

Review Article

Do Compensation, Work Environment, and Discipline Matter for Improving Performance of the Public University?

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Abstract: This study empirically assesses mediating effect of employee performance on the compensation, work environment, and discipline on the performance of the administrative staff of Universitas Syiah Kuala, Indonesia. Of 187 staff, 128 of them were selected as the sample of the study using simple random sampling. To gather the data, questionnaires were distributed to the respondents and analyzed using the Structural Equation Modeling (SEM) technique. The study found that compensation, work environment, and discipline directly and positively affected performances of the administrative staff and organization. In addition, staff performance is found to significantly mediate the effect of compensation, work environment, and discipline on the organizational performance. These findings imply that to further enhance the organizational performance; it should be focused on improving the staff performance based on the enhancements of compensation, work environment, and work discipline of the staff.

Keywords: Performance, Compensation and rewards, Work environment, and Work discipline.

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INTRODUCTION

Human resources (HR) in an organization both public and private are important assets in achieving organizational targets. High performance of HR will be the guarantor of achieving organization's targets in accordance with the specified time. However, the low performance of HR will hinder the achievement of performance. Therefore, an organization must consider the factors that drive employee performance. One of the most important questions that are always asked by the leadership of the organization is how to improve company performance in order to achieve organizational performance targets.

Leaders must support work that encourages everyone to work optimally. This strategy is closely related to how to motivate employees, how to conduct supervision, how to develop an effective work culture, and how to create a comfortable and conducive work environment. One of the instruments that are often chosen by HR policies is the compensation mechanism. Efforts that can be made by the organization are by motivating employees through the provision of compensation in accordance with the ability to increase job satisfaction. Nurcahyani and Adnyani (2016) found that compensation caused a positive and significant increase in performance. Dynamic compensation and in

accordance with the targets set will encourage everyone to determine the best results (Yasmeen *et al.*, 2013).

Another factor that affects employee performance is the work environment. According to Arianto (2013), factors that influence the work environment are coloring, cleanliness, lighting, air circulation, music, security, and movement. A clean environment will nourish and soothe the view well, as well as employees who do not bother with dirt and a less friendly atmosphere. The choice of room color is also very important for employee moods in pleasant and vibrant conditions.

In the context of Indonesia, challenges in improving HR performance are also faced by government agencies, both central and regional institutions. One of the challenges of performance of civil servants is the unavailability of instruments that can measure performance appropriately. Performance measurements carried out at the end of the year often make leadership difficult because validation of performance indicators often does not match performance targets. For this reason, several government agencies have taken the initiative to shrink performance measurements with a measurement period that is shorter than monthly.

Therefore, employee performance greatly influences the performance of government institutions. Determination of employee performance must be in line with the performance targets of the institution where the civil servant works. The performance contract that is established annually is a derivative of the agency's performance contract and must be in line with the organization's vision and mission. Inadequate determination of individual performance with the organization's vision and mission often results in the failure to achieve that vision.

In addition, the existence of individual performance output that is beyond the target also raises doubts about the benefits of these outputs. One government institution that is still experiencing employee performance challenges is the Universitas Syiah Kuala Administration Bureau. Although the instrument has set a daily performance contract instrument, several targets for performance achievements have not yet been fully achieved.

Furthermore, fluctuations in employee performance require that there are still some obstacles and motivations for individual performance in these institutions. Like other agencies, several policies have been implemented to encourage employee performance. One of them is utilizing a daily performance contract which is a measurement instrument for daily performance achievements. Besides, an increase in the quality of the work environment such as cleanliness and work equipment becomes an annual agenda of the bureau to encourage employee performance.

Some efforts in improving discipline have also been carried out to maintain employee performance in line with the institution's performance targets. Performance demands of employees in the bureau are increasing given the performance target of the university in the 2012-2017 Strategic Plan to strengthen services. After the ratio of needs and availability of educational facilities and infrastructure is optimal, the next focus is on how to improve the quality of education to be relevant and competitive. Some obstacles to realizing this vision have been mapped, one of which is the challenge of employee service quality of the bureau.

Against the above backdrops, this study intends to empirically assess mediating effect of employee performance on the compensation, work environment, and discipline on the performance of the administrative staff of Universitas Syiah Kuala, Indonesia. The findings of this study are hoped to provide a constructive recommendation for enhancing administrative staff of the university and its organizational performance.

The rest of this study proceeds to review selected relevant literature in Section 2, followed by providing

the empirical framework and data used in the study. Section 4 discusses the findings and their implications, and finally, Section 5 concludes the paper.

LITERATURE REVIEW

Achievement of employee performance in carrying out tasks is determined by the mastery of competencies required in a position. Through more adequate competence, a person will be more capable and able to implement all work tasks in accordance with the stated job description (Sriwidodo and Haryanto, 2010). Previous researches showed that higher welfare will spur work productivity, while motivation will help employee performance if coupled with competencies that are in accordance with work needs. Sofyan (2013), in his study, found a significant influence of the work environment on the performance of civil servants. Khan *et al.* (2014), in his study, also concluded that work procedures not only affect commitment, competence, and cost but also affect employee performance commitment in the long run. There is plenty of evidence that the environment and work procedures will affect the health and well-being of workers. A conducive work environment also helped workers to work more productively.

Obasan (2012) conducted research aimed at measuring the effect of compensation and rewards on the performance of companies in Nigeria. The results of his research concluded that the company's strategy by providing compensation is able to encourage workers to increase their productivity. The compensation strategy is also able to improve company performance in general by accumulating employee performance. Therefore, compensation-related policies are a tool for companies in Nigeria to improve employee performance. Similarly, Hameed *et al.* (2014) conducted a study which aimed to measure the impact of compensating on employee performance on the border in Pakistan. They showed that compensation positively and significantly affected employee performance.

Furthermore, individual performance is influenced by work motivation. Murti and Srimulyani (2013) found that motivation has a significant effect on job satisfaction, but has no significant effect on employee performance. Job satisfaction is found to have a significant effect on employee performance. The findings also show that job satisfaction is a mediating variable between motivation and employee performance.

Previous studies on the influence of motivation, work environment, and competence on job satisfaction and employee performance was also carried out in Bali, Indonesia by Dhermawan *et al.* (2012). The results showed that motivation and work environment had no significant effect on job satisfaction, while competence and compensation had a significant effect. Motivation and competence have no significant effect on employee performance, while the work environment,

compensation and job satisfaction have a significant effect. The results of the study have implications for motivation, working environment conditions, competencies, and employee compensation that need to be improved in order to increase job satisfaction and if employee job satisfaction increases, employee performance will also increase.

Furthermore, Arianto (2013) investigated the effect of discipline, work environment, and work culture on teacher performance. The study found that work discipline has no effect on performance, work environment has no effect on performance, work culture has a positive effect on the performance of teaching staff, while work discipline, and work environment and work culture has a positive effect on teacher performance.

Based on the above-reviewed studies, this study proposed the following research model to be estimated.

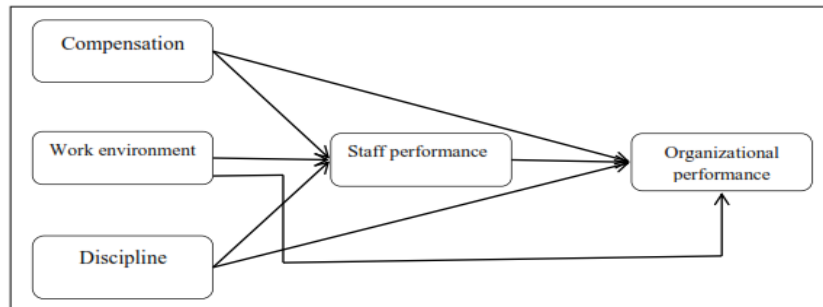


Figure1. Proposed Research Model

RESEARCH METHOD

The population of this study is all 187 staff at the Administrative Bureau of Universitas Syiah Kuala, Banda Aceh, Indonesia. Of these staff, 128 of them were selected as the respondents of the study using the simple random technique. This research used the primary data, gathered by distributing structured questionnaires to the respondents. The variables investigated are evaluated using indicators suggested by chosen prior research.

This study examined three exogenous variables (i.e., compensation, work environment, and

discipline), one endogenous variable (i.e., organizational performance), and one mediating variable [i.e., staff performance). In this study, the variables are measured using the Likert scale of 1 to 5 and based on indicators introduced by previous studies.

To empirically explore the direct effect of compensation, work environment, and discipline on the staff performance; and the indirect relationships between compensation, work environment, and discipline on the organizational performance through its staff performance, the following Structural Equation Modeling (SEM) equations are estimated:

$$SP = \gamma_{11}CP + \gamma_{12}WE + \gamma_{13}DS + \zeta_1 \tag{1}$$

$$OP = \gamma_{21}CP + \gamma_{22}WE + \gamma_{23}DS + \gamma_{24}SP + \zeta_2 \tag{2}$$

where SP is the staff performance, CP is the compensation, WE is the work environment, DS is the discipline, OP is the organizational performance, γ_{ii} are the estimated loading factors for each variable and ζ_i are the structured error terms.

FINDINGS AND DISCUSSION

Out 128 employees as respondents of our study at the Administrative Bureau of the Universitas Syiah Kuala, Indonesia, 53.90% of them were male, while the rest 46.10% were female. In terms of age, the majority of employees were having age between 36-45 years old (42.97%), while the minority of them was in the age group of 25-35 years old (15.63%). The other employees were having age between 46-60 years old (41.41%). Finally, in view of number of year of services, most of them have served the office for 11-20 years (53.91%), followed by years of services of 1-10

Prior to report and analyze the findings of SEM estimates, the tests comprising validity and reliability will be performed first, followed by the tests of goodness of fit indices to ensure the suitability of the model to provide answers for the objectives of the study.

years (27.34%), 21-30 years of services (13.28%), and 31-40 years of services (5.47%).

Before we estimates the proposed SEM equations to investigate the interrelationships between factors, validity and reliability tests were performed first to determine the precision and consistency of the indices when measuring the variables. Testing the validity of the data in this study was done using the Pearson product-moment coefficient of correlation test. The study found that all indicators were valid because they have a significance level of less than 5%. Whereas

if done manually, then the correlation value obtained by each statement must be compared with the critical value of the product moment correlation where the results indicate that all statements have a correlation value above a critical value of 5%, that is above 0.195, so the statements are significant and have good validity or in statistical language there is internal consistency which means that the statements measure the same aspects.

To assess the reliability of the indicators, this study used a Cronbach Alpha. The reliability testing intended in this study is to find out the extent to which the results of the tracking remain consistent statistically, namely by calculating the amount of Cronbach Alpha with the help of the SPSS software. The study found that all indicators in this study were reliable because the Cronbach Alpha value was greater than 0.50 (Malhotra et al., 2006).

Furthermore, to ensure the goodness of the proposed model, the study tested the goodness of fit indices of the estimated SEM and found that all the goodness of fit indices comprising X²-Chi-Square Statistics, Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Augmented Goodness of Fit Index (AGFI), Tucker-Lewis Index

(TLI), and Comparative Fit Index (CFI) were better fit. The estimated value of the goodness of fit indices was above the cut-off value, indicating that the overall estimated SEM models better fit to provide the answer for the objectives of the study.

Direct effects of compensation, work environment, and discipline on employee and organizational performances

Table 1 illustrates the direct effects of compensation, work environment, and discipline on employee and organizational performances of the Administrative Bureau of the Universitas Syiah Kuala, Indonesia. As shown by the table, compensation and rewards was found to positively and significantly affect both staff and organizational performances at the 1% level of significance with the estimated values of 0.309 and 0.236, respectively. These findings, specifically, showed that as the compensation increased by a 100% unit at the Likert Scale, the staff and organizational performance has improved by 30.9% and 23.6% units at the Likert Scale, respectively. These findings also the dominant effect of compensation on the staff performance as compared to the organizational performance.

Table 2: Estimated Regression Weight of the SEM

Variable's interactions		Estimate	Critical ratio	P-value
SP	<--- CP	0.309***	3.124	0.002
SP	<--- WE	0.296**	2.312	0.021
SP	<--- DS	0.269**	3.448	0.031
OP	<--- SP	0.178**	2.158	0.031
OP	<--- CP	0.236***	2.477	0.013
OP	<--- DS	0.191***	2.512	0.012
OP	<--- WE	0.284**	2.335	0.020

Note: ***, **, and * show significances at the 1%, 5%, and 10% levels, respectively.

Table 1 also illustrates the direct effects of work environment on staff and organizational performances of the Administrative Bureau of the Universitas Syiah Kuala, Indonesia. Work environment was found to positively and significantly influence both staff and organizational performances at the 5% level of significance with the estimated values of 0.296 and 0.284, respectively. These findings showed that as the work environment increased by a 100% unit at the Likert Scale, it led toward the improvements of the staff and organizational performances by 29.6% and 28.4% units at the Likert Scale, respectively. These findings also proved the dominant effect of work environment on the staff performance as compared to the organizational performance.

Furthermore, as illustrated in Table 1, the study also found the positive significant effects of discipline on both staff and organizational performances of the Administrative Bureau of the Universitas Syiah

Kuala, Indonesia at the 5% and 1% levels of significance with the estimated values of 0.269 and 0.191, respectively. These findings showed that as the discipline improved by a 100% unit at the Likert Scale, it led to the improvements of the staff and organizational performances by 26.9% and 19.1% units at the Likert Scale, respectively. These findings also showed the dominant effect of discipline on the staff performance as compared to the organizational performance.

Furthermore, as illustrated in Table 1, the study tested the effect of staff performance on organizational performances of the Administrative Bureau of the Universitas Syiah Kuala, Indonesia at the 5% level of significance with the estimated values of 0.178. This finding showed that as the staff performance improved by a 100% unit at the Likert Scale, it led to the improvement of the organizational performance by 17.8% units at the Likert Scale. The

finding showed the importance of staff performance in improving the organizational performance.

These findings showed the importance of compensation, work environment, and discipline on both staff and organizational performances. Our findings supported findings of earlier studies (Amin *et al.*, 2019; Wani *et al.*, 2018; Rukayah *et al.*, 2019; Qadariah *et al.*, 2019; Rozanna *et al.*, 2019; Sativa *et al.*, 2018; Marlina *et al.*, 2018; Putra *et al.*, 2014; Munawir *et al.*, 2014; Hidayat *et al.*, 2019; Hanafi *et al.*, 2019; Kurniawan *et al.*, 2017; and Fachreza *et al.*, 2018). These previous studies, overall, documented the positive effect of compensation, work environment, and discipline on both staff and organizational performances across private and public organization in Indonesia.

Mediating effect of staff performance on the influences of compensation, work environment, and discipline on organizational performance

In this part, the findings of the indirect effects of compensation, work environment, and discipline on organizational performance through the staff performance are reported in Table 2 and discussed. Based on the Baron and Kenny’s (1986) framework, the value of estimated path coefficient between compensation and staff performance was 0.309, while the estimated path coefficient of staff performance on organizational performance was 0,178. These values showed that there was a significant mediated effect of staff performance on the relationship between compensation and organizational performance with the size of 0.055 at the 5% level of significance. This finding indicates that the improvement of staff performance based on improvement of compensation would finally contribute towards increasing organizational performance.

Table3. Findings of Mediating Effects

Interaction between variables				Estimate	P-value	
OP	<---	SP	<---	CP	(0.309 x 0.178) = 0.055**	0.042
OP	<---	SP	<---	WE	(0.296 x 0.178) = 0.053**	0.050
OP	<---	SP	<---	DS	(0.269 x 0.178) = 0.048*	0.067

Note: *** and ** show significances at the 5% and 10% levels, respectively.

Table 2 also showed that the value of the estimated path coefficient between work environment and staff performance was 0.296, while the estimated path coefficient of staff performance on organizational performance was 0,178. These values indicated that there was a significant mediated effect of staff performance on the relationship between work environment and organizational performance with the size of 0.053 at the 5% level. This finding signifies that the improvement of staff employment based on enhancing work environment has consequently improved organizational performance.

Finally, Table 2 also documented the value of estimated path coefficient between discipline and staff performance was 0.269, while the estimated path coefficient of discipline on organizational performance was 0,178. This indicated that there was a significant mediated effect of staff performance on the relationship between discipline and organizational performance with the size of 0.048 at the 10% level of significance. This finding signifies that the improvement of staff performance based on enhancing discipline has consequently improved organizational performance.

Since the relationships between compensation, work environment, and discipline on staff performance were found to be significant, and the effect of staff performance on organizational performance was also significant, thus the staff performance is documented to act as the partial mediator. These findings implied that

to enhance the organizational performance, thus the focus should be given on improving staff performance based on enhancing compensation, work environment, and discipline of the administrative staff at the Administrative Bureau of the Universitas Syiah Kuala, Indonesia.

CONCLUSION

This study empirically assessed the mediating effect of employee performance on the compensation, work environment, and discipline on the performance of the administrative staff of Universitas Syiah Kuala, Indonesia. Based on the Structural Equation Modeling (SEM) technique, the study found that compensation, work environment, and discipline directly and positively affected performances of the administrative staff and organization. In addition, staff performance is found to significantly mediate the effect of compensation, work environment, and discipline on the organizational performance.

These findings suggested that to further enhance the organizational performance; it should be focused on improving the staff performance based on the enhancements of compensation, work environment, and work discipline of the staff. Efforts to improve employee performance and organizational performance of the university could be done by improving the system of rewards and compensation through a leave mechanism or an additional income increase; improving

the work environment by enhancing the workspace to create comfort working atmosphere; improving discipline through regulations enforcement.

Further studies on this topic could provide better and comprehensive empirical findings by considering more variables into the model of estimation. These factors could cover both internal and external factors affecting performances of staff as well as organization performances. Additionally, covering more universities, both public and private, into the analysis would also enrich the existing empirical evidence. Finally, comparing the private and public universities would also enrich the existing empirical findings on the investigated topic.

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