

# **The Effect of Compensation and Organizational Culture on Employee Work Motivation at Grand Mercure Bandung Setiabudi**

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## **Abstract**

Work motivation is a condition that encourages someone to conduct their duties at work. Work motivation is important to improve performance because it could encourage employee productivity. Achieving high employee motivation requires support from company management so that there are factors that can increase employee motivation, such as compensation and organizational culture. Compensation is given both financial and non-financial as a reward for the work that has been done. In addition, organizational culture is the values, traditions, and work procedures followed by members of the company. This study aims to determine how compensation, organizational culture, and work motivation of employees at Grand Mercure Bandung Setiabudi is, as well as to analyze the partial and simultaneous effect of compensation and organizational culture on employee motivation at Grand Mercure Bandung Setiabudi. The data in this study were analyzed using a descriptive quantitative method and verified using Structural Equation Model (SEM)-PLS analysis. The data were taken by distributing questionnaires to employees of the Grand Mercure Bandung Setiabudi. The results show that the compensation given by Grand Mercure Bandung Setiabudi to employees is included in the high category, the organizational culture shown by Grand Mercure Bandung Setiabudi is included in the good category, and the work motivation shown by the employees of Grand Mercure Bandung Hotel is included in the moderate category. In addition, the results of the research partially and simultaneously show that compensation and organizational culture influence employee motivation.

## **Keywords**

Compensation, Organizational Culture, Work Motivation, SEM-PLS Analysis, Employee

## **1. Introduction**

Work motivation is important to improve employee performance. Achieving high employee motivation requires support from company management. However, when the world encountered the COVID-19 pandemic, many companies temporarily suspend operational activities. This influenced the hotel industry such as the Grand Mercure Bandung Setiabudi. As a result of the pandemic, many employees have been laid off. The dismissal of some employees, however, does not dismiss their duties, thereby increasing the workload of the sustained employee. The drastic decrease in visitors makes the hotel's income has also decreased so much that the compensation received by employees during the pandemic has been reduced. Some training must also be done online due to the pandemic even though the training should be done offline. Human Resources is defined as an integrated management strategy and

approach to managing the organization's most asset, namely the people who work and contribute to the company's success (Armstrong, 2006). Therefore, there are factors that can increase employee motivation such as compensation and organizational culture. According to Gibson et al. (2012), motivation theory is divided into content-based and process-based theories. Process-based motivation theory explains how behavior is enhanced, directed, maintained, or stopped based on external factors. According to Gomez-Mejia et al (2012), compensation is a form of appreciation from the company to employees because of their contribution. Meanwhile, organizational culture is defined as a cognitive framework that contains attitudes, values, norms, and expectations shared by members of the organization (Greenberg and Baron, 2000).

### **1.1 Objectives**

Based on the background and the formulation of the existing problems, this study aims to answer the following research questions:

1. How does Grand Mercure Bandung Setiabudi compensate its employees?
2. How is the organizational culture at Grand Mercure Bandung Setiabudi?
3. How do compensation and organizational culture affect employee motivation at Grand Mercure Bandung Setiabudi?

## **2. Literature Review**

### **2.1 Human Resource Management**

According to Mondy and Martocchio (2016), human resource management (HRM) is the use of individuals in achieving organizational goals. Meanwhile, according to Hasibuan (2017), human resource management is the art and science of controlling labor engagement and involvement so that it is efficient and effective to support the realization of the organizational, employees, and public goals. Sinambela (2017) states that human resource management is defined as the management and utilization of resources that exist in individuals. Therefore, human resources must be regulated and controlled properly to increase the efficiency and effectiveness of the organization. The functions of Human Resource Management according to Mondy and Martocchio (2016) are *Staffing is the process* of an organization to be able to ensure that it always has a total of employees who match the skills that are aligned on the job and at the right time to achieve *goals*. *Performance Management is* a goal-oriented process to prove that organizational processes are in the right place in increasing the productivity of the organization, team, and employees to the maximum extent. *Human Resource Development is the* most important benefit that does not only include development and training, but also includes career planning and development, company development, and employee performance management and appraisal. *Compensation, namely* Compensation includes overall rewards given to employees in the form of rewards for employee services fairly. This compensation can be in the form of direct financial compensation such as payments obtained by individuals in the form of wages, salaries, commissions, and additional bonuses. *Employee and Labor Relations, namely* Handling relations with employees regarding labor unions, for example collective bargaining work and then internal employee relations related to employee movements in the company such as promotions, demotions, termination of employment, and resignations. *Safety and Health, namely* Safety involves protecting employees from work-related accidents. Health races in employee freedom from physical or emotional illness.

### **2.2 Organizational Behavior**

According to Robbins and Judge (2011), organizational behavior deals with the impact of individuals, groups, and structures on behavior in organizations with the aim of applying such knowledge to improve organizational effectiveness. Organizational behavior is an interdisciplinary field aimed at understanding and managing employees better (Aponno, 2017). Organizational Behavior specifically focuses on how to increase productivity, reduce absenteeism, employee turnover, deviant behavior in the workplace and improve organizational citizen behavior and job satisfaction (Robbins & Judge, 2011).

### **2.3 Employee Work Motivation**

According to French and Raven in Stoner et al (1995), motivation encourages someone to show certain behavior. Meanwhile, Mathis (2006) believes that motivation is a desire in a person that causes that person to act. People usually act for a reason to achieve a goal. The motivational dimensions are divided into motivation factors and hygiene factors (Herzberg in Hasibuan, 2017). Motivation factors are strong motivational factors that can produce

good work performance related to one's psychological needs, which is to have a sense of satisfaction when doing work. In the motivation factor there is: Performance, its achievement/achievement is the small or large possibility of the workforce in achieving high work performance. Recognition is a small or large amount of recognition given to workers for their work. The work itself, is a small or large challenge to the work that is felt by the workforce. Responsibility, Responsibilities are small or large responsibilities given to a worker. Progress is development of individual potential is the small or large possibility of advancement of the workforce in their work.

Hygiene factors are maintenance factors related to the nature of humans who want to get peace. In the hygiene factors there is: Compensation, Compensation is a reward for work which consists of the total wages given to employees. Working Conditions Working are conditions are the degree of suitability of working conditions with the process of carrying out their work tasks. Quality of Supervision is the level of reasonableness of supervision felt by the workforce. Company Administration Policy Company, policy and administration is the level of conformity felt by the workforce from all regulations and policies applied to the company. Interpersonal, Relationships Interpersonal are the level of conformity that is felt when interacting with other workers. The motivation theory developed by Abraham Maslow states that there are five levels or hierarchies in the needs of every human being, namely *Physiological Needs*, such as: physical needs which are the most basic needs, in the form of eating, drinking, sexual., *Safety Needs* namely the need for protection from threats or dangers that are not only physical, but also mentally, psychologically, and intellectually. *Social Needs*, namely the need for affiliation, interaction, and the need to be accepted in the group. The need for self-esteem or recognition (*Esteem Needs*), namely the need to be respected and appreciated by others. (*Self-actualization Needs*), namely the need to use abilities, skills, and potential.

## **2.4 Compensation**

Compensation is received physically or non-physically and must be calculated and given to someone who is generally an object that is excluded from income tax (Wicaksono, 2017). Handoko (2017) states that compensation consists of direct and indirect compensation. Direct compensation is received by employees who have a direct relationship with work, in the form of salaries, wages, incentives, and bonuses. Indirect compensation is received by employees who do not have a direct relationship with the work but emphasize the establishment of good working conditions to complete the work. According to Nawawi in Priansa (2017), there are three types of compensation, namely direct compensation, namely rewards/rewards called salaries or wages that are paid regularly based on a fixed grace period. outside of salary or fixed wages, can be in the form of money or goods. There are several factors that affect the amount of compensation, namely the level of cost of living, the level of compensation applicable in other companies and the level of company capability. According to Samsudin (2006), compensation has several functions as follows. Efficient allocation of human resources. This function shows that giving compensation to employees who excel will encourage them to work better. Use of human resources efficiently and effectively. The provision of compensation to employees implies that the organization will use its workforce as efficiently and effectively as possible and promote economic stability and growth. Compensation systems can help stabilize organizations and promote overall economic growth.

## **2.5 Organizational Culture**

According to Indiyati (2014), organizational culture reflects the general perception made by all members of the organization. Robbins and Judge (2017) state that organizational culture consists of seven dimensions, namely innovation risk-taking, or the extent to which employees are encouraged to be innovative and take risks; attention to detail, or the extent to which employees are expected to demonstrate accuracy, thoroughness, sensitivity, analysis, and attention to detail; outcome orientation, or the degree to which management focuses on results rather than on the techniques and processes used to achieve them; people orientation, or the degree to which management decisions take into account the impact of outcomes on people in the organization; team orientation, or the degree to which work activities are organized around teams rather than individuals; aggressiveness, or the degree to which people are aggressive and competitive rather than relaxed; and stability, or the degree to which organizational activities emphasize maintaining the status quo as opposed to growth. According to Tika (2018), states that the process of forming organizational culture is the process of interaction between the leader/founder of an organization and individuals or groups in the organization, then this interaction creates ideas that are transformed into artifacts, values, and assumptions. Artifacts, values, and assumptions are then implemented so that they become organizational culture. Organizational culture is maintained through the learning process carried out by new members in an organization. According to Tika (2018) states that the function of organizational culture based on its development stage is as follows. The initial phase, this phase is the initial stage of the growth of an organization.

The function of organizational culture becomes a differentiator both in the environment and in other groups/organizations. Middle phase, organizational life In this phase, culture functions as an integrator due to the emergence of new sub-cultures as a savior of the identity crisis and opening opportunities to direct organizational culture change. In the adult phase, organizational culture can act as a barrier to innovation because it is oriented to the greatness of the past and becomes a source of value for complacency.

### 3. Methods

This study employed a quantitative research method. In terms of the type, this study is a descriptive and causal study. A descriptive study is conducted to ensure certain things and to describe a characteristic of variables in certain situations. This is aimed to describe relevant aspects of the phenomenon with interest from the perspective of individuals, organizations, industries, or others. The technique used in this study was questionnaire distribution to Grand Mercure Bandung Setiabudi employees. Furthermore, this study employed the SEM PLS analysis. SEM (Structural Equation Modeling) is a collection of statistical procedures explaining the basis or foundation underlying the relationship that governs the covariance between the observed variables (Partial Least Square) is an SEM technique that can analyze latent variables, indicator variables, and measurement errors directly.

### 4. Data Collection

The data collection process carried out in this study used primary and secondary data. According to Sugiyono (2019), primary data is data obtained directly from sources or data sources by researchers. The primary data used in this research is the distribution of questionnaires to the employees Grand Mercure Bandung Setiabudi regarding the influence of compensation and organizational culture on work employee motivation. The period of this research was conducted in 2022. The number of samples in this study were 150 employees of Grand Mercure Bandung Setiabudi.

### 5. Results and Discussion

#### 5.1 Outer Model

The measurement model is the specification of the relationship between the latent variable and its indicators, also known as the *outer relation*, which explains the characteristics of the latent variable with its indicator or manifest variable. Below will be presented the results of the model test measurement (*outer model/measurement model*) are as follows: (Figure 1)

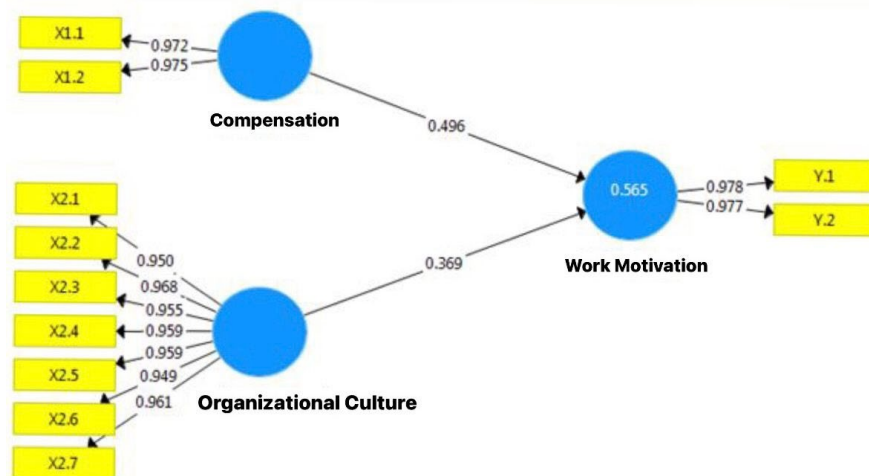


Figure 1. Outer Model

Validity is a measuring tool used to obtain data, the research results are said to be valid if there are similarities between the data collected and the data that actually occurs in the object under study. The validity test used in this study is construct validity. Construct validity can be tested through convergent *validity*, discriminant validity, and AVE (*average variance extract*).

**a. Convergent Validity**

Table 1. Loading factor Value

Convergent Validity		Description
Indicator	Loading Factor	
X1.1	0,972	Valid
X1.2	0,975	Valid
X2.1	0,950	Valid
X2.2	0,968	Valid
X2.3	0,955	Valid
X2.4	0,959	Valid
X2.5	0,959	Valid
X2.6	0,949	Valid
X2.7	0,961	Valid
Y.1	0,978	Valid
Y.2	0,977	Valid

Based on Table 1 the results of the validity test convergent (*convergent validity*) shows the *loading factor* for each indicator > 0.50, meaning that all indicators on the latent variable are declared valid or have met the validity criteria.

**b. Discriminant Validity**

Table 2. The Result of Discriminant Validity Value

Indicator	Variable			Description
	X1	X2	Y	
X1.1	<b>0,972</b>	0,438	0,640	Valid
X1.2	<b>0,975</b>	0,535	0,683	Valid
X2.1	0,460	<b>0,950</b>	0,583	Valid
X2.2	0,490	<b>0,968</b>	0,597	Valid
X2.3	0,502	<b>0,955</b>	0,632	Valid
X2.4	0,474	<b>0,959</b>	0,554	Valid
X2.5	0,443	<b>0,959</b>	0,576	Valid
X2.6	0,523	<b>0,949</b>	0,628	Valid
X2.7	0,462	<b>0,961</b>	0,557	Valid
Y.1	0,667	0,606	<b>0,978</b>	Valid
Y.2	0,664	0,601	<b>0,977</b>	Valid

Based on Table 2. above, from the results of the validity test Discriminant validity shows the *cross loading* with the latent variable > the *cross loading* with other latent variables, meaning that all indicators on the latent variable are declared valid or have met the validity criteria.

**c. AVE (average variance extract).**

Table 3. The Result Of AVE

Variable	AVE	Description
Compentation	0,947	Valid
Organizational Culture	0,916	Valid
Employee Work Motivation	0,955	Valid

Based on Table 3 above, the results of the AVE (*average variance extract*) show the AVE value for each latent variable > 0.50, meaning that all indicators on the latent variable are declared valid or have met the validity criteria.

### 5.2 Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination test is used to measure how far the model's ability to explain the variation of the independent variable to the dependent variable. Below will be presented the results of testing the coefficient of determination as follows:

Table 4. The Result of Coefficient of Determination Value

Construct	R Square	R Square Adjusted
Employee Work Motivation	0,565	0,559

Based on Table 4 shows that the value of *R Square* of 0.565, meaning that the latent variable variability is employee work motivation which can be explained by the latent variable, namely compensation and organizational culture by 56.5%, while the remaining 43.5% is influenced by other latent variables outside the research model.

### 5.3 Hypothesis Test Results Structural Equation Model (PLS-SEM)

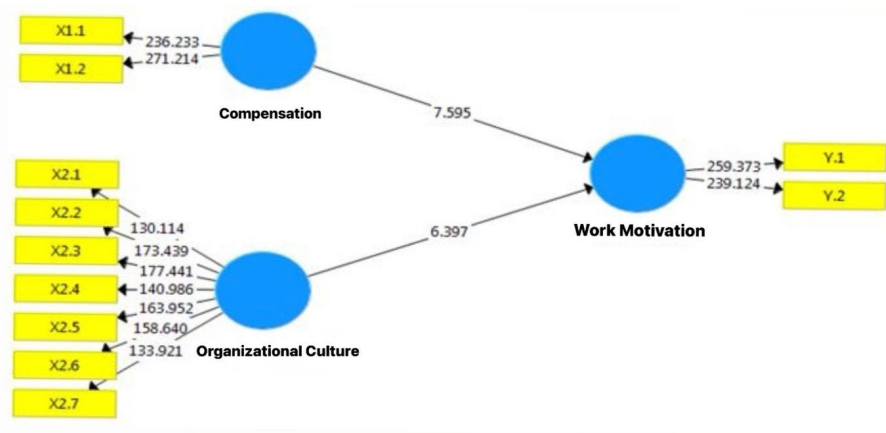


Figure 2. Structural Equation Model

- a. Partial hypothesis testing basically aims to show how far the influence of an individual exogenous variable in explaining endogenous variables. Below will be presented the results of partial hypothesis testing based on structural model testing, as follows:

Table 5. The Result of t-test

Hypothesis	p value	T Value	Result
Compentation-> Motivation	0,000<0,05	7,595>1,976	H <sub>1</sub> Accepted
Organizational Culture -> Motivation	0,000<0,05	6,397>1,976	H <sub>2</sub> Accepted

Based on the results of the partial hypothesis test, Table 5 shows that the probability value of the compensation variable is 0.000 < 0.05. In addition, it can also be seen that 7.595 > 1.976. Therefore, it can be concluded that H<sub>1</sub> is effect on employee motivation.

Based on the results of the partial hypothesis test, it shows that the probability value of the organizational culture variable is 0.000 < 0.05. In addition, it can also be seen that 6.397 > 1.976. Therefore, it can be concluded that H<sub>2</sub> is, meaning that organizational culture has an effect on employee motivation.

- b. Simultaneous hypothesis testing basically aims to determine whether all exogenous variables together have an influence on endogenous variables. Below, the results of simultaneous hypothesis testing will be presented as follows:

$$F = \frac{R^2/k}{(1 - R^2)/(n-k-1)}$$

Description:

- R<sup>2</sup> : Coefficient of combined determination
- k : Number of independent variables (exogenous)
- n : Number of samples

Based on the formula above, the calculation can be done as follows:

$$F = \frac{0,565/2}{(1 - 0,565)/(150-2-1)}$$

$$F = 95,466$$

Based on the results of the calculations above, it shows that formula  $95.466 > 2.666$ . Therefore, it can be concluded that H<sub>3</sub> is accepted, meaning that compensation and organizational culture has a positive effect on the employee's work motivation.

#### 5.4 Compensation on Employee Work Motivation

Table 6. Responses of Compensation

No	Indicator	Actual Score	Ideal Score	%	Mean Score	Category
1	Compensation Financial	1295	2250	57,56	2,88	Quite High
2	Compensation non-financial	1546	2250	68,71	3,44	High
<b>Total</b>		<b>2841</b>	<b>4500</b>	<b>63,13</b>	<b>3,16</b>	Quite High

In the recapitulation results of the compensation variable, information on the total value of the actual score is 2841, the total value of the ideal score is 4500, the total percentage value is 63.13%, and the mean total score of 3.16 is included in the high category. This shows that the compensation given by Hotel Grand Mercure Bandung employees are included in the high category. This shows that most respondents think that the company has fulfilled its obligations to employee rights by providing health and employment social security to all employees equally and fairly. The results showed that compensation influences employee motivation. The results of this study are also supported by the previous discussion which shows that compensation is everything that employees receive as compensation for their work (Handoko, 2017). Employees who are motivated by the amount of salary and benefits will work earnestly and enthusiastically, eager to do the tasks assigned by the company to get a better career. The results of this study are in line with the results of previous studies conducted by Gusmão and Riana (2018) and Esbach (2018). The results show that compensation influences employee motivation. Compensation policies are needed in an organization that aims to create a reward system that meets the needs of the company and employees. The expected result is that employees are interested in working and motivated to do a good job, therefore compensation must be managed effectively. One of the purposes of providing compensation is to motivate employees' work. If the remuneration provided is large enough, the manager will easily motivate his subordinates. (Table 6)

#### 5.5 Organizational Culture on Employee Work Motivation

Table 7. Responses of Organizational Culture

No	Indicator	Actual Skor	Ideal Score	%	Mean Score	Category
1	Innovation and risk taking	999	1500	66,60	3,33	Quite High
2	Attention to detail	899	1500	59,93	3,00	Quite High

3	Outcome orientation	1003	1500	66,87	3,34	Quite High
4	People orientation	938	1500	62,53	3,13	Quite High
5	Team orientation	1062	1500	70,80	3,54	High
6	Aggressiveness	984	1500	65,60	3,28	Quite High
7	Stability	956	1500	63,73	3,19	Quite High
<b>Total</b>		<b>6841</b>	<b>10500</b>	<b>65,15</b>	<b>3,26</b>	Quite High

Based on Table 7 above, it shows that the organizational culture variable obtained information on the actual total score of 6841, the total value of the ideal score of 10500, the total percentage value of 65.15%, and the mean total score of 3.26 included in the high category. This shows that the organizational culture shown by the Grand Mercure Bandung Setiabudi is included in the good category. The results showed that organizational culture influenced employee motivation. The results of this study are also supported by the previous discussion which shows that organizational culture is a shared value, a benefit system related to people in the organization, and a control system and organizational structure in producing behavioral norms (Tika, 2018). Organizational culture can provide an atmosphere that can support employees to be able to do a good job. The existence of an appropriate organizational culture will have an impact on the high work motivation of employees, so that employees will also contribute high work to the company and channel their potential in doing work (Solehidin and Yusuf, 2019). The results of this study are in line with the results of previous studies conducted by Masitoh Solehudin and Yusuf (2019) and Janićević (2021). The results of his research show that organizational culture influences employee motivation.

## 6. Conclusion

Based on the results of research and discussion in the previous chapter, the following conclusions can be drawn:

1. The overall research results show that the compensation given by the Grand Mercure Bandung Setiabudi to employees is included in the high category.
2. The results of the research as a whole show that the organizational culture shown by the Grand Mercure Bandung Setiabudi is included in the good category.
3. The results of the research partially and simultaneously show that compensation and organizational culture influence employee work motivation. The higher the compensation and organizational culture, the higher the employee's work motivation.

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