
A CONCEPTUAL MODEL OF THE EFFECT OF ORGANIZATIONAL CULTURE, COMPETENCE, AND COMPENSATION SYSTEM ON WORK PERFORMANCE BY MEDIATING WORK DISCIPLINE AND WORK MOTIVATION

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ABSTRACT

Improving work performance is essential for a company's success, and it is influenced by various factors, including organizational culture and employee competence. Organizational culture plays a vital role in shaping employee behavior and commitment to company goals. This paper discusses the relationship between organizational culture, competency, and compensation systems in relation to work performance, with work discipline and work motivation as mediators. Performance is crucial for organizational success, and various factors influence it. The study examines how organizational culture impacts work discipline and work motivation, which, in turn, affects work performance. Competency and the compensation system also play essential roles in this relationship. The conceptual model depicts the interconnectedness of these variables. Seventeen hypotheses are formulated based on the model. The research employs a qualitative approach with questionnaires distributed to employees at PT Aman Jaya. The Likert scale is used for scoring, and path analysis is employed for data analysis. The paper aims to provide insights into the key factors influencing work performance in the company.

KeyWords

Work Performance, Organizational Culture, Competency, Compensation Systems, Work Discipline, Work Motivation, Human Resource Management.

INTRODUCTION

Performance is the result of work closely related to the organization's strategic goals, providing customer satisfaction, and contributing to the economy. Improving work performance will propel the company forward, allowing it to compete in today's market (Wibowo, 2010). According to Morrher and Griffin (2004), organizational culture, competency, compensation systems, work discipline, and work motivation are all important aspects of human resource management that influence work performance improvement. Employee placement is a task performed by human resource managers in a company to determine the location and position of employees in carrying out work. Organizational culture is crucial in determining a company's identity and characteristics (Moorhead and Griffin, 2004). This culture impacts how employees behave, interact, and adapt to their workplace. Furthermore, organizational culture can impact employee commitment and involvement in achieving company goals. As a result, businesses must understand and manage organizational culture effectively to foster a productive and harmonious work environment.

Employees' ability or competence, according to (Draganidis and Menzas, 2006), has a significant influence on their work performance. Competence is a set of knowledge, skills, attitudes, and personal characteristics that allow a person to effectively perform job duties. Competence is important in human resource management because it affects individual and organizational performance. Employees with sufficient competence can carry out their duties and responsibilities better. Job-relevant competencies enable employees to master work processes, make informed decisions, and overcome workplace challenges. In this context, competence can assist employees in meeting the company's performance goals. According to the graph, the average work performance score changes from 2020 to 2022. The average work

performance score in 2020 was 83.73. The average work performance score will be 82.81 in 2021, a slight decrease. The average work performance score dropped further in 2022, reaching 80.00.

According to the data, the decline in work performance corresponds to the decline in organizational culture, competence, compensation system, work discipline, and work motivation. Organizational culture can influence work performance, which determines an organization's values, norms, and habits. When organizational cultural values decline, employees' motivation and involvement in their duties suffer (Sudibia et al., 2022).

LITERATURE REVIEW

A. Work Experience

According to Cahyono (2012), organizational culture is a collection of beliefs, attitudes, and values generally owned and developed within an organization. Siagian (2002) defines organizational culture as a collective agreement about the values adopted in organizational life that binds all organization members. Gibson and Akbar argued that an organization's culture is made up of its people's shared values, beliefs, norms, and ways of behaving. Furthermore, Jacques and Nimran defined organizational culture as ways of thinking and acting shared by all members of the organization. Hodgetts and Luthans (Awadh & Saad, 2013) noted that organizational culture can impact performance due to differences in background, ethics, and race. The same organizational culture will have different values and beliefs influenced by the organizational system. Furthermore, a corporate culture that promotes learning can foster creativity.

Tika (2008) contends that both internal and external factors influence organizational culture.

- 1) Fundamental assumptions.
- 2) Beliefs that are held.
- 3) Organizational culture development and leaders or groups of creators.
- 4) Problem-solving guidelines
- 5) Values shared
- 6) inheritance.
- 7) Modifications

According to Hofstede et al. (in Sawitri, 2011), there are six indicators of organizational culture, which are as follows:

- 1) Process Orientation-Result Orientation
Result orientation demonstrates a strong commitment to achieving goals and firmness in confronting challenges and making decisions.
- 2) Job Orientation-People Orientation
People orientation is more concerned with personal issues, with groups making important decisions.

B. Organizational Culture

According to Cahyono (2012), organizational culture is a collection of beliefs, attitudes, and values generally owned and developed within an organization. Siagian explained that organizational culture is a collective agreement regarding the values adopted in organizational life that binds all members. Gibson and Akbar stated that organizational culture consists of values, beliefs, norms, and behavior patterns in an organization. In addition, Jacques and Nimran explained that organizational culture includes ways of thinking and acting that are traditions adopted by all organization members. According to Hodgetts and Luthans (Awadh & Saad, 2013), organizational culture can impact performance through background, ethics, and race differences. The same organizational culture with different backgrounds will have a set of values and beliefs influenced by the organizational system. In addition, an organizational culture that supports learning can encourage creativity.

Tika (2008) suggests that organizational culture is influenced by internal and external factors.

- 1) Basic assumptions.
- 2) Beliefs held.
- 3) Leaders or groups of creators and development of organizational culture.
- 4) Guidelines for solving problems
- 5) Value sharing
- 6) Inheritance.
- 7) Adjustments

Hofstede et al. (in Sawitri, 2011) explain that there are six indicators of organizational culture which include:

- 1) Result Orientation-Process Orientation
Result orientation shows a high commitment to achieving goals and firmness in facing challenges and making decisions.
- 2) People Orientation-Job Orientation
People orientation is more concerned with personal issues, with important decisions being made by groups.
- 3) Parochial-Professional
Parochial emphasizes short-term planning and pays attention to employee behavior inside and outside the office.

- 4) Closed System-Open System
A closed system refers to the need for a longer time for new employees to adapt.
- 5) Loose Control-Tight Control
Loose controls provide freedom in terms of efficiency and timeliness.
- 6) Normative-Pragmatic
Normative emphasizes compliance with procedures even though there is a fee to be paid.

C. Competency

As Ashariandi (2017) described, competency is a behavioral component of expertise or excellence demonstrated by a leader or staff via skills, knowledge, and excellent conduct. Understanding the company's vision, purpose, and values is one of the core skills. These are organizational strategy competencies that may be utilized by all workers as a competitive advantage. Managerial competence, on the other hand, demonstrates management aptitude, whereas functional competence pertains to talents in certain technical fields.

Competence is classified into two types: soft skills and hard skills. The basic qualities of workers associated with performance efficacy and better performance in carrying out work, as outlined by Spencer and Spencer in Priyono et al.'s research (2021), are referred to as soft skills. According to Robbins (2015), soft competence represents employees' ability to complete tasks and is also a key factor in increasing work performance as individuals and team members.

Moeheriono (2009) states that each human must possess five competency dimensions.

- 1) Task skills refer to the capacity to complete normal duties per workplace norms.
- 2) Task management abilities include the capacity to manage various sets of duties that happen at work.
- 3) Contingency management skills refer to the capacity to respond quickly and appropriately to crises at work.
- 4) Cooperation skills (job role environment skills) are the capacity to collaborate with others and establish positive connections in the workplace.

The capacity to adjust to a new work setting is called adaptation skills (transfer skills).

According to Hutapea and Thoha (2008), competency formation has three major components.

- 1) Knowledge is the knowledge possessed by an employee in the area that enables the execution of duties and obligations.
- 2) Skills It is an attempt to carry out duties and obligations correctly and optimally per the company's requirements.
- 3) An employee's attitude is a pattern of conduct in carrying out duties and responsibilities in line with organizational standards.

D. Compensation Styles

According to Abdul Hameed (2014), compensation is output and benefits employees receive in the form of salaries, wages, and other rewards, such as monetary exchanges that improve work performance. Compensation is part of the transaction between employees and company owners that results in employee contracts. From the employees' perspective, this payment is a necessity of life obtained through the work they do for others. From an employee perspective, compensation is one of the most important parts of cash flow. Compensation is mostly equivalent to half of a company's cash flow, but it is more than half in the service sector. This is the main factor for attracting and motivating employees to improve their performance."

Compensation is assessed as the price paid to someone for the services they have provided to others. Wages are important, so someone is willing to work for someone else. Wages are not only in money but also in facilities, such as changes, vehicles, treatment, and so on (Emmywati, 2017). Emmywati (2017) says that several factors can influence the determination of compensation, namely:

- 1) Fairness and Appropriateness
Compensation for each employee or employee group must follow abilities, skills, education, and services.
- 2) Availability of Organizational Funds
The implementation of financial and non-financial compensation depends on the availability of funds within the organization.
- 3) The Role of Employee Unions
Employee unions can influence the implementation and determination of compensation within the organization or company.
- 4) Work Productivity
Employee work productivity is a factor that influences work performance appraisal and compensation determination.
- 5) Cost of Living
The compensation the organization or company provides must be adjusted to the daily living expenses of employees and their families.
- 6) Role of Government
The government plays an essential role in protecting its citizens from unfair treatment from employers or leaders of organizations or companies.

Simamora (2015) said there are 4 indicators of compensation with several important elements that must be considered by the company.

- 1) Wages and Salaries:
Wages refer to the pay usually given to production and maintenance workers through hourly wage rates.
- 2) Incentives
Incentives are additional compensation above or beyond the previously agreed salary or wages.
- 3) Allowances
Benefits include various facilities and protections provided by the company to employees.
- 4) Facilities
Facilities relate to various conveniences and additional benefits provided by the company for employees.

E. Work Discipline

Syafrina (2017) states that work discipline is the expected behavior of every employee in complying with company norms and policies to achieve optimal work results. Work discipline involves employees complying with established company policies, both orally and in writing, and their readiness to accept sanctions if they break the rules.

Good work discipline positively impacts achieving company goals, while a decrease in work discipline can slow down production and affect the output produced. Therefore, discipline is crucial in increasing productivity and creating a good work environment. Companies need to implement clear and measurable policies and norms to achieve good work discipline. Employees must also understand the applicable rules and be willing to comply with them. Companies must provide strict sanctions when rules are violated to ensure work discipline. Therefore, work discipline is important in achieving optimal work productivity in the company. Good work discipline can improve production quality and create a good working environment for the company.

According to Hasibuan (2011), several factors affect employee discipline. One of the factors is the purpose and ability of employees to carry out their duties. The next factor is leadership which can affect employee discipline. Another factor is inherent oversight. Finally, sanctions or punishments are important in maintaining employee discipline. To improve work discipline, companies need to pay attention to all factors that affect employee discipline and create a conducive work environment for all employees. In the opinion of Kasmir (2016), performance is the result of work that individuals have achieved in completing the tasks and responsibilities given within a certain period. Both profit-oriented and non-profit organizational performance can be measured based on the results produced within a certain period. Economic contribution, customer satisfaction, and achievement of organizational strategic goals are also factors that are closely related to performance (Fahmi, 2016). Performance refers to individual work achievements or results that can be measured based on the quality and quantity achieved in carrying out assigned duties and responsibilities.

As stated by Sutrisno (2011), there are four indicators of work discipline: obedience to time rules, company regulations, work behavior, and other internal regulations. In carrying out work, every employee needs to obey and follow the rules set by the company. This action will increase work efficiency and effectiveness and show professionalism as an employee.

F. Work Motivation

According to Siagian (2002) states that job motivation is a critical factor that managers must prioritize. There are four major considerations in this matter: (1) the principle of "quit pro quo," (2) the complexity of the dynamics of human needs, (3) the absence of a saturation point in meeting human needs, and (4) differences in individual characteristics within the organization, which result in no motivational technique that is equally effective for everyone in the organization.

Superiors, coworkers, physical facilities, rules, financial and non-financial incentive systems, type of job, and responsibilities are all elements that influence work motivation. Personal interests and individual requirements may have an impact on job motivation. Work motivation is an internal mechanism that stimulates a person's desire to act to attain goals. Abraham Maslow's Hierarchy of Needs is one of the most well-known motivational theories. According to this idea, each human has five levels of requirements that are organized hierarchically. The five levels of needs are as follows: (1) physiological needs, such as food, drink, and shelter; (2) the need for security, both physically and emotionally; (3) social needs, such as affection, belonging, acceptance, and friendship; (4) the need for appreciation, both internal rewards such as self-esteem, autonomy, and personal achievement; and (5) the need for recognition.

McGregor (1960) argued that managers' views of human nature are based on specific assumptions, and these beliefs impact managers' conduct toward employees.

Managers have four negative assumptions, according to Theory X. First and foremost, employees dislike their jobs. Second, employees must be pressured, manipulated, or intimidated to achieve goals because they dislike their jobs. Third, staff will try to avoid taking responsibility. Finally, some individuals prioritize security over other aspects of their jobs and need more desire. Theory Y, on the other hand, has four positive assumptions.

As McClelland's theory of wants (Stephen Robbins, 2008) indicates, motivation may be explained by three major needs:

accomplishment, power, and relationships. According to Mangkunegara (2005), work motivation indicators are essential aspects determining one's degree of motivation in the workplace. The first sign is accountability. The next metric is job performance. There are many markers of growth potential. The next metric is performance recognition. Finally, a difficult job signal displays a person's ambition to continue learning and mastering employment in a related subject.

G. Work Performance

Wibowo (2014) explains that performance is the result or process of the work done. Performance refers to individual work achievements or results that can be measured based on the quality and amount achieved in carrying out assigned duties and responsibilities. It should be noted that performance has a significant role in measuring the effectiveness and efficiency of work, both at the individual and organizational levels. Therefore, performance management is an important aspect of human resource management.

In addition, work performance also involves the quality and amount of work under their responsibilities, as stated by Fahmi (2016). Fahmi emphasized that profit- and non-profit-oriented organizational performance can be measured based on the results obtained during a specific period. Economic contribution, consumer satisfaction, and achievement of organizational strategic goals are also factors that are closely related to performance.

There are seven interrelated performance factors:

- 1) Goal.
- 2) Standard.
- 3) Feedback.
- 4) Tool Or Means.
- 5) Competence.
- 6) Motive.
- 7) Opportunity.

Afandi (2018) explains that work performance indicators can be identified to assess their performance more comprehensively. First, indicators of the quantity of work output include various forms of units of measurement related to the amount of work output. Second, indicators of the quality of work results cover various measurement units related to the quality or quality of work results, which can be expressed in numbers or other numerical equivalents. Third, work discipline becomes a performance indicator that shows the extent to which an employee complies with laws and regulations in the work environment. Finally, creativity is a performance indicator that includes mental processes involving emerging new or creative ideas in tasks and work.

CONCEPTUAL MODEL

Considering past research and literature, there is a relationships between organizational culture, competency, and compensation systems concerning work performance, with work discipline and work motivation serving as mediators. As a result, as seen in Figure 1, the research could build a conceptual model.

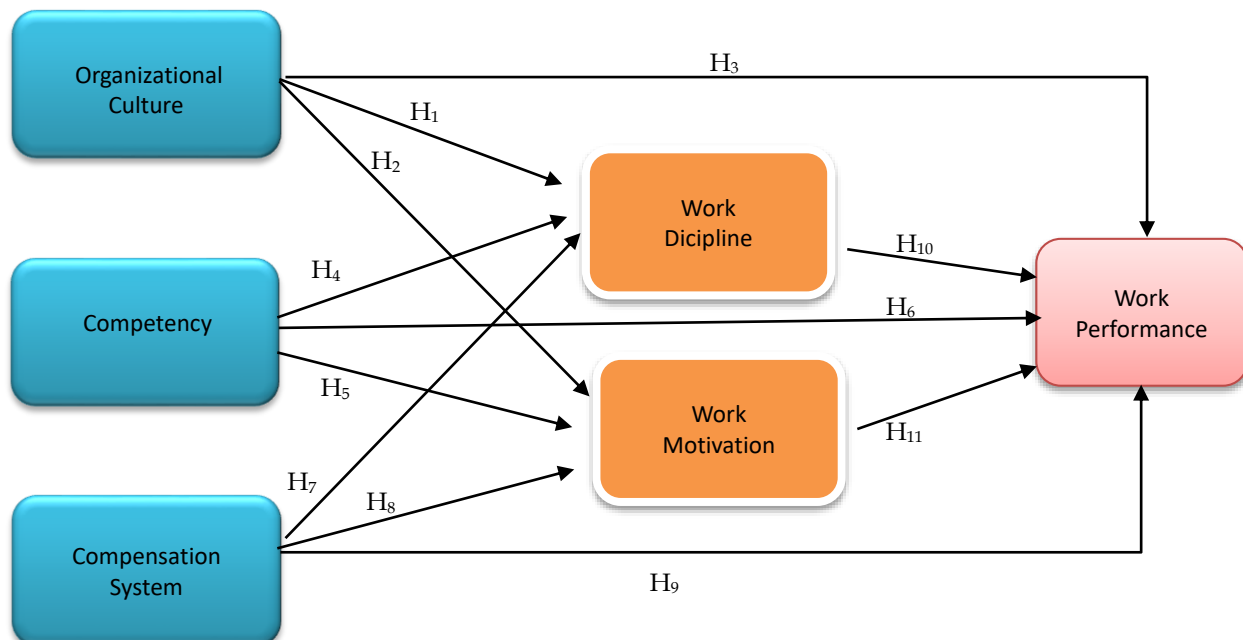


Figure 1. The Conceptual Model

Description:

- ▶ : Direct Effect
-----▶ : Indirect Effect (Mediated)

HYPOTHESES

This research was created by analyzing the phenomena between the variables researched to establish hypotheses. Based on previous research investigations and existing literature, it is believed that a correlation exists between organizational culture, competency, and compensation systems in relation to work performance. Seventeen hypotheses were formulated based on the conceptual model depicted in Figure 1.

- H1: Organizational Culture has a direct positive and significant effect on Work Discipline
- H2: Organizational Culture has a direct positive and significant effect on Work Motivation
- H3: Organizational Culture has a direct positive and significant effect on Work Performance
- H4: Competence has a direct and significant positive effect on work discipline
- H5: Competence has a direct and significant positive effect on work motivation
- H6: Competence has a direct positive and significant effect on work performance
- H7: The Compensation System directly has a positive and significant effect on Work Discipline
- H8: The compensation system has a direct positive and significant effect on work motivation
- H9: The Compensation System has a direct positive and significant effect on Work performance
- H10: Work Discipline has a direct positive and significant effect on Work performance
- H11: Work Motivation has a direct and significant positive effect on Work performance
- H12: Work Discipline acts as a variable that mediates the relationship between Organizational Culture and Work performance
- H13: Work Discipline acts as a variable that mediates the relationship between Competence and Work performance
- H14: Work Discipline acts as a variable that mediates the relationship between the Compensation System and Work performance
- H15: Work Motivation acts as a variable that mediates the relationship between Organizational Culture and Work performance
- H16: Work Motivation acts as a variable that mediates the relationship between Competence and Work performance
- H17: Work Motivation acts as a variable that mediates the relationship between the Compensation System and Work performance

METHODOLOGY

The method used in this study is qualitative and will be carried out at PT Aman Jaya. In the context of this research, the subject population is employees at Aman Jaya. The sampling technique chosen was saturated sampling (census), so the number of samples in this study was 60.

In this study, the approach used to collect data was distributing questionnaires to respondents, namely employees at Aman Jaya. The Likert scale gives a score of 1-5 in response to the questions asked. The data analysis method used in this research is the path analysis technique.

CONCLUSION

This paper aims to develop a conceptual model to determine the relationship between organizational culture, competency, and compensation systems concerning work performance, with work discipline and work motivation serving as mediators. This conceptual paper consists of a research background, literature review, conceptual model, hypotheses, and research methodology of the organizational culture, competency, and compensation systems concerning work performance, with work discipline and work motivation in Aman Jaya. This implementation of this paper is to provide information on the relationship between organizational culture, competency, and compensation systems concerning work performance, with work discipline and work motivation serving as mediators.

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