THE EFFECT OF WORK ENVIRONMENT AND COMPENSATION TOWARD EMPLOYEE PERFORMANCE AT THE OFFICE OF STATE ASSETS AND AUCTION SERVICE MANADO

PENGARUH LINGKUNGAN KERJA DAN KOMPENSASI TERHADAP KINERJA KARYAWAN DI KANTOR PELAYANAN KEKAYAAN NEGARA DAN LELANG MANADO

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Abstract: *It is now required for organizations to have qualified human resources in order to achieve their goals. Employees do not only determine what the organization will be but also how it will grow to be a better entity. It is better for organization to have good and qualified employees. The purpose of this research is to find the effect of Work Environment and Compensation toward Employee Performance at State Asset and Auction Service Office Manado. This research is a causal research using quantitative approach. The data was taken using questionnaire to 36 respondents which are the employee of State Asset and Auction Service Office Manado by using saturated sampling method. Multiple regression analysis method is applied in this research. Research result shows that Work Environment and Compensation have significant positive effect on Employee Performance simultaneously. Also, Work Environment has significant positive effect on Employee Performance, while Compensation has positive influence but not significant on Employee Performance partially. As the recommendation, it is better for the company to keep a good quality of their working environment and maintain fair compensation system for their employees.*

Keywords: *work environment, compensation, employee performance.*

Abstrak: Organisasi sekarang ini diharuskan untuk mempunyai sumber daya manusia yang berkualitas untuk mencapai tujuan organisasi. Pegawai tidak hanya menentukan organisasi akan menjadi seperti apa, tapi juga bagaimana organisasi itu akan berkembang menjadi suatu kesatuan. Organisasi akan lebih baik jika mempunyai pegawai yang bagus dan berkualitas. Tujuan penelitian untuk mengetahui pengaruh Lingkungan Kerja dan Kompensasi terhadap Kinerja Pegawai di KPKNL Manado. Metode penelitian ini adalah asosiatif dan menggunakan analisis kuantitatif. Data diambil menggunakan kuesioner dari 36 responden yaitu pegawai dari KPKNL Manado dengan teknis analisis *saturated sampling*. Penelitian ini menggunakan analisis Regresi Berganda. Hasil penelitian menunjukan bahwa Lingkungan Kerja dan Kompensasi mempunyai pengaruh positif dan signifikan terhadap Kinerja Pegawai secara simultan, dan juga Lingkungan Kerja mempunyai efek positif dan signifikan terhadap Kinerja Pegawai secara parsial, sementara Kompensasi mempunyai efek positif namun tidak signifikan terhadap Kinerja Pegawai secara parsial. Sebaiknya pimpinan KPKNL mempertahankan kualitas lingkungan kerja yang baik dan mengupayakan sistem kompensasi tetap adil terhadap pegawai, sehingga Kinerja Pegawai dapat meningkat.

Kata kunci: *lingkungan kerja, kompensasi, kinerja pegawai.*

INTRODUCTION

Tightness of competition on business environment in this globalization era, organizations start to improve and maximize their ability to compete globally (Hutagaol, 2014). Employees will grow as a tremendous productive asset for organizations when they get an ethical work environment which makes them more valuable and gives them the opportunity to advance their career by achieving the best performance (Afifah & Tielung, 2014). However having a good employee with a good performance does not guarantee that the employee will always perform well on their job. Even though the employees have skills and knowledge required for their job, there are many factors that can influence the employee performance.

A work environment can be identified as the place that one works, which means the milieus around a person. It is the social and professional environment in which a person is supposed to interact with a number of people. It is the quality of the employee's workplace environment that most impacts on the level of employee's motivation and subsequent performance. It is the quality of the employee's workplace environment that most impacts on the level of employee's motivation and subsequent performance. How well they engage with the organization, especially with their immediate environment, influences to a great extent their error rate, level of innovation and collaboration with other employees, absenteeism and, ultimately, how long they stay in the job. Compensation is often regarded as direct and indirect monetary and non-monetary rewards given to employees on the basis of the value of the job, their personal contributions, and performance. It is one of the physical needs that influence motivation which in turn affects the employee performance. Whenever employee receives compensation, they become more loyal and more motivated to do their job well.

In State Assets and Auction Service Office Manado the employees are often receives help and support from others especially their colleagues inside every sections. The employees also are very social able toward each other while sharing information to help on their works. Every employee are assigned with work table, computer and stuff for their work and every head of each sections have their own room with similar equipment. Not forget to mention that civil servant in State Assets and Auction Service Office Manado received their training before and after their employment in this office. Some of the employee from State Assets and Auction Service Office are from outside Manado. Based on that fact, they are required to adapt to Manado which is related to the work environment on their new workplace. This too affects the employees that are from Manado because they have to adapt together with new employee resulting to have changes on their performance.

Also in State Assets and Auction Service Office Manado mostly of the employee is a civil servant. Civil servants are the people who work for government institute. There is a law of Minister of Finance Decree under the civil servant that affect employee's allowance received based from their performance. The performance here means that the employee's attendance and work performance. Therefore the employees are more hard-working to achieve more allowance possible.

Research Objectives

This research aims to identify the effect of:
1. Work environment, compensation on employee performance simultaneously.
2. Work environment on employee performance partially.
3. Compensation on employee performance partially.

THEORETICAL FRAMEWORK

Human Resource Management

Snell & Bohlander (2010:4) defines human resource management is the process of managing human talent to achieve an organization's objective. Flippo (1980:1) stated that human resources management as planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved. Human resource management can be concluded as a process to manage employee to achieve organization goal.

Work Environment

Work environment is a place where employee work or a place where all the working activities take place. Work environment separated by two dimensions which are physical condition around the workplace such as the environment and social condition such as employee's behavior towards each other. Chandrasekar (2011) stated that work environment impacts employee morale, productivity, and engagement – both positively and negatively. Jain & Kaur (2014) says that the productivity of employees is determined by an inordinate level, on the environment in which they work. Work environment involves all the aspects which act and react on the body and mind of an employee. It can be concluded that work environment is a physical and non-physical condition around the workers that may affect their performance depending on how well the working condition it is.

Compensation

Dessler defines compensation as all forms of payments or rewards given to employees which arise from employment. Compensation is one of the basic reasons for employees to seek employment (Wekesa & Nyaroo, 2013). This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the employee. Mohrman & Odden in Yamoah (2013) stated that good compensation for employees will be able to stimulate the emergence of fresh ideas and employees' innovation. It can be concluded that compensation is a monetary and non-monetary reward given to the employee as a result of their employment and a good and fair compensation system can increase the performance of an employee.

Employee Performance

Employee performance can be defined as the job related activities of an employee in an organization and how well those activities were executed. Cascio in Awadh & Saad (2013) defines employee performance as degree of an achievement to which an employee's fulfill the organizational mission at workplace. Sumarauw, Saerang & Pandowo (2014) says that employee performance also can be defined as the outcome and contribution of the employee in an organization to make them attains their goals. It can be concluded that employee performance is a level of performance measurement by employees' activities in an organization.

Previous Research

Ollukkaran & Gunaseelan (2012) conducted a study about the impact of work environment on employee performance of manufacturing companies. This research found that the workplace environment impacts employee morale, productivity and engagement - both positively and negatively. It is the quality of the employee's workplace environment that most impacts on their level of motivation and subsequent performance. How well they engage with the organization, especially with their immediate environment, influences to a great extent their error rate, level of innovation and collaboration with other employees, absenteeism and ultimately, how long they stay in the job. Malik et al., (2011) conducted a study to investigate the work environment and employee performance in Pakistan. It is concluded that the work environment has an impact on individual's ability to work safely, competently and in compliance with operational performance targets. It is necessary to train the employees to efficiently and effectively handle the work overload. The aim behind training of employees is "achieving cost effective high performance" that leads to quality assurance. The current study suggests that improvement in the working conditions leads to better employees' performance. It could result into improved performance of the organization due to retention of employees and the retained employees try their best to perform well at their work places.

Ramzan et al., (2014) conducted a study about impact of compensation on employee performance in Empirical Evidence from banking sector of Pakistan. From different results that compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables which are salary, rewards and incentives, and indirect compensation have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance and descriptive analysis also reveals that all the independent variables have positive impact on employee performance.
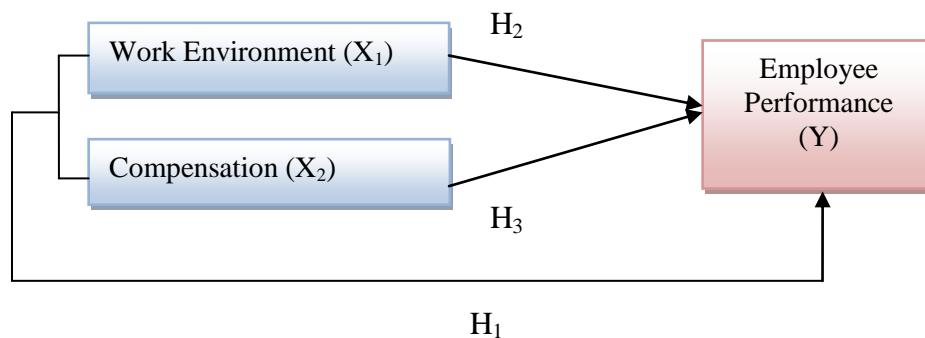
Conceptual Framework

Figure 1. Conceptual Framework
Source: Data Processed, 2015

Research Hypothesis

The hypotheses of this research are:
H_1: Work environment and compensation have simultaneous effect on employee performance in State Asset and Auction Service Office Manado.
H_2: Work environment has partial effect on employee performance in State Asset and Auction Service Office Manado.
H_3: Compensation has partial effect on employee performance in State Asset and Auction Service Office Manado.

RESEARCH METHOD

Type of Research

This research is a causal type of research where it will investigate the effect of work environment and compensation on employee performance.

Place and Time of Research

The research takes place in Manado, at State Asset and Auction Service Office from July to August 2015.

Population and Sample

Zikmund (2003:369) explained that population, or universe, is any complete group of people, companies, hospital, stores, college students or the like that share some set of characteristics. The population in this research is the employee of State Assets and Auction Service Office Manado, which are 36 employees. According to Hair (2007:170) a sample investigates a small subset of the population to derive conclusion about the characteristic of the population. This research will use saturated sampling method, which are the employees of State Assets and Auction Service Office Manado.

Data Collection Method

Primary data is data gathered and assembled specially for the project at hand (Zikmund, 2003:63). According to Sekaran and Bougie (2010:180) Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study individuals provide information when interviewed, administrated, questionnaire, or observed. Group depth interviews, or focus group, are another rich source of primary data. In this research, the primary data are questionnaire to the employee of State Assets and Auction Service Office Manado.

Operational Definition of Research Variables

1. Employee Performance (Y) defined as work environment and compensation in State Assets and Auction Service Office Manado.
2. Work Environment (X_1) defined as physical working condition, social support and communication practices in State Assets and Auction Service Office Manado.
3. Compensation (X_2) defined as salary, reward and incentive, and indirect compensation in State Assets and Auction Service Office Manado.

Measurement of Research Variables

This research variables will be measured as a widely used rating scale that require the respondents to indicate a degree of agreement or disagreement with each of a series of statements about the stimulus object, using Likert Scale that refers the responses from 'strongly disagree' to 'strongly agree' (Sekaran & Bougie, 2010:147-148).

Data Analysis Method

Validity and Reliability Test

Validity is the ability of scale or measuring instrument to measure what it is intended to measure (Zikmund, 2003:743). In this research, Pearson Correlation was used to analyze the validity of the data with significance level of 5%. According to Sekaran and Bougie (2010:161) reliability is a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in instrument. The reliability test was conducted by looking at the value of Cronbach's Alpha. If the reliability coefficient is above than 0.6 then the instruments can be declared realible.

Multiple Regression Analysis Model

The equation model of Multiple Regression Analysis use in this research can be formulated as shown below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2$$

Where:
Y   : Employee Performance
α   : Intercept
β_1 : The slope of Work Environment variable
β_2 : The slope of Compensation variable
X_1 : Value of Work Environment variable
X_2 : Value of Compensation variable

RESULT AND DISCUSSION

Validity and Reliability Test

The values of Pearson Correlation on each indicator are above 0.5, it means that the data is considered valid and can be used on further research. The value of Cronbach's Alpha of 17 items in this research is 0.850. , If the value of Cronbach Alpha is more than 0.6 then it is reliable. This result means that the data is considered good and reliable since the value of Cronbach's Alpha is more than 0.8.

Classical Assumption Test

Multicollinearity Test

Table 1. Multicollinearity

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	Work Environment	.749	1.336
	Compensation	.749	1.336

a. Dependent Variable: Employee Performance
Source: Data Processed, 2015

Table 1 shows that the tolerance value of work environment is 0.749 and compensation has the same value which is 0.749, meaning that the tolerance value of these independent variables is more than 0.2. The VIF of work environment and compensation also have the same value which is 1.336 and is less than 10. It can be concluded that the result passed the test of tolerance and VIF. Thus, this research is free from multicollinearity.
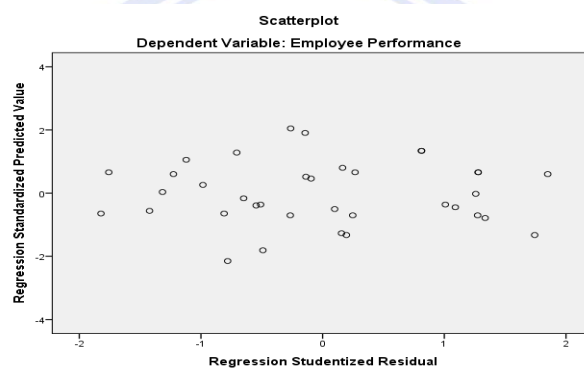
Heteroscedasticity Test

Figure 2. Heteroscedasticity Result
Source: Data Processed, 2015

In this research, all the dots are scattered and does not forming a clear pattern. The dots also are spreading below and above 0 (zero) in the Y axis. So it can be concluded that this model is free from heteroscedasticity.

Normality Test

Figure 3. Normality Result
Source: Data Processed, 2015

In this research, data represented by the dots are spreading near and follow the direction of diagonal line. This proves that regression model of the effect of work environment (X_1) and compensation (X_2) on employee performance (Y) fulfills the condition and passed the normality test.

Multiple Regression Analysis

Table 2. Multiple Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients
		B	**Std. Error**	**Beta**
1	(Constant)	1.453	.673	
	Work Environment	.489	.165	.481
	Compensation	.170	.155	.177

a. Dependent Variable: Employee Performance
Source: Data Processed, 2015

Based on the analysis result, the equation of multiple regression models in this research is shown as follows:

$$Y = 1.453 + 0.489X_1 + 0.170X_2$$

The interpretation of the multiple regression analysis result:
1. Constant value of 1.453 means that if all the independent variables in this research: work environment (X_1) and compensation (X_2) are equal to 0 (zero), then the employee performance (Y) is predicted to be 1.453.
2. Coefficient value of 0.489 means that if the independent variable in this research, work environment (X_1) increases by one point or one scale, it will increase the employee performance (Y) by 0.489.
3. Coefficient value of 0.170 means that if the independent variable in this research, compensation (X_2) increases by one point or one scale, it will increase the employee performance (Y) by 0.170.

Testing the goodness of Fit: Coefficient of Multiple Correlation (R) and Coefficient of Determination (R^2)

Table 3. Result of R and R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.349	.309	.33683

a. Predictors: (Constant), Compensation, Work Environment
Source: Data Processed, 2015

Table 3 shows that the coefficient of correlation (R) is 0.591 means that the level of relationship between independent and dependent variable is considered moderately correlated. The value of coefficient of determination is between 0 and 1. The coefficient of determination (R^2) of 0.349 shows that the linear relationship in this model is able to explain the employee performance (Y) for 34.9% while the rest 65.1% is explained by other factors not discussed in this research.

Hypothesis Testing
F-Test
Table 4. F-Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.005	2	1.003	8.836	.001[b]
	Residual	3.744	33	.113		
	Total	5.749	35			

a. Dependent Variable: Employee Performance
b. Predictors: (Constant), Compensation, Work Environment
Source: Data Processed, 2015

Table 4 shows that F_{count} is 8.836 with level of significance 0.001. By using the level of significant of 0.05 ($\alpha = 0.05$) and the value of $T_{table} = 2.87$, it can be concluded that $F_{count} = 8.836 > F_{table} = 2.87$. The table also shows that the significant value is $0.001 < 0.05$. It means that the overall influence of employee performance (X_1) and compensation (X_2) on employee performance (Y) is very significant. Thus, in this test H_0 is rejected and H_a is accepted meaning that the independent variables simultaneously influence the dependent variable significantly.

t-Test

Table 5. t-Test Result

Model		t	Sig.
	(Constant)	2.158	.038
1	Work Environment	2.965	.006
	Compensation	1.092	.283

a. Dependent Variable: Employee Performance
Source: Data Processed, 2015

1. Table 5 shows that t_{count} for work environment (X_1) is 2.965. Value on t_{table} used for comparison is found at the level of significance of 0.05, which is at the confidence level of 95% and the value of $t_{table} = 1.688$. The result for work environment (X_1) is $t_{count} = 2.965 > t_{table} = 1.688$ meaning that H_0 is rejected and H_a is accepted. The result of this test can be used to declare that work environment (X_1) partially influence employee performance (Y) significantly.
2. Table 5 shows that t_{count} for compensation (X_2) is 1.092. Value on t_{table} used for comparison is found at the level of significance of 0.05, which is at the confidence level of 95% and the value of $t_{table} = 1.688$. The result for compensation (X_2) is $t_{count} = 1.092 < t_{table} = 1.688$ meaning that H_0 is accepted and H_a is rejected. The result of this test can be used to declare that compensation (X_2) does not have significant partial influence on employee performance (Y).

Discussion

Conducting a research on employee performance is essential for any organization. By studying the employee performance and its causal factors, it is expected that human resource manager in a company to develop and apply an effective plan or strategy to help the employees maximize their performance output by paying attention to the surrounding working environment and the compensation received. Human resource manager should also consider about an effective strategy on employees quality of work and productivity in the company so their growth can be measured and improved. This study has been conducted to analyze the effect of work environment and compensation toward employee performance in State Assets and Auction Service Office Manado. Both independent variables have positive influence on dependent variable. This result proves the theory that work environment and compensation have a positive impact on employee's productivity and a company's success through employee performance.

The working environment in a company which in this case conducted on State Assets and Auction Service Office Manado has a positive impact on the performance of the employee because when they become comfortable and well suited with clean, healthy, and safe workplace, get along with other employees, they will gain the confidence and ability to finish their work effectively and efficiently. The employee also able to do every task or job given by their boss or head section with enough supporting work equipment to increase their job performance. While with a good compensation program in a company, this will help them to maintain the performance of every employee. How leaders or boss appreciate the work and loyalty of employees by give them bonuses or rewards. In this research of State Assets and Auction Service Office Manado, the variables compensation have a positive influence on employee performance. It shows that the employees are giving a good response to the compensation they received by working better because the employees feels that compensation is able to fulfill their wishes. Thus, the results from this study support the theories stated before that work environment and compensation have good influence toward the employee performance.

Work Environment on Employee Performance

Work environment based on the hypothesis test, influence employee performance on State Assets and Auction Service Office Manado. The result of multiple regression analysis shows that H_0 is rejected and H_a is accepted. This result statistically proves that work environment has positive significant influence on employee performance partially. Thus, this result support previous research conducted by Malik et al., (2011) which confirmed that there is positive significant relationship between the indicators of work environment and employee performance. Malik et al., (2011:13231) said that the work environment has an impact on individual's ability to work safely, competently and in compliance with operational performance targets and also effective communication practices have a positive effect on employee performance. This means that the condition of working environment whether the employee aware it or not may affect their performance. Work environment may influence employee in a company physically and mentally. Physically, the performance of any employee may differs depends on the quality of work condition itself; whether it is bad or good. Mentally speaking, interaction between employees also needed in a company. By interact with each other, employee may share information about their work, loosen their workload by helping each other, reducing work stress, and keeping their mental state stable on performing their task.

Compensation on Employee Performance

Compensation based on hypothesis test, also influence employee performance. The result of multiple regression analysis shows that H_0 is accepted and H_a is rejected. This result statistically proves that compensation has positive influence on employee performance partially. Thus, this result support previous research conducted by Ramzan et al., (2014) which concluded that compensation has positive impact on employee performance insignificantly. Although it is insignificant, compensation surely influence employee performance in a positive way. It is expected in theory as explained before and supported by another study. Holt (1993), as cited by Ramzan et al., (2014:302) mention that Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the Performance. As the prospective of employee, pay is the necessary of life. In general, people work to get paid. It is compensation that drives people to work, and even better when they receive bonus or reward as a symbol of appreciation.

CONCLUSION AND RECOMMENDATION

Conclusion

The conclusion of this research can be concluded as follows:

1. Work environment and compensation simultaneously and significantly influence the employee performance in State Assets and Auction Service Office Manado.
2. Work environment has significant influence on employee performance in State Assets and Auction Service Office Manado. In this case, physical working condition is the one that affect employee performance the most in this office. The air temperature, room cleanliness, workplace tidiness are what the employee want the most. These factors that have effect on employee performance through work environment.
3. Compensation does not have significant influence on employee performance in State Assets and Auction Service Office Manado. It is not significant because in State Assets and Auction Service Office Manado they rarely give rewards or incentive to the employee. The compensation system in this office already fixed so the employee cannot receive more. But compensation does influence employee performance because receiving compensation motivated employee to do their work.

Recommendation

The several recommendations given are:

1. The result of this research, State Assets and Auction Service Office Manado need to concern about their work environment for variable has a positive significant influence on employee performance. The leaders in this company must consider the importance of work environment, about the situation in the employee workplace, the office temperature, work equipments, and social communication situation. It is recommended for leaders to come up with a strategy to utilize these factors to improve each of the employee's performance.

2. This company also need to concern about compensation because this variable also has a positive influence on employee performance. The leaders are expected to maintain their company's compensation system since it is a government office with civil servant that has a good regulation on incentive and allowance. It is recommended for this company to give reward for their employee even it just in a form of non-monetary such as buying them food, free day, event invitation, etcetera to makes them aware that their hard work is noticed and appreciated.

3. Both work environment and compensation should be given attention in this company and be developed in order to improve employee performance.

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