

The Effect of Work Discipline and Compensation on Performance of Shopping Management Company Employees

Syamsulaiman
Prodi Magister Manajemen, Universitas Ahmad Dahlan, Indonesia
samsulaiman07@gmail.com

Agus Siswanto
Prodi Magister Manajemen, Universitas Ahmad Dahlan, Indonesia
agus.siswanto@mm.uad.ac.id

Zunan Setiawan
Prodi Magister Manajemen, Universitas Ahmad Dahlan, Indonesia
zunan.setiawan@mm.uad.ac.id

Ivonne Ayesha
Prodi Agribisnis, Universitas Muhammadiyah Bandung, Indonesia
drivonneayasha@gmail.com

Nenden Hendayani
Prodi Bisnis Digital, UNISAL, Indonesia
nenden.hendayani123@gmail.com

Article's History:

Received 8 Juli 2023; Received in revised form 19 Juli 2023; Accepted 24 Juli 2023; Published 1 Agustus 2023. All rights reserved to the Lembaga Otonom Lembaga Informasi dan Riset Indonesia (KITA INFO dan RISET).

Suggested Citation:

Syamsulaiman., Siswanto, A., Setiawan, Z., Ayesha, I., & Hendayani, N. (2023). The Effect of Work Discipline and Compensation on Performance of Shopping Management Company Employees. JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi), 9 (4). 1378-1384. <https://doi.org/10.35870/jemsi.v9i4.1340>

Abstract:

The purpose of this study is to ascertain if pay and work rules have an impact on employee performance at one of the enterprises in Indonesia. There are 50 persons in the whole population that are all study responders. This study makes use of primary data collected by distributing questionnaires to research site workers. Multiple linear regression is the data analysis method employed in this study and is carried out using the SPSS software. According to the study's findings, employee performance is influenced by work discipline more so than by compensation. Employee performance is concurrently impacted by pay and workplace rules.

Keywords: employee performance, enterprise, work discipline, compensation

Introduction

The company is an organization engaged in the business sector, both services and goods, where this organization develops with the profits it earns. Towards the era of globalization, companies are required to face more competitive competition both in the domestic market and foreign markets. It is undeniable that the property business is currently the most competitive business. Real estate Indonesia (REI) Jakarta estimates that property growth will increase by around 10%. With the projected growth in these properties, it will push competitors even tighter, so the company must make adjustments to the rapidly growing property market and keep up with trends and lifestyles. To face this competition, every organization must have competent human resources to improve quality and quality in the organization to advance its business (Lestari et al., 2018).

In essence, the implementation of all corporate operations is driven by human resources, whose skills and creativity are essential to achieving company objectives. The success or failure of a business is typically determined

by its capacity to effectively manage its people resources in order to realize all of the intended objectives. The achievement of the company's goals depends more on the human element than it does on fully functional technology, facilities, and infrastructure. Every person who performs well and at a high level may help the business meet its objectives (Lakoy et al., 2013).

Every company leader should be aware of the need to support staff by participating in the provision of direction regarding the work performed by each employee so that staff members can better understand the responsibilities of the work they are performing in order to achieve high performance. Additional factors that might boost employee morale at work include a comfortable office environment, motivation, strong work discipline, and fair remuneration for each employee. Performance, in general, is the outcome of work completed by an individual or group of individuals within an organization in accordance with their respective rights and obligations with the aim of achieving the objectives of the organization in question while remaining morally and ethically upright and legally abiding (Tannady et al., 2023).

The quantity of compensation and perks offered by a corporation compared to the volume of duties performed reveals the poor level of employee performance in that organization. Additionally, poor staff discipline and inefficient time management contribute to the amount of attendance at work. Despite the crucial strategic role that human resources play, businesses must make the best use of their staff members in order to function well. One of them is to increase employee performance by paying employees appropriately as compensation for the contributions they have made to the business, since everyone who works has an incentive to obtain rewards or benefits at work (Rio & Agustin, 2013).

All revenue received by workers in the form of cash, tangible products, or intangible services as payment for services rendered to the business is referred to as compensation. The organization's efforts to sustain its human resources are reflected in the pay plan. Paying workers more will motivate them to perform better and more productively. In addition to providing salary, one way to increase employee performance is through fostering a culture of work discipline. Employees who adhere to organizational rules aimed at enhancing performance will do so because of well-managed work discipline. Because of this, business executives need to keep a close eye on every employee behavior and actions. A person who is disciplined is aware of and ready to abide by all corporate, agency, or organization rules as well as any relevant societal conventions. The ability of employees to provide the best work results for the success of the organization may be shown in the presence of a high level of work discipline (Nugroho et al., 2023).

Compensation is a delicate subject when it comes to eligibility for satisfying demands, especially when the severity of those needs rises and the pay remains seen as inadequate. Every employee understands the importance of providing fair remuneration since it makes workers feel appreciated for the time and effort they have put into the firm. The research site pays remuneration in the form of a salary, benefits, and facilities. These benefits are in the form of health and life benefits as well as facilities in the form of private vehicles given to employees who have special positions. However, based on the results of interviews with several employees regarding the salary mentioned above, they said that the salary given was not in accordance with the responsibilities of the work they were doing and the salary was felt to be insufficient to meet their current needs (Rinoldy, 2013).

The findings of prior research on the relationship between compensation and work motivation and performance, which came to the conclusion that while work motivation does not significantly affect performance, compensation has a partially significant impact on employee performance. Then, based on the findings of prior research into the effects of work discipline, motivation, and career development on the performance of civil servants, it was determined that the variables of work discipline, motivation, and career development have a partially significant effect on the performance of government employees, with work discipline variables having the strongest correlation. The purpose of this study is to ascertain how pay and workplace rules affect employee performance.

Literature Review

Organization is a system of formal association of two or more people who work together to achieve certain goals. An organization can be formed by several elements such as the same vision, mission and goals. A good organization is an organization that is recognized for its existence around the community, because it is able to recruit human resources in the community to be employed in the organization. Every company generally has an

organizational structure, which is the first step in starting the implementation of company activities. In other words, the preparation of the organizational structure is a planned step in a company to carry out management functions. An organization is formed to achieve common goals, but to achieve goals effectively requires good and correct management. Organizations without good management will result in organizational routines not running well and lasting a long time, therefore every organization needs a good management system as an effort to achieve goals that are right on target (Safrida et al., 2023).

The most crucial factor in achieving certain goals is management, which is the science and art of controlling the process of employing human resources and other resources in an effective, efficient, and productive way. Additionally, management may be seen as a technique to accomplish a goal via the efforts of other people. This indicates that if the objective is carried out by one or more persons, it can be accomplished. The definition of management is a body of information about how to handle human resources. In order to accomplish firm objectives, management must deal with issues relating to people (human resources), who oversee other production-related aspects, in addition to issues with raw materials, equipment, and money. But keep in mind that human resources are a factor of production, like other production factors, which must be managed by the company in order to produce optimal output. Therefore companies need to provide skills and expertise to their employees and provide motivation to be able to provide optimal performance, so that they become skilled and expert employees (Ferina, 2008).

The issue of compensation is quite complicated so that each company should have its own way of determining the appropriate compensation. Employees receive compensation in exchange for their contributions to the business in the form of service. Giving compensation is one of the ways HRM functions connected to all kinds of individual rewards are put into practice in exchange for completing organizational duties. An incentive system that connects pay with performance is part of the remuneration. Workers that get pay are compensated based on performance rather than seniority or the quantity of hours they put in. Everything an employee receives as payment for their labor is considered compensation. The compensation system's goals are to reward success, guarantee fairness, keep employees, hire quality workers, reduce expenses, and adhere to rules. Any type of incentive that a person (a worker) receives in exchange for their effort is considered compensation (Arta et al., 2022).

Compensation can be grouped into three main categories, namely direct financial compensation, indirect financial compensation and non-financial compensation. Direct financial compensation involves monetary rewards received by employees directly as part of their compensation package. This includes base salary, benefits, bonuses and performance-based incentives. Basic salary is a basic component in direct financial compensation which is usually given regularly in the form of monthly or annual income. Benefits are financial additions given to employees, such as transportation allowances, meal allowances, or housing allowances. Performance-based bonuses and incentives are forms of additional rewards given to employees in recognition of achieving targets or outstanding performance (Lestari et al., 2018).

Indirect financial compensation, also known as additional compensation, involves benefits that are not cash in nature but that still have economic value. Examples of indirect financial compensation include health insurance, life insurance, pensions, paid time off, and company benefits such as company vehicles or fitness clubs. This compensation provides financial protection and security for employees and provides added value in the form of benefits or services. Apart from financial compensation, there is also non-financial compensation which involves recognition and rewards that are not related to financial aspects. Non-financial compensation includes verbal or written rewards, career development opportunities, flexible working hours, a positive work environment, employee benefit programs and work-life balance. This form of compensation aims to increase employee satisfaction, motivation, and overall well-being (Lakoy et al., 2013).

Workplace discipline is the application of management to reaffirm organizational standards. The second operational purpose of people management is frequently used interchangeably with the notion of discipline. Discipline of employees, both new and old, must be done in a planned and long-lasting way. Employees' technical, theoretical, conceptual, and moral skills must be improved via discipline if they are to perform well at work and provide the best outcomes. Prayudi Atmosudirjo in Darsono and Siswandoko explains that discipline is a form of obedience and self-control that is rational and conscious, unemotional and selfless. In Darsono and Siswandoko, Bejo Siswanto defined discipline as an attitude of respect, respect, obedience, and obedience to applicable laws, both written and unwritten, and the ability to carry them out, as well as not avoiding accepting punishments if she violates the responsibilities and authority delegated to her (Tannady et al., 2023).

Work discipline is a strategy managers use to influence workers' motivation to alter their conduct. It also aims to raise people's knowledge of and willingness to follow all applicable corporate policies and social standards. Communication tools are necessary for employee discipline, particularly when issuing warnings to certain workers who refuse to alter their attitude and conduct. Supervisors typically enforce employee disciplinary measures. While awareness is the mindset of a person who willingly complies with all laws and is conscious of his obligations. Awareness is the attitude of a person willingly complying with all regulations and being aware of their obligations and responsibilities. Discipline is a person's awareness and willingness to comply with all corporate, agency, or organization regulations and relevant social standards. A person's willingness is their attitude, conduct, and actions in conformity with any organizational or agency rules, whether they are explicit or implicit. Discipline is an attitude of conduct and activities that adhere to stated and unwritten organizational norms (Rio & Agustin, 2013).

Performance is a broad term that refers to some or all of an organization's periodic actions or activities with reference to a number of standards, including past or projected costs, on the basis of efficiency, accountability, or the type of management accountability, to inspire specific employees. Conducting performance appraisals is necessary in order to meet standards of behavior and achieve organizational goals. Performance appraisals can be used to control undesirable behavior by providing timely feedback on performance outcomes and awarding both intrinsic and extrinsic rewards. Performance is the outcome of work completed by an individual or group of individuals within an organization in accordance with their respective rights and obligations with the aim of achieving the objectives of the organization in question while legally abiding by the law and acting morally and ethically (Nugroho et al., 2023).

Performance is also defined as how well employees' work, both in terms of quantity and quality, seems to be done inside a company. Performance might come from an individual or from a team of employees. The organization's whole workforce, not just those in functional or structural roles, is subject to the look of their job. The majority of the time, an organization's success is mostly based on the performance of its individual employees. The following aspects affect each employee's performance: a) individual ability, which is made up of numerous elements, including talent, interest, and personality traits. b) The effort made comprises of task design, attendance, work ethic, and motivation. c) The organizational support it receives comprises of management, coworkers, performance standards, equipment and technology, and training and development. Performance = Ability x Effort x Support is a generally accepted formula in management literature to describe the link between these three variables. When each of these three elements is present in an employee, their performance as an individual is improved (Rinoldy, 2013).

Methodology

This research was conducted at a branch of a company engaged in the shopping center in one city in Indonesia. The population in this study was 50 who were also used as samples in the study using saturated sampling due to limited numbers. The data in this study were taken using a questionnaire with a Likert scale that had previously passed the validity and reliability tests. The analysis technique used in this study is multiple linear regression analysis assisted by SPSS.

Results

This study uses the P-P plot to test the normality of the data. The normality test results were determined to be normally distributed based on the test findings. The line that follows the diagonal line and describes the real data serves as proof of this. This implies that in order to satisfy the conditions for normalcy, the distribution of data is stated to be dispersed about the straight line (rather than scattered far off the straight line). In the normality test using the Kolmogorov-Smirnov test, it has a statistical value of 0.984 greater than 0.05. So it can be said that the residuals are normally distributed.

Based on the multicollinearity test, it shows that the values of tolerance and VIF for wage and loyalty variables show the same value. From the multicollinearity testing criteria, it shows that all tolerance values are greater than the specified value of 0.10. Whereas the VIF value also shows below the number 10. As a result, multicollinearity between the independent and dependent variables cannot exist because all variables met the tolerance threshold requirements and the VIF value. Evidence that there is no heteroscedasticity issue with the

regression model employed in this study can be observed in the points that spread randomly and spread above and below the number 0 on the Y axis, which is irregular and forms no specific pattern.

Based on the t test findings, it can be shown that the work discipline variable has a coefficient value of 0.776 with a t count of 4.855 > t table 2.021 and the significance level of t is less than 0.05 (sig. T = 0.000 0.05) leading to the acceptance of H1. The relationship between workplace discipline and employee performance can be inferred in part. With a computed t value of 1.281 and a significance threshold of more than 0.05 for the compensation variable, H0 is accepted while Ha is denied. We can draw the conclusion that pay does not significantly affect employee performance.

The F-count (F-statistic) is 14.055 bigger than the F table, which is 2.85 with a probability value of 0.000, meaning it is below a significance value of 0.05, as can be seen from the results of the simultaneous test. As a result, H0 is disproved and H1 is accepted, indicating that the independent variables of pay and work ethics have a considerable impact on employee performance concurrently.

This study makes use of an adjusted coefficient of determination, or R²adj in short. The Adjusted R Square value in the regression analysis is 0.395, as can be seen from the analysis results in the table of test results for the coefficient of determination. This means that the independent variable, work discipline, can explain 39.5% of the dependent variable, performance, while the remaining 60% is explained by other factors not included in this research model. The regression equation for the relationship between work discipline and employee performance may be stated as $Y = 12.941 + 0.168 (X1) + 0.776 (X2)$ based on testing multiple linear regression analysis.

According to the findings of the regression equation, it can be deduced that the constant value is 12.941, which indicates that the performance value is 12.941 if the compensation (X1) value is zero. The employee's performance will grow or increase if remuneration increases or has an increase of 1 unit, according to the compensation regression coefficient of 0.168, provided that other factors stay constant or constant. It is also possible to explain that the constant value is 12.941, which means that if the work discipline (X2) is zero, the performance value is 12.941. This explanation is based on the findings of the following regression equation. The employee performance will grow or increase if work discipline increases or has an increase of 1 unit, according to the work discipline regression coefficient of 0.776, provided that other variables remain constant or constant.

Discussion

This study found that compensation has no significant effect on employee performance. There are several factors that can cause compensation to have no significant effect on employee performance. First, if the performance measurement system used by the company is not clear or objective, this can cause a discrepancy between the rewards given and actual performance. If employees feel that their performance appraisal is unfair or subjective, they may lose motivation to perform better. In addition, if the compensation offered by the company is not commensurate with the level of responsibility and job demands, employees may feel unmotivated to achieve better results. If a company doesn't provide incentives big enough to stimulate employees, they may not feel compelled to work harder or achieve the targets they set.

In addition to financial factors, non-financial factors can also affect the relationship between compensation and performance. If the company does not provide adequate recognition, career development opportunities, or a positive work environment, employees may lose intrinsic motivation and commitment to the company. These factors also play an important role in motivating employees to achieve better performance. In addition, external factors such as labor market conditions or industry competition can also affect the relationship between compensation and employee performance. If employees feel that they have many other job options that offer better compensation, they may be inclined to leave the company or not perform optimally despite receiving adequate compensation.

Compensation that has no effect on employee performance can have root causes in psychological aspects that affect employee motivation and perceptions of the compensation they receive. One of the psychological factors that can influence the relationship between compensation and performance is intrinsic and extrinsic needs. When employees feel a discrepancy between their intrinsic needs, such as a sense of achievement, autonomy, or personal growth, and the compensation they receive, this can reduce the effect of compensation on performance. For example, if an employee has a strong need to feel acknowledged and valued, financial compensation may not

be sufficient to satisfy this psychological need. Instead, they may need verbal recognition, career development opportunities, or a supportive work environment as a form of compensation that means more to them.

Employees' perceptions of compensation fairness also play an important role in the relationship between compensation and performance. Social justice theory suggests that employees will compare their compensation with the compensation received by their colleagues or with internal and external standards that they consider fair. If employees feel that they are not being treated fairly in terms of compensation, whether in comparison with colleagues or in an external context, this can reduce motivation and the impact of compensation on performance. In addition, the perception of the causal relationship between performance and compensation also plays an important role in employee motivation. If employees do not see a clear link between the work effort they provide and the compensation they receive, their motivation to perform optimally may decrease. It is important for companies to ensure that there is a clear link between performance and compensation and to provide clear and structured feedback to link work contributions with rewards.

This study found that work discipline has a significant effect on employee performance. On the other hand, work discipline has a significant influence on employee performance in the work environment. When employees maintain and show good discipline, this can provide several positive benefits. First, work discipline helps employees to maintain consistent productivity. By having a regular work routine, respecting deadlines and following established work procedures, employees can optimize the use of available time and resources. In addition, work discipline also strengthens individual responsibility for their work. Disciplined employees tend to take full responsibility for the tasks and projects they work on. They ensure that work is completed properly and according to set standards. Thus, work discipline helps improve the quality of employee performance and creates a good reputation in terms of reliability and dedication to work.

Work discipline is also closely related to efficiency and effectiveness. Disciplined employees are able to manage time well, avoid procrastination, and focus on important and urgent tasks. They tend to plan well, set priorities wisely, and avoid unnecessary distractions. In the long term, this contributes to increased productivity and better performance. In addition, work discipline also reflects the commitment and motivation of employees towards their work. Employees who have high discipline tend to show strong dedication to work, adhere to high quality standards, and strive to achieve optimal results. They are more likely to engage actively in assigned tasks, overcome challenges with determination, and seek opportunities to enhance their skills and knowledge.

Work discipline has a significant influence on employee performance and this can be understood through related psychological aspects. First of all, work discipline is closely related to the concept of self-control in psychology. Employees who have high levels of self-control tend to be better able to regulate emotions, overcome temptation, and stay focused on important tasks. This ability allows them to prioritize work, avoid procrastination, and complete tasks more efficiently. Thus, a high level of work discipline can improve the ability of employees to manage themselves effectively, which in turn has a positive impact on their performance. In addition, work discipline is also related to intrinsic motivation. Employees who have high discipline tend to have high standards of themselves and feel called to achieve excellence in their work. They tend to be satisfied with their accomplishments and feel a strong sense of accomplishment when they meet or exceed the expectations that have been set. This intrinsic motivation can affect the performance level of employees, because they feel compelled to provide better results.

Work discipline can affect employees' perceptions of the control they have over their work situations. When employees can maintain discipline in carrying out their tasks, they tend to feel they have more control over their work. This results in a higher sense of involvement and increases motivation to take full responsibility for assigned tasks. In this context, work discipline serves as a psychological tool that provides a sense of autonomy and influence over the work environment, which in turn positively influences employee performance. In addition, work discipline can also play a role in reducing stress and improving the psychological well-being of employees. By having regular work patterns, managing time well, and following established procedures, employees can reduce uncertainty, avoid stressful situations, and feel more prepared and organized. This contributes to a higher level of well-being, enabling employees to focus on the tasks at hand without being distracted by excessive stress and worry.

Overall, compensation that has no effect on employee performance can be caused by factors such as unclear performance measurement systems, discrepancies between rewards and job responsibilities, lack of adequate incentives, lack of recognition and career development, unsupportive work environment, as well as external factors that affect employees' perceptions of the value of compensation. On the other hand, work discipline

plays an important role in creating a productive and efficient work environment. By maintaining good work discipline, employees can improve their overall performance, strengthen personal responsibility, improve efficiency, and demonstrate high commitment to work.

Conclusion

The purpose of this study is to ascertain how pay and workplace rules affect employee performance. According to the following hypothesis, which has been formed in this study, it can be inferred from the testing and analytical results in this study that remuneration has no effect on employee performance but has a considerable impact on work discipline factors. Both remuneration and work discipline factors have a large impact on employee performance simultaneously. To increase work discipline, company leaders should provide employees guidance and attention that can help them become more conscious of their roles and obligations. The higher the awareness of their duties and responsibilities and the more obedient they are to the rules or regulations, it is hoped that this will foster enthusiasm at work so as to create better performance.

References

- Lestari, A., Tannady, H., & Nurprihatin, F. (2018, December). Analisis Produktivitas Kasir Guna Menentukan Beban Kerja Menggunakan Work Sampling pada Gerai Makanan Cepat Saji. In *Prosiding Seminar Rekayasa Teknologi* (pp. 578-587).
- Lakoy, Frisky, Gainer. (2013). Work Motivation, Compensation, Career Development on Employee Performance at the Regional Disaster Management Agency of North Sulawesi Province, *EMBA Journal*, 1(4).
- Tannady, H., Wardhana, A., & Sudrajat, D. (2023). Enhancing Workforce Agility of National Insurance Firm's Employees by Effective E-Learning Management and Growth Mindset. *JAMBU AIR: Journal of Accounting Management Business and International Research*, 1(1), 31-39.
- Rio, M., & Agustin, T. D. (2013). The Influence of Supervision and Work Discipline on the Performance of Riau High Court Employees. *Journal of Social Economic Development*, 3(8).
- Nugroho, B. S., Tannady, H., Fuadi, T. M., Aina, M., & Anggreni, M. A. (2023). Role of Work Experience, Work Motivation and Educational Background on Teacher Performance at Vocational School. *Jurnal Pendidikan dan Kewirausahaan*, 11(2), 476-487.
- Rinoldy, Z. (2013). The Influence of Work Discipline and Work Ability on the Performance of Employees of the Agriculture, Livestock, Fisheries and Forestry Office of Jambi City. *Journal of Management Dynamics*, 1(1).
- Safrida, S., Tannady, H., Solissa, E. M., Sapulete, H., & Al Haddar, G. (2023). Strategic Leadership Analysis of School Principal to Improve Learning Quality. *Jurnal Pendidikan dan Kewirausahaan*, 11(2), 391-399.
- Ferina, S. (2008). The Influence of Leadership, Physical Environment and Compensation on Employee Performance at PT. Pertamina (Persero) UPMS III Balongan Main Transit Terminal, Indramayu. *Journal of Economics and Business*, 2(3).
- Arta, D. N. C., Tannady, H., Moridu, I., Saiful, N. A. Q., & Jayanto, I. (2022). Peran Training Version Control Dan Stres Kerja Terhadap Produktivitas Karyawan Pada Perusahaan Teknologi Digital Di DKI Jakarta. *Management Studies and Entrepreneurship Journal (MSEJ)*, 3(5), 2696-2704.