THE IMPORTANT-PERFORMANCE ANALYSIS OF COMPENSATION PROGRAMS AT PT. BANK SULUT TONDANO

ANALISIS TINGKAT KEPENTINGAN DAN KINERJA BERBAGAI KOMPENSASI KARYAWAN DI PT. BANK SULUT TONDANO

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ABSTRACT

One of the important factors of the succession of a company is the employee, and compensation plays an important role on the performance of the employee. The objective of this research is to analyze the importance and the performance of compensation programs in PT. Bank Sulut. 22 employees in PT. Bank Sulut Tondano were surveyed as respondents. The type of this research is descriptive and used importance-performance analysis (IPA) as the analytical tool. The result shows the importance of all of the compensation programs in PT. Bank Sulut are highly rated, but the performance of Salary and Employee Welfare are perceived to be low. The performance of Annual Leave and Uniforms has excessive the importance of these programs so the excessive performance have to be reduced by the amount and allocated to programs that has a lack of performance. Beside the four programs mentioned above, the performance of other programs should be maintained.

Keywords: compensation, importance-performance analysis, PT. Bank Sulut

ABSTRAK


Kata Kunci: Kompensasi, Importance-Performance Analysis, PT. Bank Sulut
1. INTRODUCTION

1.1. Research Background

PT. Bank Sulut is Bank Pembangunan Daerah (BPD) or Regional Development in North Sulawesi. In Indonesia, other BPDs are Bank DKI, BPD Bali, Bank Papua and so forth. The overall performances of BPD in Indonesia are considered low by Financial Services Authority. Currently, Financial Services Authority requires BPD in Indonesia to be more competitive. To support this fact, infobanknews.com (2013) stated that Bank Indonesia (BI) pushed BPD to focus more about the quality of their human resources. According to BI, the quality of human resources in BPD is still low compared to the operational cost for the employees. It means that based on the budget amount spent by BPD for labor, it should recruit a more qualified human resources as in commercial bank. The article also mentioned about society stereotypes in which they tend to think that the human resources of BPD are not productive enough.

Moreover according to Infobank Research (2014), Bank Sulut received a very good predicate and get a highest score in the category of BUKU I. By considering that, it concluded that despite its image of having bad performance, PT. Bank Sulut actually has an impressive performance. The impressive performance of PT. Bank Sulut, as said by Okanya (2007) is related to employees who play the important role because one of the strategies to improve organization performance is to have employees who are highly satisfied with their work. To support that statement, according to Hellriegel and Slocum, Jr. (2007) as cited in Snell & Bohlander (2010), one of the important work-related variables leading to job satisfaction is equitable rewards and employees desire compensation systems that they perceive as being fair and suitable with their skills and expectations. Therefore, according to Snell & Bohlander (2010), pay is a major consideration in HRM because it provides employees with tangible reward for their services, as well as a source recognition and self-esteem. Ciarnien & Vienažindien (2010) argued that the importance of a rewards program that addresses the vision of both the company and the individual employee cannot be overstated. Personalized incentive programs should be continually assessed, adjusted, analyzed and adapted to ensure top-level employees have their eyes on the same price as the company owners. So it can be concluded that a successful compensation program is an important factor for a good performance of a company, or in this case PT. Bank Sulut which is located in Tondano. Therefore, the researcher is interested to conduct “The Importance-Performance Analysis of Compensation Programs at PT. Bank Sulut Tondano”.

1.2. Research Objectives

This research aims to analyze the importance and performance of compensation programs at PT. Bank Sulut.

2. THEORETICAL FRAMEWORK

2.1. Human Resources Management

According to Snell and Bohlander (2010), in order to work with people effectively, we have to understand human behavior, and we have to be knowledgeable about the various systems and practices available to help us build a skilled and motivated labor and at the same time, we have to be aware of economic, technological social, legal, and global issues that either facilitate or constrain our efforts to achieve organizational goals because employee skills, knowledge, and abilities are the most distinctive and renewable resources. Watson, the founder of IBM as cited in Snell and Bohlander (2010) said, “You can get capital and erect buildings, but it takes people to build a business.
2.2. Compensation

Milkovich, (2008) as cited in Čiarnienė and Vienažindienė, (2010) argues that compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. According to the American Compensation Association’s (1995) as cited in Adeniji and Osibanjo (2012), compensation is the cash and non-cash remuneration provided by an employer for services rendered” (ACA). It could be financial rewards which refer to any monetary rewards that go above and beyond basic pay. These rewards are separate and not added into basic salary. Examples of these include financial incentives, bonuses, and recognition. Compensation can be described as direct and indirect compensation received by employees in an organization that serves to achieve employee satisfaction and retention as well as improve performance.

2.3. Job Satisfaction

Job satisfaction is the reflection of a good compensation program. According to Odunlade (2012) Job defined as a regular activity performed in exchange for payment, especially as one's trade, occupation, or profession is referred to as job. It may also be assumed to be a position in which one is employed. Job satisfaction on the hand can be defined as a pleasurable emotional state resulting from the appraisal of one's job or an affective reaction to one's job. The happier people are within their job, the more satisfied they are said to be. According to Berry (1997) as cited in Odulande (2012), job satisfaction is defined as an individual's reaction to the job experience. There are various components that are considered by Berry to be vital to job satisfaction and they include the following: pay, promotion, benefits, supervisor, co-workers, work conditions, communication, safety, productivity, and the work itself. He said that these variables are important because all of them influence the way a person feels about his job though each of these figures into an individual's job satisfaction differently.

2.4. Compensation Programs of PT. Bank Sulut

Compensation in PT. Bank Sulut is all the programs given by PT. Bank Sulut to its employees in return of their service of employment to PT. Bank Sulut and to reach employees’ job satisfaction in PT. Bank Sulut in order to gain the best performance from its employees. There are eleven compensation programs for employees in PT. Bank Sulut analyzed using Impotance-performance analysis because the programs must be received by all respondents to measure the performance of the program. The programs are:

1. Salary: According to Bovee and Thill (2008), “salary is fixed cash compensation for work, usually by yearly amount; independent of the number of hours worked”. Salaries and wages are important things which are managed by Human Resource Management. Salaries can affect the performance and productivity of the employees, and be able to motivate the employees to work better. Salary in PT. Bank Sulut is given to the employees once a month and the amount depends on the position on the company, it includes family allowance for employees who have already married.

2. Meal allowance: Meal allowances in every company are varied. Meal allowance at PT. Bank Sulut is given to all employees once a month. The amount is the same for every job group.

3. Overtime Pay: Overtime is the payment over and above the normal salary and wage rates for the exchange of employee’s overtime work. Overtime pay is given to all employee of PT. Bank Sulut, given once a month. Employee will receive overtime pay based on the accumulation of their overtime in a month.

4. Indeks Prestasi Cabang (IPC): IPC is a form of gainsharing incentive plans especially Improshare which according to Snell and Baohlander (2010), Improshare or improved
productivity through sharing is a gainsharing program under which bonuses are based on the overall productivity of the work team. IPC is given quarterly to the employee of PT. Bank Sulut, the amount of the incentive usually 1-2 times of salary, but often can reach to 3 times of salary depends on the target achieved by the branch of PT. Bank Sulut where the employees work.

5. Incentive: Incentive is one of the reward systems at PT. Bank Sulut. Every year Incentive is given to employee of PT. Banks Sulut after General meeting of Shareholders, the amount is depends on the result of the meeting attended by shareholders of PT. Bank Sulut.

6. Employee Welfare: Employee Welfare is a wellness program in PT. Bank Sulut. The amount of Kespeg given to Employees of PT. Bank Sulut also depends on RUPS, and only given to regular employee.

7. Religious Holiday Allowance: Religious Holiday Allowance is a Holiday gift in the form of cash from the company to the employee ones a year (Canada Revenue Agency, 1999). Religious Holiday Allowance is given by PT. Bank Sulut annually to its employees on holiday such as Christmas and so forth. The amount of Religious Holiday Allowance is depends on the profit generated by the company and usually can reached to three times of salary.

8. Annual leave: Annual leave is a period of time off work that an employee is entitled to after every 12 consecutive months of service with the company (Helen N. Kamau, 2011). Annual Leave or annual leave is received by Employees of PT. Bank Sulut as a paid leave of 12 working days along with 1 time of salary given by PT. Bank Sulut annually.

9. Children’s School Fees: All employees receive school fund for their children from PT. Bank Sulut, employee who has not married yet also receives this fund. The amount is set by PT. Bank Sulut and not depends on the actual amount of individual’s children’s school fees.

10. Uniforms: In “Employee’s Fringe Benefit” Income Tax Act by Canada Revenue Agency (1999) there is a statement about Uniform and special clothing where employees are supplied with a distinctive uniform which is required to be worn while carrying out the duties of employment or provided with special clothing (including safety footwear) designed for protection from the particular hazards of the employment. Uniform in PT. Bank Sulut is given to the employee annually in the form of fabric for uniform and money for tailor expense and shoes. The amount of the money is different between male and female employees.

11. Hospital Care Coverage: Kamau (2011) explain that Medical privileges are intended to assist an officer and his family in maintaining good health since a healthy employee is an asset to the organization. Program of PT. Bank Sulut that is related with health-care coverage is Hospital care coverage. If the employee or a family member of the employee in PT. Bank Sulut gets sick and needs a hospital treatment, the treatment will get paid by PT. Bank Sulut. The classification of the treatment and room type depends on the position of the employee.

2.5. Previous Research

Čiarnien and Vienažindien (2010) indicates that compensation is at the core of any employment exchange, and it serves as a defining characteristic of any employment relationship. The argument taken from this research for this current research is that a good compensation system creates positive employee attitudes and behaviors that lead a positive employee performance and then a positive company performance. Osibanjo, et al. (2014) concluded that managers must ensure that rewards for their employees are dynamic and constantly re-evaluated to ensure their transparency and fairness to employees to continue to have their dedication, commitment and loyalty. Company have
to keep reevaluate their compensation program which is the main point of this current research. Hameed et al. (2014) major finding of this research is that compensation has a positive impact on employee performance.

2.6. Conceptual Framework

![Figure 1. The Conceptual Framework]

Source: Data Processed, 2015

3. RESEARCH METHOD

3.1. Type of Research

The type of this research is descriptive method and used important-performance analysis (IPA) as the analytical tool. The data of this research is obtained by spreading questionnaire.

3.2. Place and Time of Research

This research is conducted at PT Bank Sulut Cabang Tondano between May – July 2015

3.3. Population and Sample

Sekaran & Bougie (2010:262) defined that population is the entire group of people, events, of things of interest that the researcher wishes to investigate. The population that is mainly observed in this current research is the employees of PT Bank Sulut. Kotler, et al., (2012:167) stated that sample is a segment of the population selected for marketing research to represent the population as a whole. In this research, the sample is all of the regular employees of PT Bank Sulut Cabang Tondano that are 22 respondents.

3.4. Data Collection Method

Primary data were taken from the result of questionnaires that are distributed to 22 respondents that are the regular employees of PT Bank Sulut. The secondary data were taken from books, journals, company archives, and relevant literature from library and internet.

3.4.1. Operational Definition and Measurement of Research Variables
1. Salary: Salary in PT. Bank Sulut is given to the employees once a month and the amount depends on the position on the company, it includes family allowance for employees who have already married.

2. Meal allowance: Meal allowance at PT. Bank Sulut is given to all employees once a month. The amount is the same for every job group.

3. Overtime Pay: Overtime pay is given to all employee of PT. Bank Sulut, given once a month. Employee will receive overtime pay based on the accumulation of their overtime in a month.

4. Indeks Prestasi Cabang (IPC): IPC is given quarterly to the employee of PT. Bank Sulut, the amount of the incentive usually 1-2 times of salary, but often can reach to 3 times of salary depends on the target achieved by the branch of PT. Bank Sulut where the employees work.

5. Incentive: PT. Bank Sulut. Every year Incentive is given to employee of PT. Banks Sulut after General meeting of Shareholders, the amount is depends on the result of the meeting attended by shareholders of PT. Bank Sulut.

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9. Children’s School Fees: All employees receive school fund for their children from PT. Bank Sulut, employee who has not married yet also receives this fund. The amount is set by PT. Bank Sulut and not depends on the actual amount of individual’s children’s school fees.

10. Uniforms: in PT. Bank Sulut is given to the employee annually in the form of fabric for uniform and money for tailor expense and shoes. The amount of the money is different between male and female employees.

11. Hospital Care Coverage: Program of PT. Bank Sulut that is related with health-care coverage is Hospital care coverage. If the employee or a family member of the employee in PT. Bank Sulut gets sick and needs a hospital treatment, the treatment will get paid by PT. Bank Sulut. The classification of the treatment and room type depends on the position of the employees.

3.5. Data Analysis Method

3.5.1. Validity Test

As stated by Malhotra and Peterson (2006) the validity of a scale may be defined as the extent to which differences in observed scale score reflect true differences in what is being measured, rather than systematic or random error. A scale with validity would contain no measurement error that is no systematic error and no random error. To analyze the validity of questionnaire, Pearson Product Moment is used. An instrument measure is valid if the instrument measure what ought to be measured. If probability of correlation is more than the R-table then the research instrument is stated as valid.

3.5.2. Reliability Test

Reliability is determined by repeatedly measuring the construct of variable of interest. The higher the degree of associations between the scores derived through this repeated measurement, the more reliable the scale (Malhotra & Peterson 2006).
3.5.3. Importance-Performance Analysis

Importance Performance Analysis (IPA) was first introduced by Martilla and James (1977) with the aim to measure the relationship between consumer perceptions and priorities for improving the quality of products/services also known as quadrant analysis by Latu and Everet (2000). Martinez (2003:56) defined IPA has been widely accepted and used in various fields of study because of the ease to apply and display the results of analysis of the proposed improvements that facilitate performance. IPA has the main function to display information related to the factors which, defined customer service satisfaction and loyalty affect them, and the factors which, defined customer service needs to be improved because the condition has not been satisfactory.

This technique identifies the strengths and weaknesses of compensation program by using two criteria: the relative importance of the program and the employee satisfaction toward the compensation program. This evaluation is usually filled by conducting a survey of a sample of consumers. After determining the proper attributes or in this case compensation programs in PT. Bank Sulut, employees were asked two questions. One is how the importance of the program and the second is how the performance of companies giving the compensation program. Crompton and Duray (1985) defined by using the mean, median or measurement rankings, scores and performance attributes of interest are collected and classified into categories of high or low; then to pair the two sets of rankings are, each attribute is placed into one of four quadrants interests of performance. It draws from the IPA is the result of the research presented in the form of quadrant 2-dimensional graphical and easily interpretable. The results of the research are exemplified Chu and Choi (2000) follows:

<table>
<thead>
<tr>
<th>Quadrant I</th>
<th>Quadrant II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concentrate Here</strong></td>
<td><strong>Keep Up the Good Work</strong></td>
</tr>
<tr>
<td>• High Importance</td>
<td>• High Importance</td>
</tr>
<tr>
<td>• Low Performance</td>
<td>• High Performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quadrant III</th>
<th>Quadrant IV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low Priority</strong></td>
<td><strong>Possible Overkill</strong></td>
</tr>
<tr>
<td>• Low Importance</td>
<td>• Low Importance</td>
</tr>
<tr>
<td>• Low Performance</td>
<td>• High Performance</td>
</tr>
</tbody>
</table>

**Figure 2. Important-Performance Analysis Grid**  
*Source: Chu and Choi, 2000*

1. Quadrant I: Attributes are perceived to be very important to respondents, but performance levels are fairly low. This suggests that improvement efforts should be concentrated here.
2. Quadrant II: Attributes are perceived to be very important to respondents, and at the same time, the organization seems to have high levels of performance in these activities. The message here is to keep up the good work.
3. Quadrant III: Attributes here are rated as having low importance and low performance. Although performance level may be low in this cell, managers should not be overly concerned, since the attributes in this cell are not perceived to be very important. Limited resources should be expended on this low priority cell.
4. Quadrant IV: This cell contains attributes of low importance, but where performance is relatively high. Respondents are satisfied, with the performance of the organization, but
managers should consider present efforts on the attributes of this cell as being superfluous / unnecessary.

4. RESULT AND DISCUSSION

4.1. Result

4.1.2. Validity and Reliability

Pearson Product Moment with significance level of 5%, it can be seen valid or not a research instrument. In this research, the R-table for N=22 is 0.423, all values of correlation index are higher than 0.423, thus the data is considered as valid. The Reliability test is done by looking at the Alfa Cronbach value, in this research the value of Alfa Cronbach is 0.711, which is above the acceptance limit of 0.6, therefore the research instrument is reliable.

4.1.3. Result of Importance Performance Analysis

Table 1. Perceived Importance and Performance of Compensation Programs at PT. Bank Sulut

<table>
<thead>
<tr>
<th>Quadrant</th>
<th>Importance (Y)</th>
<th>Performance (X)</th>
<th>Quadrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>4.82</td>
<td>3.91</td>
<td>1</td>
</tr>
<tr>
<td>Meal Allowance</td>
<td>4.64</td>
<td>4.36</td>
<td>2</td>
</tr>
<tr>
<td>Overtime Pay</td>
<td>4.59</td>
<td>3.86</td>
<td>3</td>
</tr>
<tr>
<td>Indeks Prestasi Cabang (IPC)</td>
<td>4.5</td>
<td>3.14</td>
<td>3</td>
</tr>
<tr>
<td>Incentive</td>
<td>4.64</td>
<td>3.95</td>
<td>2</td>
</tr>
<tr>
<td>Employee Welfare</td>
<td>4.77</td>
<td>3.73</td>
<td>1</td>
</tr>
<tr>
<td>Religious Holiday Allowance</td>
<td>4.68</td>
<td>4.36</td>
<td>2</td>
</tr>
<tr>
<td>Annual Leave</td>
<td>4.59</td>
<td>4.23</td>
<td>4</td>
</tr>
<tr>
<td>Children’s School Fees</td>
<td>4.55</td>
<td>3.27</td>
<td>3</td>
</tr>
<tr>
<td>Uniforms</td>
<td>4.41</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Hospital Care Coverage</td>
<td>4.86</td>
<td>4.59</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>51.05</td>
<td>43.4</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4.64</td>
<td>3.95</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Process, 2015

Table 1 shows that the importance of Hospital Care Coverage has the highest mean (y=4.86) followed by Salary (y=4.82), Kespeg (y=4.77), Religious Holiday Allowance (y=4.68), Meal Allowance and Incentive (y=4.64), Annual Leave and Overtime Pay (y=4.59), Children’s School Fees (y=4.55), IPC (y=4.5), and the one with the lowest mean which is Uniform (y=4.41). Meanwhile, the performance of Hospital Care Coverage has the highest mean (x=4.59) followed by Meal Allowance and Religious Holiday Allowance (x=4.36), Annual Leave (x=4.23), Uniform (x=4), Incentive (x=3.95), Salary (x=3.91), Overtime Pay (x=3.86), Kespeg (x=3.73), Children’s School Fees (x=3.27), and the one with the lowest mean which is IPC (x=3.14).
4.2 Discussion

The research shows that employees of PT. Bank Sulut very concern and feel satisfied by the Hospital Care Coverage and Religious Holiday Allowance given by the company because these two programs highest level not only in terms of importance but also its performance. Meal Allowance also has a high performance and yet considered important by the employee of PT. Bank Sulut. There is also Incentive mapped exactly in the cross of x and y lines which mean that this program has the average level of both importance and performance even though it is
categorized by the researcher in quadrant II. Thus, it is best for the company to maintain the good performance of these two programs, especially for its amount and keeps reevaluating it to adjust with the dynamic economic.

Salary and Employee Welfare have a high level of importance but is rated as having low performance or execution by the employees of PT. Bank Sulut. Even though the performance of salary ($x=3.91$) and Employee Welfare($x=3.73$) are below the average of other compensation programs of PT. Bank Sulut ($x=3.95$), but based on the Likert Scale in the questionnaire these programs have a high level of performance because its score is nearly 4. Therefore, the employees of PT. Bank Sulut are concluded as being satisfied with these two programs. By seeing the research result, it is better if the company considers raising the amount of these two programs to increase the company relationship with the employee.

There are some programs that have low importance and performance, which are Overtime Pay ($y=4.59$), Children’s School Fees ($y=4.55$), and IPC ($y=4.5$). Even though it is below average but compared to Likert Scale in the questionnaire (1=very not important, 2=not important, 3=quite important, 4=important, 5=very important) the programs are considered important because all of them have a mean of 4 and above. These programs that have a low mean level of performance which are below the average, but again based on the result of the Likert Scale questionnaire the employees can be concluded as being satisfied to the programs. So, IPC, Children’s school Fees and Overtime Pay should also be maintained and reevaluated. Even if it is placed in quadrant III, these programs actually have high rate of both important and performance level.

At last, there are program with the performance that exceed the importance which are Annual Leave (4.23 , 4.59) and Uniform (4 , 4.41) but apart from that, these programs’ level of importance and performance have a mean of 4, which means that these programs are important and the employee are satisfied with the payment of these programs but considering its excessive performance, PT. Bank Sulut Tondano may consider to reduce the budget for these two programs and allocated it to Salary and Religious Holiday Allowance to make the whole compensation program become more effective in order to reach employee job satisfaction and also to improve the relationship with the employee for a better overall performance of the company.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The result of this research shows that the performance of compensation program of PT. Bank Sulut is highly rated, which means that the employees of PT. Bank Sulut are satisfied with the compensation given by PT. Bank Sulut. But there are some programs that have to be improved to reach employee satisfaction toward the compensation programs that are perceived as very important by the employee. Most employees feel that the entire programs are very important but in order to reach a balanced compensation program, there are some programs whose performances need to be reduced to be in the same level with the importance of the program because the performance of this program happens to be exceed its importance.

5.2 Recommendation

Based on the research conclusions, there are several recommendations for PT. Bank Sulut Tondano:

1. The programs in quadrant IV have the performance that exceeds its importance and they are Annual Leave and Uniform. Even though their scores are below the average, these programs still have high level of importance. The only problem here is because their
performances exceed the importance. Therefore, the budget for excessive performance ought to be reduced and allocated to other programs in quadrant I (high priority) that has a lack of performance compared to its high importance and then the programs in quadrant III (low priority).

2. Compensation programs with low performance, especially in quadrant one are Salary and Employee Welfare which need more improvement. PT. Bank Sulut Tondano may consider raising the budget for those compensation programs by taking the budget of Annual Leave and Uniform in order to improve the performance of the programs, because these programs are perceived to be very important by the employee.

3. The budget for Meal Allowance, Incentive, Religious Holiday Allowance and Hospital Care Coverage, the amount of these compensations needs to be maintained and keeps being reevaluated in order to adjust with the needs of the employee because of the dynamic economic situation.

4. Overtime Pay, Indeks Prestasi Cabang (IPC), and Children’s School Fees scores are a below average in both importance and performance (quadrant III). Even though these programs are stated as satisfying by the employees, which means that they have high performance, but still, their scores are below the average of the entire compensation programs. Therefore the performance shall be improved because even though their importance scores are below the average employees still consider it as important. These compensation programs can be improve by taking the budget for in order to improve taken from the reduced compensation programs of Annual Leave and Uniform compensation of improvement of these program best be done after the performance of compensation programs in quadrant I has improved, because those program has a higher level of importance than the programs mapped in quadrant III (low priority).

Overall, the compensation program with a high importance should be the priority by maintaining the good performance and also improve the low performance such as increasing the budget of particular compensation programs by reducing the budget of another particular compensation program that has low importance and high performance.

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**Paper on Journals**


**Thesis**


Books

Articles from internet: