



Motivation, Work Environment, and Compensation Effects on Employee Performance at PT Beton Prima Indonesia

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Abstract

Purpose: This study examines the effects of work motivation, work environment, and compensation on employee performance through the mediating role of job satisfaction at PT Beton Prima Indonesia.

Research Methodology: This study employed a quantitative research approach using a causal explanatory design. Data were collected through structured questionnaires from 67 employees selected using purposive sampling. The proposed research model was analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS 3.0 to evaluate both direct and indirect relationships among the variables.

Results: Work motivation and work environment significantly improved job satisfaction, whereas compensation had no significant effect. Job satisfaction significantly enhanced employee performance and mediated the effects of work motivation and work environment on employee performance. Meanwhile, the direct effects of work motivation, work environment, and compensation on employee performance were not significant.

Conclusions: Employee performance is influenced more strongly by employees' level of job satisfaction than by direct organizational factors. Improving work motivation and creating a supportive work environment are effective strategies for enhancing employee satisfaction and, consequently, employee performance.

Limitations: This study was limited to a single manufacturing company with a relatively small sample size and a cross-sectional research design, limiting the generalizability of the findings.

Contribution: This study extends the human resource management literature by demonstrating the mediating role of job satisfaction in explaining how work motivation and work environment influence employee performance in the Indonesian manufacturing sector, while also providing practical recommendations for organizational performance improvement.

Keywords: *Compensation, Employee Performance, Job Satisfaction, Work Environment, Work Motivation*

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1. Introduction

Human resources are recognized as a strategic asset that determines an organization's ability to achieve sustainable competitive advantage. In increasingly competitive business environments, organizations are expected to improve not only operational efficiency but also employee productivity and organizational effectiveness. Employee performance has therefore become a critical indicator of organizational success because it reflects employees' ability to accomplish assigned responsibilities while supporting the achievement of organizational objectives. In manufacturing companies, where production activities require high levels of coordination, discipline, and productivity, employee performance is particularly essential for maintaining product quality, operational efficiency, and customer satisfaction ([Lestari et al., 2024](#); [Darmawan et al., 2020](#)).

The manufacturing industry in Indonesia has experienced rapid development over the past decade, accompanied by increasing market competition and higher customer expectations. These conditions require companies to continuously improve employee performance through effective human resource management practices. PT Beton Prima Indonesia, as a manufacturing company operating in the construction materials industry, faces similar challenges in maintaining employee productivity while ensuring operational excellence. Achieving these objectives requires organizations to understand the factors that influence employee performance and to formulate appropriate managerial strategies for improving workforce effectiveness ([Rudiawarni et al., 2022](#); [Wolok et al., 2023](#)).

Previous studies have identified work motivation, work environment, and compensation as important determinants of employee performance. According to Herzberg's Two-Factor Theory, intrinsic motivational factors encourage employees to perform better, whereas hygiene factors such as the work environment and compensation reduce dissatisfaction and support positive work attitudes ([Herzberg, Mausner, & Snyderman, 1959](#)). Likewise, Social Exchange Theory suggests that employees tend to reciprocate favorable organizational treatment by demonstrating greater commitment, satisfaction, and performance. Consequently, organizations that provide supportive working conditions and equitable rewards are more likely to develop highly satisfied and productive employees ([Hasan & Mishra, 2025](#)).

Despite extensive research on employee performance, previous findings remain inconclusive. Several studies reported that work motivation significantly improves employee performance, whereas other studies found that its influence is indirect through job satisfaction ([Rivaldo, 2021](#)). Similarly, research on work environment and compensation has produced inconsistent results across different organizational contexts. Some scholars concluded that compensation directly enhances employee performance, while others found that its effect becomes insignificant when employees perceive other workplace factors as more important. These inconsistencies indicate that employee performance may not always be influenced directly by organizational factors but rather through employees' psychological responses, particularly job satisfaction ([Qomariah et al., 2022](#); [Kumari et al., 2022](#)).

Job satisfaction has been widely recognized as one of the most influential psychological variables explaining employee behavior and performance. Employees who are satisfied with their jobs generally demonstrate stronger organizational commitment, higher productivity, lower turnover intentions, and better overall performance ([Andreas, 2022](#)). Therefore, job satisfaction may function as an important mediating mechanism through which work motivation, work environment, and compensation influence employee performance. However, empirical evidence examining this mediating role remains limited, particularly within Indonesia's manufacturing sector ([Eliyana & Ma'arif, 2019](#); [Thabit et al., 2022](#)).

Most previous studies have investigated only one or two antecedents of employee performance, focusing primarily on direct relationships between motivation, work environment, compensation, and performance. Few studies have simultaneously examined these three organizational factors while incorporating job satisfaction as a mediating variable in a single comprehensive research model.

Furthermore, empirical studies involving manufacturing companies in Indonesia remain relatively limited compared with studies conducted in service organizations or public institutions. This gap highlights the need for further investigation to obtain a more comprehensive understanding of the mechanisms underlying employee performance in manufacturing organizations ([Bharadwaj, Khan, & Yameen, 2022](#)).

Accordingly, this study proposes an integrated research model that examines the effects of work motivation, work environment, and compensation on employee performance through the mediating role of job satisfaction. By focusing on employees of PT Beton Prima Indonesia, this study contributes to the human resource management literature by providing empirical evidence regarding the indirect mechanisms through which organizational factors improve employee performance. The findings are also expected to provide practical implications for managers in designing human resource policies that strengthen employee satisfaction and ultimately enhance organizational performance.

2. Literature Review and Hypothesis/es Development

2.1 Work Motivation

Work motivation refers to the internal and external forces that stimulate employees to exert effort toward achieving organizational objectives. Motivation influences employees' willingness to perform their duties effectively and persist in overcoming work-related challenges ([Syafrizal, Wibisono, & Nurhatisyah, 2024](#)). According to Herzberg's Two-Factor Theory, motivational factors such as achievement, recognition, responsibility, and opportunities for personal growth contribute to employees' intrinsic satisfaction and encourage higher performance ([Herzberg, Mausner, & Snyderman, 1959](#)). Employees with strong work motivation generally demonstrate greater commitment, initiative, and productivity because they perceive their work as meaningful and rewarding.

Previous empirical studies consistently indicate that motivated employees tend to experience higher levels of job satisfaction. When employees perceive that their personal goals align with organizational objectives and that their efforts are recognized, they develop positive attitudes toward their jobs ([Konjala & Wulansari, 2025](#)). Although several studies have reported a direct positive relationship between work motivation and employee performance, other studies suggest that this relationship is mediated by job satisfaction.

H₁: Work motivation has a positive and significant effect on job satisfaction.

H₂: Work motivation has a positive and significant effect on employee performance.

2.2 Work Environment

The work environment encompasses physical and non-physical conditions surrounding employees during the execution of their duties. Physical aspects include workplace safety, lighting, temperature, equipment, and workspace layout, whereas non-physical aspects involve interpersonal relationships, communication, teamwork, and organizational climate. A supportive work environment enables employees to perform their responsibilities efficiently while reducing work-related stress and increasing organizational commitment ([Pimpong, 2023](#); [Surianto & Nurfahira, 2024](#)). Herzberg's hygiene factor theory suggests that an adequate work environment prevents dissatisfaction and creates conditions that encourage employees to remain engaged in their work. Employees who perceive their workplace as safe, comfortable, and supportive are more likely to experience higher job satisfaction, which subsequently enhances their performance ([Herzberg, Mausner, & Snyderman, 1959](#)). Previous studies have consistently demonstrated that the work environment positively influences both job satisfaction and employee performance.

H₃: Work environment has a positive and significant effect on job satisfaction.

H₄: Work environment has a positive and significant effect on employee performance.

2.3 Compensation

Compensation refers to financial and non-financial rewards provided by organizations in exchange for employees' contributions. Financial compensation includes salaries, incentives, bonuses, and allowances, whereas non-financial compensation consists of recognition, career opportunities, and various employee benefits. Fair and competitive compensation reflects organizational appreciation of employee contributions and is expected to improve both job satisfaction and performance ([Huda, Akbar, & Lina, 2024](#)).

Social Exchange Theory explains that employees tend to reciprocate organizational support by exhibiting more positive attitudes and behaviors. Employees who perceive compensation as equitable generally develop stronger organizational commitment and greater job satisfaction, which may ultimately improve performance ([Meira & Hancer, 2021](#)).

Although numerous studies report positive relationships between compensation, job satisfaction, and employee performance, inconsistent findings indicate that compensation may not always function as a direct predictor of performance, particularly when employees prioritize intrinsic aspects of work over financial rewards.

H₅: Compensation has a positive and significant effect on job satisfaction.

H₆: Compensation has a positive and significant effect on employee performance.

2.4 Job Satisfaction and Employee Performance

Job satisfaction refers to employees' overall evaluation of their work experiences and reflects the extent to which their expectations are fulfilled by their organization. Employees who experience high levels of job satisfaction generally display greater enthusiasm, stronger organizational commitment, lower absenteeism, and higher productivity. They are also more likely to demonstrate positive work behaviors, maintain effective collaboration with colleagues, and contribute actively to achieving organizational goals. Therefore, job satisfaction is widely recognized as a key factor influencing employee attitudes, behaviors, and overall organizational performance ([Prawira & Assa, 2025](#)).

According to Social Exchange Theory, satisfied employees are more willing to reciprocate favorable organizational treatment through improved work performance. Consequently, job satisfaction has frequently been identified as one of the strongest predictors of employee performance and serves as an important psychological mechanism linking organizational practices with employee outcomes ([Sungu, Weng, & Kitule, 2019](#)).

Previous empirical evidence consistently demonstrates that employees who are satisfied with their jobs achieve higher levels of performance because they are more committed to organizational objectives and more willing to exert additional effort.

H₇: Job satisfaction has a positive and significant effect on employee performance.

2.5 Conceptual Framework

This study proposes that work motivation, work environment, and compensation function as organizational antecedents influencing employee performance both directly and indirectly through job satisfaction. Job satisfaction is expected to serve as a mediating mechanism that explains how organizational practices translate into improved employee performance. Accordingly, the proposed research model consists of three exogenous variables (work motivation, work environment, and compensation), one mediating variable (job satisfaction), and one endogenous variable (employee performance).

3. Methodology

3.1 Research Design

This study employed a quantitative research design to examine the effects of work motivation, work environment, and compensation on employee performance, with job satisfaction serving as a mediating variable. A quantitative approach was considered appropriate because it enables the examination of causal relationships among variables using numerical data ([Sugiyono, 2022](#)). The study adopted an associative causal design to determine the direct effects of the independent variables on the dependent variable and the mediating role of job satisfaction. To test the proposed research model, this study applied Structural Equation Modeling (SEM) based on the Partial Least Squares (PLS) approach using SmartPLS 3.0. PLS-SEM was selected because it is suitable for predictive analysis, accommodates relatively small sample sizes, and effectively estimates complex structural relationships involving multiple constructs ([Hair, Hult, Ringle, & Sarstedt, 2022](#)).

3.2 Population and Sample

The population consisted of 100 employees of PT Beton Prima Indonesia. The sample was selected using a purposive sampling technique, whereby respondents were chosen based on predetermined criteria relevant to the research objectives, including their job roles and length of employment. This sampling technique ensured that the selected respondents possessed sufficient experience to evaluate the organizational factors investigated in this study. The resulting sample was considered adequate for analysis using the PLS-SEM approach.

3.3 Data Collection

Primary data were collected using a structured questionnaire distributed directly to the respondents. The questionnaire consisted of five sections corresponding to the research variables: work motivation, work environment, compensation, job satisfaction, and employee performance. All questionnaire items were measured using a four-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The use of a four-point scale encouraged respondents to provide more decisive responses while minimizing neutral answers.

3.4 Measurement of Variables

The research instrument consisted of indicators measuring work motivation, work environment, compensation, job satisfaction, and employee performance. The questionnaire was developed to capture respondents' perceptions of each construct using a four-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The indicators were selected to represent the dimensions of each research variable and were subsequently analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach to examine the relationships among the constructs.

3.5 Data Analysis

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0 software. The analysis was conducted in several stages. First, the measurement model (outer model) was evaluated to assess the validity and reliability of the research constructs. Convergent validity was examined using outer loadings and Average Variance Extracted (AVE), while construct reliability was assessed using Composite Reliability and Cronbach's Alpha. Second, the structural model (inner model) was evaluated by examining the path coefficients and the coefficient of determination (R^2) to determine the predictive power of the proposed model. The significance of the structural relationships was tested using the bootstrapping procedure with a significance level of 5%. Finally, the hypothesis testing results were interpreted to determine the direct effects of work motivation, work environment, compensation, and job satisfaction on employee

performance. The findings were subsequently discussed by relating them to relevant theories and previous empirical studies to provide comprehensive managerial and theoretical implications.

4. Results and Discussion

4.1 Results

4.1.1 Descriptive Statistics

Table 1. Descriptive statistics results

Variable	Indicator	Mean	Standard Deviation
Work Motivation	X1.1	3.164	0.709
	X1.2	3.134	0.796
	X1.5	3.194	0.680
	X1.6	3.090	0.733
Work Environment	X2.1	2.940	0.756
	X2.2	3.075	0.841
	X2.3	2.955	0.806
	X2.4	3.060	0.756
	X2.5	3.060	0.833
	X2.6	3.060	0.833
Compensation	X3.1	3.000	0.718
	X3.2	3.030	0.758
	X3.3	3.075	0.681
	X3.4	3.045	0.706
	X3.5	2.955	0.767
	X3.6	3.060	0.795
Job Satisfaction	Z1	2.970	0.870
	Z2	3.119	0.826
	Z3	3.030	0.904
	Z4	3.045	0.824
	Z5	3.164	0.751
	Z6	3.105	0.837
Employee Performance	Y1	3.090	0.773
	Y2	3.194	0.875
	Y3	3.090	0.883
	Y4	3.000	0.888
	Y5	2.940	0.983
	Y6	3.418	0.838

Table 1 presents the descriptive statistics of the research variables. Overall, the respondents expressed positive perceptions of work motivation, work environment, compensation, job satisfaction, and employee performance, as reflected by mean scores ranging from 2.940 to 3.418 on a four-point Likert scale. These findings indicate that employees generally perceived the organizational conditions at PT Beton Prima Indonesia favorably.

Within the work motivation construct, indicator X1.5 recorded the highest mean value ($M = 3.194$; $SD = 0.680$), indicating that employees generally possess a strong willingness to perform their work responsibilities. This finding suggests that employees are motivated to achieve organizational

objectives and demonstrate commitment toward their assigned duties. The remaining motivation indicators also exhibited relatively high mean scores, indicating consistency in respondents' perceptions. For the work environment construct, indicator X2.2 obtained the highest mean score ($M = 3.075$; $SD = 0.841$). This result reflects employees' positive perceptions regarding the physical and non-physical working environment. A supportive workplace, adequate facilities, and harmonious relationships among employees contribute to a favorable organizational climate. Regarding compensation, indicator X3.3 achieved the highest mean score ($M = 3.075$; $SD = 0.681$), suggesting that respondents generally perceived the compensation system positively, although the variation among responses indicates that employee expectations regarding compensation may differ. For job satisfaction, indicator Z5 produced the highest mean score ($M = 3.164$; $SD = 0.751$), indicating that employees were generally satisfied with their work. Likewise, employee performance was represented most strongly by indicator Y6 ($M = 3.418$; $SD = 0.838$), reflecting respondents' positive evaluation of their work performance. Overall, these descriptive findings indicate that PT Beton Prima Indonesia has developed a relatively supportive organizational environment characterized by adequate motivation, a conducive work environment, satisfactory compensation, positive job satisfaction, and relatively high employee performance.

4.1.2 Hypothesis Testing Results

The structural model was evaluated using the bootstrapping procedure in SmartPLS. The significance of each relationship was determined using a t-statistic threshold of 1.96 at the 5% significance level.

Table 2. Hypothesis testing results

Hypothesis	Relationship	Path Coefficient (β)	t-value	t-table	Decision
H_1	Work Motivation $\rightarrow$ Job Satisfaction	0.387	2.508	1.96	Supported
H_2	Work Motivation $\rightarrow$ Employee Performance	-0.056	0.313	1.96	Not Supported
H_3	Work Environment $\rightarrow$ Job Satisfaction	0.620	6.887	1.96	Supported
H_4	Work Environment $\rightarrow$ Employee Performance	0.163	0.940	1.96	Not Supported
H_5	Compensation $\rightarrow$ Job Satisfaction	-0.113	0.785	1.96	Not Supported
H_6	Compensation $\rightarrow$ Employee Performance	0.057	0.545	1.96	Not Supported
H_7	Job Satisfaction $\rightarrow$ Employee Performance	0.749	6.329	1.96	Supported

Table 2 presents the results of hypothesis testing using the bootstrapping procedure in Partial Least Squares Structural Equation Modeling (PLS-SEM). A hypothesis is considered supported when the t-value exceeds the critical value of 1.96 at the 5% significance level. The results indicate that three hypotheses (H_1 , H_3 , and H_7) are supported, while the remaining hypotheses (H_2 , H_4 , H_5 , and H_6) are not supported. Specifically, work motivation and work environment significantly influence job satisfaction, whereas job satisfaction has a significant positive effect on employee performance. Conversely, the direct effects of work motivation, work environment, and compensation on employee performance are statistically insignificant. Similarly, compensation does not significantly affect job satisfaction.

4.2 Discussion

The findings of this study demonstrate that employee performance at PT Beton Prima Indonesia is influenced more strongly by employees' psychological responses than by organizational factors

directly. Among the variables examined, work motivation and work environment significantly improve job satisfaction, whereas compensation does not significantly affect job satisfaction. Furthermore, job satisfaction significantly enhances employee performance, while the direct effects of work motivation, work environment, and compensation on employee performance are statistically insignificant. These findings suggest that employees' positive perceptions of their work play a crucial role in translating organizational practices into improved performance [Pombo & Gomes, 2019](#).

The significant relationship between work motivation and job satisfaction indicates that motivated employees tend to experience more positive feelings toward their jobs. This finding supports Herzberg's Two-Factor Theory, which emphasizes that intrinsic motivational factors, including achievement, recognition, responsibility, and opportunities for personal growth, contribute to employees' satisfaction [Herzberg et al., 1959](#). Employees who are motivated to perform their duties perceive their work as meaningful and are therefore more likely to develop favorable attitudes toward the organization. This result is consistent with previous studies reporting that work motivation serves as an important determinant of job satisfaction because motivated employees generally exhibit greater enthusiasm, organizational commitment, and emotional attachment to their work [Masuku et al., 2025](#).

However, work motivation was found to have no significant direct effect on employee performance. This finding suggests that motivation alone is insufficient to improve performance unless it is accompanied by positive psychological conditions. Although employees may possess strong motivation, their performance can still be influenced by various organizational factors such as leadership support, organizational culture, workload, work systems, and job satisfaction [Adinew, 2024](#). Therefore, the effect of motivation appears to operate indirectly by strengthening employees' satisfaction before contributing to better performance. This finding also indicates that organizations should not rely solely on motivational programs but should simultaneously develop supportive working conditions that encourage employees to translate motivation into productive work behavior.

The results also reveal that the work environment has a significant positive effect on job satisfaction but does not directly influence employee performance. A supportive work environment enables employees to perform their duties comfortably, promotes effective communication, and fosters harmonious interpersonal relationships, all of which contribute to higher levels of satisfaction [Karsim et al., 2023](#). This finding is consistent with Herzberg's hygiene factor perspective, which suggests that favorable working conditions reduce dissatisfaction and create a positive organizational climate. Nevertheless, a conducive work environment alone does not automatically increase employee performance. Employees first need to develop positive attitudes toward their work before improvements in performance can be achieved [Abun et al., 2023](#). This result highlights the important role of job satisfaction as a psychological mechanism linking workplace conditions with employee outcomes.

Compensation was found to have no significant effect on either job satisfaction or employee performance. This finding indicates that financial rewards alone may not be sufficient to influence employees' attitudes and behaviors within the organization. Employees may perceive compensation as a standard organizational obligation rather than as a factor that increases satisfaction or encourages higher performance ([Nurlina, 2022](#); [Reddy, 2020](#)). In addition, employees may place greater value on non-financial aspects, such as recognition, career development opportunities, supportive leadership, and positive relationships with supervisors and colleagues [Orujaliyev, 2024](#). These findings suggest that compensation policies should be integrated with broader human resource management strategies rather than being treated as the primary instrument for improving performance.

The strongest relationship identified in this study is the effect of job satisfaction on employee performance. Employees who are satisfied with their work demonstrate greater commitment, higher enthusiasm, stronger organizational engagement, and increased willingness to achieve organizational goals. This finding supports Social Exchange Theory, which argues that employees tend to reciprocate favorable organizational treatment by contributing more effectively to organizational objectives [Rajâa](#)

[& Mekkaoui, 2025](#). When employees experience satisfaction with their work, they are more likely to perform beyond minimum expectations and maintain higher levels of productivity.

Overall, the findings indicate that job satisfaction functions as the primary mechanism through which organizational practices contribute to employee performance. Improving employee motivation and creating a supportive work environment are effective managerial strategies because both factors strengthen employees' satisfaction, which subsequently enhances performance [Affainie & Qutieshat, 2023](#). In contrast, compensation alone does not appear to provide sufficient motivation to improve employee outcomes within the context of this study.

From a managerial perspective, PT Beton Prima Indonesia should prioritize policies that enhance employees' job satisfaction by strengthening intrinsic motivation, improving workplace conditions, promoting effective communication, recognizing employee achievements, and providing opportunities for career development. Such initiatives are expected to foster stronger organizational commitment and sustainable improvements in employee performance. Consequently, organizations should adopt a comprehensive human resource management approach that emphasizes both psychological well-being and organizational support rather than relying primarily on financial compensation.

5. Conclusions

This study explored the influence of work motivation, work environment, and compensation on employee performance, with job satisfaction acting as a mediating variable at PT Beton Prima Indonesia. The findings revealed that while work motivation and the work environment have significant positive effects on job satisfaction, their direct impact on employee performance was not statistically significant. In contrast, job satisfaction plays a critical role in improving employee performance, acting as a crucial mediator between these variables and the performance.

The non-significant impact of work motivation and compensation on performance diverges from earlier research, suggesting that employees at PT Beton Prima Indonesia may not perceive these factors as directly related to their performance. Instead, they view job satisfaction as more essential for driving productivity and effectiveness. This highlights the importance of creating a conducive work environment and focusing on intrinsic factors that boost satisfaction to enhance overall performance.

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Author Contributions

HD conceptualized the study, developed the research methodology, conducted the formal analysis, curated the data, and prepared the original draft of the manuscript. S supervised the research process, validated the findings, and contributed to reviewing and editing the manuscript. SB participated in the investigation, data collection, resource management, validation, and manuscript review and editing. WEPAH administered the project, supervised the overall research activities, contributed to visualization, secured funding acquisition, and reviewed and edited the manuscript. All authors have read and approved the final version of the manuscript and agreed to be accountable for all aspects of the work.

Conflict of Interest

The authors declare that there are no financial, professional, or personal conflicts of interest that could have influenced the research, analysis, interpretation of the data, or the publication of this manuscript.

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