



The Effect of Compensation and Organizational Culture on the Performance of Employees in the Culture of Medan City

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ABSTRACT

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The research was conducted to find out how the influence of compensation and organizational culture on the performance of employees of the Medan City Culture Service. This study uses three variables consisting of the dependent variable, namely Employee Performance (Y), while the independent variables are compensation (X1) and organizational culture (X2). This study uses explanatory research methods through associative research, namely research that aims to explain the influence between two or more variables. The population in this study were all 38 employees of the Medan City Culture Service with the status of civil servants. Methods of data collection is done by literature study questionnaire, and observation. Data analysis carried out in this study was hypothesis testing with t test (partial test) and F test (simultaneous test). The results of this study showed that: (1) based on the partial test, compensation has an effect on the performance of Medan City Culture Service employees with a t-test of 3,724. (2) Based on the partial test, organizational culture affects the performance of Medan City Culture Service employees with a t-test of 4,065. (3) Based on the Simultaneous Test of the Effect of Compensation and Organizational Culture on the Performance of Medan City Culture Service Employees with an F test of 61,318

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1. Introduction

Civil Servants as state apparatus, as state servants and public servants, have a very strategic position and an important role in administering government and development for the progress of a country. As state apparatus, civil servants are obliged to carry out government and development tasks with full responsibility, loyalty and obedience to Pancasila, the 1945 Constitution, the state and the government.

In government organizations, employees are the main driver in all organizational activities. The success of an organization is strongly influenced by the performance of its employees. Law Number 43 of 1999 concerning amendments to Law Number 8 of 1974 concerning the main points of employment explains that a civil servant is every citizen of the Republic of Indonesia who has met the specified requirements, appointed by officials who are authorized and assigned tasks in a state office or assigned other state duties and are paid based on the applicable laws and regulations. Civil Servants who work in government agencies or are called Civil Servants or State Civil Apparatuses have a major contribution in advancing government agencies. Every Civil Servant's performance has a great influence in the implementation of the tasks assigned to achieve the goals of government agencies. The performance of Civil Servants is basically what these employees do so that it affects how much they contribute to government agencies in order to achieve the vision and mission of the agency.

In an effort to improve the performance of its apparatus, the government establishes a performance-based personnel management program. One of the regulations issued by the government for this purpose is the Minister



of State Apparatus Empowerment Regulation Number: PER/09/M.PAN/5/2007 concerning General Guidelines for Determining Key Performance Indicators in Government Agencies.

The performance of government agencies is the extent to which the level of achievement of the goals of government agencies is in accordance with the elaboration of the vision, mission and strategic plans of government agencies.

Good performance must be supported by ability and work motivation. As stated by Keith Davis (in Mangkunegara, 2005:13), there are two main factors that affect an individual's performance, namely the ability (ability) and motivation (motivation) of the individual. Individual ability depends on the level of knowledge (knowledge) possessed, educational background, and skills (skills) mastered. While individual work motivation depends on the attitude (attitude) as the basic motivation and the environment that affects the motivation.

The performance of government agencies is a description of the level of achievement of targets or objectives of government agencies as an elaboration of the vision, mission and strategic plans of government agencies that indicate the level of success and failure of implementing activities in accordance with established programs and policies. Compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. The purpose of providing compensation is as a bond of cooperation, job satisfaction, effective procurement, motivation, employee stability, discipline, as well as the influence of labor unions and the government.

Not only the compensation factor that needs to be considered by the company in order to improve employee performance, but the company in this case the leader must create a supportive work culture towards improving good performance. Organizational work culture that is not conducive and cannot support employee performance, this situation cannot be allowed to continue by the management, because later if left unchecked it will lead to actions, employees are not loyal, employees ignore such as absenteeism or arriving late, reducing quality and the quantity of work and the rate of work errors increased which in turn resulted in decreased performance. Organizational culture is a shared belief and value that gives meaning to members in an organization/institution and makes these beliefs and values a rule/guideline of behavior within the organization.

Organizational culture in an organization will not develop into an advanced organization without strengthening its cultural foundation, once the culture is strong it will have a major influence on the strategies implemented to achieve the goals that have been set. A conducive organizational culture will affect employee performance which can increase coordination between employees so as to facilitate the completion of tasks within the organization. As is known, performance is the result of work that can be achieved by a person or group of people in an organization, in accordance with their respective authorities and responsibilities in order to achieve the goals of the organization concerned legally that does not violate the law and is in accordance with moral and ethical standards. apply.

Based on observations in pre-research that has been carried out at the Medan City Culture Service, that the performance of Medan City Culture Service employees has not been maximized, this can be seen from the number of employees who do not understand the duties and responsibilities given. So that this will have an impact on the responsibilities of employees in carrying out the work that has been assigned to each employee

2. Literature Review

2.1 Employee Performance

Performance is the result of work achieved by a person or group such as work standards, targets determined during a certain period based on norms, standard operating procedures, criteria and functions that have been set or applicable in the company (Torang, 2013, p.74; Bangun, 2012, p.231).

According to Husein Umar's opinion in the book *Management of Human Resources in Organizations* (2003:266), suggests employee performance measures, as follows:

- a. Quality of work
- b. Honesty of employees
- c. Initiative
- d. Presence

- e. Attitude
- f. Reliability
- g. Cooperation
- h. Knowledge of work
- i. Responsibility
- j. Punctuality

According to Davis in Mangkunegara (2011: 67) the factors that influence the achievement of performance are the ability factor and the motivation factor are as follows:

a. Ability Factor

Psychologically, employee abilities consist of potential abilities (IQ) and reality abilities (knowledge + skills). That is, employees who have an IQ above the average (IQ 110-120) with adequate education for their position and skilled in doing daily work, then it will be easier to achieve the expected performance. Therefore, employees need to be placed in jobs that match their expertise (the right man in the right place, the right man on the right job).

b. Motivational Factor

Motivation is formed from the attitude of an employee in dealing with work situations. Motivation is a condition that moves employees who are directed to achieve organizational goals (work goals)

2.2 Compensation

According to Werther and Davis (in Wibowo 2011: 348) compensation is what workers receive in exchange for their contribution to the organization, while according to Wibowo (2011: 348) compensation is the number of packages offered by the organization to workers in return for the use of its workforce.

According to Panggabean (2004), compensation can be defined as any form of appreciation given by employees as a form of remuneration for the contributions they make to the organization. According to Sofyandi (2008:159), compensation is a form of cost that must be incurred by the company in the hope that the company will receive rewards in the form of work performance from its employees.

a. Types of Compensation

Compensation can be classified into two ways, as described by Wibowo (2011: 348) seen from the way it is given, namely direct compensation and indirect compensation.

1) Direct compensation is management compensation such as wages, salaries, or pay for performance, such as incentives and gain sharing.

2) Indirect compensation can be in the form of benefits or security and health insurance

2.3 Organizational Culture

According to Deddy Mulyadi (2006: 270) organizational culture is what employees feel and how this perception creates an exemplary pattern of beliefs, values and expectations. Organizational culture is a shared social knowledge in the organization regarding the rules, norms and values that shape the attitudes and behavior of employees (Qolquitt, 2009, p. 546). According to Sondang (1995: 233) organizational culture is a combination of the leadership style of top management and the norms and value systems of organizational members' beliefs.

According to Smirich quoted by Susanto (2006: 113) there are four functions of organizational culture, namely:

- a. Provide an organizational identity to the members of the organization.
- b. Facilitate or facilitate collective commitment.
- c. Increase the stability of the social system.
- d. Shaping behavior with members of the organization have feelings for the surroundings.

2.4 Framework of thinking

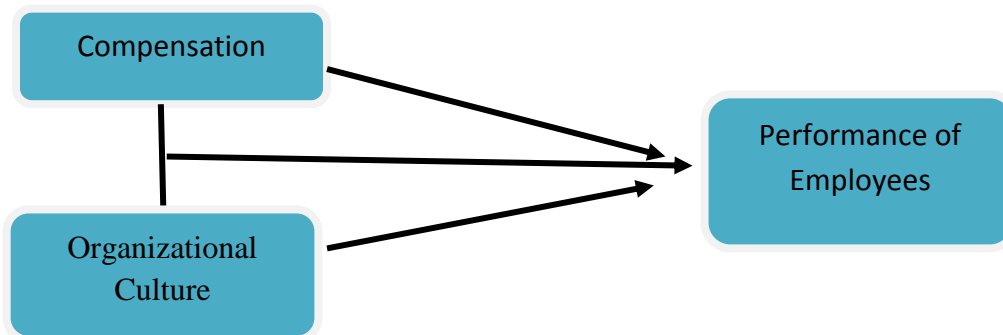


Fig 1. Framework

Hypothesis

- Compensation has a positive and significant effect on the performance of Medan City Culture Service Employees.
- Organizational Culture has a positive and significant effect on the performance of Medan City Culture Service Employees.
- Compensation and . Organizational Culture have a positive and significant effect on the performance of Medan City Culture Service Employees.

3. Research Methods

3.1 Research Place

This research was conducted at the Medan City Culture Office.

3.2 Research methods

The method used in this study is a survey research method with inferential statistical analysis techniques. This method can provide an overview of the variables found, as well as investigate the influence between the variables

3.3 Research Population and Sample

Population and Research Sample The population and sample used in this study are as follow : Population is all data that is of concern to researchers within a specified scope, and time (Kasmadi and Sunariah, 2013, p.65). The population used were all employees of the Medan City Culture Service, totaling 38 civil servants.

The sampling technique used is a census, by making all members of the population the research sample. Based on this technique, the number of samples used in this study was 38 people

3.4 Data source

In this writing, the data sources needed are:

- Primary data is raw data taken by the researcher himself (not by someone else) from the main source for the purpose of his research, the data previously did not exist. (Manullang, Pakpahan 2014:87) Examples of primary data are data collected through instruments:
 - Interview/interview
 - Questionnaire/questionnaire
 - Observation/observation
- Secondary data is data that is already available that is quoted by the researcher for the purpose of his research. (Manullang, Pakpahan 2014:87)
Secondary data collection is carried out with the following instruments:
 - Literature study, namely the collection of data obtained from books, scientific works, opinions of experts who have relevance to the problem under study.
 - Documentary studies, namely the collection of data obtained by using written records at the research site

and other sources concerning the problem under study with the relevant agencies.

3.5 Method of collecting data

The procedures used in collecting data are:

- a. Questionnaire
- b. Literature Study

Collecting data from several literatures and other readings that support this research. (Manullang, Pakpahan 2014:87)

What is meant by the data source in this study is "the subject from which it can be obtained". The sources of data in this study are grouped into:

- a. Primary data
- b. Secondary Data

3.6 Data Collection Methods, Research Instruments

a. Method of collecting data

Data collection method is a tool at the time of research using a method. In conducting research, there must be a process of collecting data using certain techniques that are adapted to the characteristics of the research being carried out. To collect as much data as possible the researchers used the following data collection methods:

- 1) Observation Technique
- 2) Questionnaire Method

b. Research Instruments

The research instrument used in this study is the Likert scale model which was made by the researcher himself based on theories related to the research variables. The Likert model scale is a scale used to measure attitudes, opinions, and perceptions of a person or group of people about social phenomena. With a Likert scale, the variable to be measured becomes an indicator variable. Then the indicator is used as a starting point for compiling instrument items which can be in the form of statements or questions. The scale was chosen as the research instrument because the scale can easily reveal the attributes to be measured on the answers given by the respondents. The measurement method is to expose the respondent to a question and then the respondent is asked to provide an answer.

3.7 Data analysis

a. Multiple Linear Regression Analysis

Multiple regression analysis aims to predict the value of the influence of two or more independent variables on one dependent variable by using the following regression equation:

$$Y' = a + b_1X_1 + b_2X_2 + e$$

Gujarati in Ghozali (2006:145)

Information:

Y' = Dependent variable (predicted value)

X1 = Independent Variable

X2 = Independent variable

a = Constant (Y value if X1, X2.....Xn = 0)

b = Regression coefficient (increase or decrease value)

e = sampling error

b. Hypothesis testing

Proof of the hypothesis is done by using statistical tests supported by econometric tests as follows:

- 1) t-test (t-test)

The t-test in this study is used to prove the significant influence between the independent variables on the dependent variable, where if the t-count value is greater than t-table, it indicates the acceptance of the proposed hypothesis.

To test the significance of the correlation between compensation variables and organizational culture individually or partially, the t-test was used. To test the significance of the effect, it is necessary to test its significance with the t-test formula (Sugiono, 2005:97) as follows:

$$t = \frac{r\sqrt{(n-2)}}{\sqrt{(1-r^2)}}$$



Where : t count = value t

r = Correlation coefficient value

n = Number of samples

The calculated t value can be seen in the regression results and the t table value is obtained through sig. = 0.05 with df = n – k.

Criteria:

If t count < t table, then H0 is accepted and Ha is rejected, meaning that there is no partial effect.

If t count > t table, then Ha is accepted and H0 is rejected, meaning that there is a partial effect.

The calculated t value can be seen in the regression results and the t table value is obtained through sig. = 0.05 with df = n – k.

2) F test (F -test)

To test the significance of the correlation for two independent variables together which are associated with the dependent variable, the F test is used (Sudjana, 2005:385)

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

Where: R2 = multiple correlation coefficient squared n = number of samples

k = number of independent variables

The F test is used to determine whether the regression used is good enough or not. The F test can be seen from the calculated F value with the following criteria:

If the F test is Ftable and the significance value is <0.05, then there is an influence between the independent variables on the dependent variable, thus the model test is said to be good.

If the F test is Ftable and the significance value is > 0.05, then there is no effect between the independent variables on the dependent variable. Thus, the testing of the model is said to be not good.

4. Research Result

4.1 Multiple Correlation and Regression Analysis

Multiple Regression Analysis is used to determine how much influence the independent variable has on the dependent variable. Here's the regression equation:

Table 1
 Regression Analysis

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.425	2.241		.719	.037
	Compensation	.069	.143	.087	3.724	.027
	Orgabitational culture	.667	.116	.684	4.065	.000

a. Dependent Variable: Performance of Employees

Source: SPSS Multiple Linear Regression Results Version 17

The table above shows that the Multiple Regression Equation Model (Y= A + B1X1 + B 2X2 + e) in this study is Y = 0.425 + 0.069 X1 + 0.667 X2 ,

4.2 Hypothesis testing

a. T test (Partial Test)

The t-test in this study was conducted to determine whether there was a significant effect of the independent variable (X) on the dependent variable (Y).

The t-test was carried out with the following hypotheses:



- 1) $H_0 : b_i = 0$; (meaning that the independent variable has a partial effect on the dependent).
- 2) $H_1 : b_i \neq 0$; (meaning the Independent variable has no partial effect on the Dependent).

The t-count value will be compared with the t-table with the following criteria:

- 1) H_0 is accepted if $t\text{-table} < t\text{-count} < t\text{-table}$ at $\alpha = 5\%$
- 2) H_0 is rejected (H_1 is accepted) if $t\text{-count} < t\text{-table}$ or $t\text{-count} > t\text{-table}$ at $\alpha = 5\%$

t table is obtained with degrees of freedom = $n - k$

n = number of samples that is 38 data

k = number of variables used, $k = 3$

$n - k = 38 - 3 = 35$

The t test used is a one-way test with $\alpha = 5\%$ then the t table 5% (35) is 1.68957

The output of the t test can be seen in the table below:

Table 2
t-test (Parsial)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.425	2.241		.719	.037
	Compensation	.069	.143	.087	3.724	.027
	Organizational culture	.667	.116	.684	4.065	.000

a. Dependent Variable: Performance of Employees

Source: SPSS Multiple Linear Regression Results Version 17

The table above shows that the Multiple Regression Equation Model ($Y = A + B_1X_1 + B_2X_2 + e$) in this study is $Y = 0.425 + 0.069 X_1 + 0.667 X_2$,

The table above shows that:

- 1) The tcount value of the Compensation variable is 3.724 while the ttable is 1.689. This means that $t\text{count} > t\text{table}$ is $3.724 > 1.677$ with a significant value of more than 0.05. Based on these data, it can be concluded that the compensation variable by t-test (partial test) is positive, which is indicated by a unidirectional relationship with the employee performance variable and has a significant effect so that H_0 is rejected and H_1 is accepted, meaning that compensation has a significant effect on employee performance.
- 2) The t-count value of the Work Competence variable is 4.073 while the t-table is 1.689. This means that $t\text{count} > t\text{table}$ is $4,065 > 1,689$ with a significantly more value < 0.05 . Based on these data, it can be concluded that the organizational culture variable by t-test (partial test) is positive, which is indicated by a unidirectional relationship with the employee performance variable and has a significant effect so that H_0 is rejected and H_1 is accepted, meaning that organizational culture has a significant effect on employee performance.

b. F Test (Simultaneous Test)

The F test was conducted to determine whether the independent variables of compensation and organizational culture (X_1 and X_2) together have a significant effect on the dependent variable (Y), namely employee performance. This hypothetical model is:

$H_0 : b_1, b_2 = 0$ (meaning that compensation and organizational culture variables simultaneously affect employee performance).

$H_1 : b_1, b_2, 0$ (meaning that the variable of compensation and organizational culture simultaneously has no effect on employee performance).



The test equipment used to accept or reject the hypothesis, namely the F-count value compared to the F-table value with the following criteria:

- a. H_0 is accepted if $F\text{-count} < F\text{-table at } = 5\%$
- b. H_0 is rejected (H_1 is accepted) if $F\text{-count} > F\text{-table at } = 5\%$

F table is obtained with degrees of freedom ($df_1 = k - 1$)

n = number of samples that is 38 data

k = number of variables used, $k = 3$

$df_1 = k - 1 = 3 - 1 = 2$

$df_2 = n - k = 38 - 3 = 35$

The F test used is a one-way test with $= 5\%$, then $F_{table} 5\% (2 ; 35)$ is 3.27. The F test output can be seen in the table below:

Tabel 3
F-test

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.631	2	544.283	61.318	.000 ^a
	Residual	311.346	35	.736		
	Total	434.977	37			

a. Predictors: (Constant), Compensation, Organization culture

b. Dependent Variable: Performance of Employees

Source: SPSS F Test Results

The table shows that the F value of the Compensation and organizational culture variable is 61,318 while the F_{table} is 3.27. This means that $F_{count} > F_{table}$ which is $61,318 > 3.37$. Based on these data, it can be concluded that the Compensation and organizational culture variables in the F test (simultaneous test) are positive, which is indicated by a unidirectional relationship with the Employee Performance variable and has a significant effect, so H_0 is rejected and H_1 is accepted.

5. Conclusion

- a. Compensation variable (X_1) partially has a positive value and has a significant effect on Employee Performance (Y).
- b. The organizational culture variable (X_2) partially has a positive value and has a significant effect on employee performance (Y).
- c. The compensation variable (X_1) and organizational culture (X_2) simultaneously have a positive value and have a significant effect on employee performance (Y).

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