: It is hypothesized that job satisfaction significantly affects employee performance at PT SBC Ngoro Jombang.

Compensation is the reward received by employees for their work. When the compensation provided by the company aligns with the job performed, employees will experience job satisfaction as they feel their contributions towards achieving the company's targets are valued. When employees experience this satisfaction, they are more motivated to work effectively, resulting in productivity that meets the company's expectations.

H4: It is hypothesized that compensation affects employee performance through job satisfaction among employees at PT SBC Ngoro Jombang.

### **3. Methodology**

This study employs a quantitative approach, which involves designing research based on statistical procedures or other quantification methods to measure research variables. The variables examined in this study include compensation, job satisfaction, and employee performance.

The population for this study consists of all 65 employees in the sales department at PT SBC Ngoro Jombang. The sampling technique used is a saturated sample method, meaning all members of the population are included in the sample. Thus, the total sample size for this study is 65 employees. Data collection is performed by distributing questionnaires to the research respondents.

The data used in this study includes both primary and secondary data. Validity testing is conducted using the Pearson product-moment method, which indicates that all research instruments are valid. Reliability testing is performed using Cronbach's alpha method, showing that all research instruments are reliable. This study uses a Likert scale for measurement with path analysis for data analysis and hypothesis testing using t-tests and Sobel tests.

## **4. Results and Discussion**

### **4.1. Results**

The results of the study indicate that compensation has a positive effect on job satisfaction, with the equation  $Y1 = 0,871X + e$ , meaning that compensation positively influences job satisfaction. Furthermore, both compensation and job satisfaction have a positive effect on employee performance, as shown by the equation  $Y2 = 0,460X + 0,528Z + e$ , meaning that both compensation and job satisfaction positively influence employee performance.

The normality test for Path I shows a probability (asymptotic significance) value of 0.878, which is greater than 0.05, indicating that the regression equation is normally distributed. Similarly, the normality test for Path II shows a probability (asymptotic significance) value of 0.795, which is greater than 0.05, indicating that the regression equation is normally distributed.

The heteroskedasticity test for Path I shows a significance value of 0.193, which is greater than 0.05, indicating that there is no issue with heteroskedasticity in the regression equation. Similarly, the heteroskedasticity test for Path II shows significance values of 0.320 and 0.492, which are greater than 0.05, indicating that there are no issues with heteroskedasticity in the regression equation.

The t-test results show that compensation and job satisfaction significantly affect employee performance with a significance value of  $< 0.05$ . Additionally, the Sobel test results indicate that compensation affects employee performance through job satisfaction, with a significance value of  $< 0.05$ .

#### **4.2. Compensation and Its Effect on Job Satisfaction**

Compensation can enhance job satisfaction among employees at PT SBC Ngoro Jombang. The compensation provided by PT SBC Ngoro Jombang is perceived as high by employees, leading to high job satisfaction among the sales staff. However, not all employees experience job satisfaction, due to issues such as coworkers undermining each other to achieve personal sales targets.

The company must provide appropriate compensation, ensuring that it is sufficient to maintain a reasonable and decent standard of living without reliance on others. Additionally, from an organizational perspective, employees' abilities, knowledge, skills, time, and effort should be utilized as tools to achieve the company's goals, promoting both qualitative and quantitative growth. Therefore, an effective compensation system is one that guarantees employee satisfaction, enabling the company to attract, retain, and employ staff who exhibit positive attitudes and behaviors, and work productively for the company's benefit.

#### **4.3. Compensation and Its Effect on Employee Performance**

Compensation can enhance employee performance at PT SBC Ngoro Jombang. The compensation provided by PT SBC Ngoro Jombang is perceived as high by employees, leading to improved performance among the sales staff. However, not all employees are able to achieve high performance levels because some feel that the compensation provided does not fully meet their needs and expectations.

The purpose of providing compensation is to foster a sense of commitment among employees, encouraging them to work collaboratively with the company. The company hopes that compensation will motivate employees to produce higher quality work and achieve better performance. Additionally, compensation helps employees meet their living needs and boosts their motivation to complete their responsibilities.

Therefore, the company should offer fair and adequate compensation to all employees to ensure they are motivated and work enthusiastically towards meeting the company's targets. This, in turn, reflects the high performance of employees at PT SBC Ngoro Jombang.

#### **4.4. Job Satisfaction and Its Effect on Employee Performance**

Job satisfaction can enhance employee performance at PT SBC Ngoro Jombang. The job satisfaction of employees at PT SBC Ngoro Jombang is perceived as high, leading to improved performance among the sales staff. However, not all employees feel satisfied with their current job due to factors such as high sales targets, lack of career advancement opportunities, and frequent overtime work.

Job satisfaction is achieved when employees' needs are met through their work. It represents an emotional state of contentment or positive feelings resulting from an individual's job evaluation or experience. High job satisfaction leads to improved performance, as satisfied employees are more productive. Conversely, high performance can also lead to increased job satisfaction, creating a cycle where higher productivity results in greater satisfaction, and greater satisfaction in turn fosters even more productivity.

#### **4.5. How Compensation Affects Employee Performance Through Job Satisfaction**

Compensation has the ability to enhance employee performance at PT SBC Ngoro Jombang through job satisfaction. Effective compensation creates job satisfaction among employees, which in turn leads to improved performance. The compensation provided by PT SBC Ngoro Jombang is perceived as satisfactory, with salaries aligning with employment contracts and company expectations, timely incentives or bonuses for achieving targets, health and safety guarantees through BPJS cards, and adequate rest facilities. This positive compensation environment makes employees happy and satisfied with their benefits. Consequently, this

satisfaction motivates employees to strive for high-quality and high-quantity performance, as evidenced by their friendly attitude and punctuality in their work.

## **5. Conclusion**

Based on the analysis and discussion, it can be concluded that compensation affects the performance of sales employees at PT SBC Ngoro Jombang. The compensation provided by the company meets the expectations of the sales employees, motivating them to achieve good performance according to the company's demands. Compensation also affects job satisfaction among the sales employees at PT SBC Ngoro Jombang. The compensation provided by the company meets the employees' needs, leading to satisfaction with both the monetary and non-monetary benefits. Job satisfaction impacts the performance of sales employees at PT SBC Ngoro Jombang. Employees who are satisfied with their work, have good leadership, and supportive colleagues are motivated to meet the company's performance targets. Compensation affects employee performance through job satisfaction. Proper compensation leads to job satisfaction, which in turn motivates employees to achieve high performance both in quality and quantity. Lastly, PT SBC Ngoro Jombang should consider increasing employee salaries and bonuses, providing BPJS (health insurance) promptly, and improving rest facilities to enhance overall employee satisfaction and motivation.

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