

## Exploration Of Organizational Culture And Compensation Factors In Enhancing Employee Performance

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### ABSTRACT

This study examines the impact of organizational culture and compensation on employee performance at PT XYZ. A strong organizational culture and fair compensation system are recognized as key drivers for enhancing employee performance and overall company productivity. Using a quantitative approach, data were collected via questionnaires distributed to 50 respondents, and multiple linear regression analysis was employed to explore the effects of these variables. The analysis reveals that organizational culture has a significant partial effect on employee performance, supporting the acceptance of the alternative hypothesis. Conversely, compensation does not exhibit a significant partial effect, leading to the acceptance of the null hypothesis. However, when analyzed simultaneously, organizational culture and compensation collectively have a significant effect on employee performance. The coefficient of determination shows that just over half of the variation in employee performance is explained by organizational culture and compensation, while the remainder is influenced by other factors not examined in this study. The findings suggest that enhancing a positive organizational culture should be prioritized as a primary strategy for improving employee performance at PT XYZ, as it plays a more critical role than compensation in driving results.

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### INTRODUCTION

In the era of globalization, where competition is becoming increasingly intense and sharp, employee performance is one of the key factors determining the success of an organization. Employee performance is not only influenced by individual factors but also by organizational culture and the compensation received. Organizational culture encompasses the values, norms, and practices that are structured within a company and shape employees' behavior and attitudes. To achieve organizational goals, both financial and non-financial compensation play an important role in motivating employees.

Organizational culture is an aspect that can influence employee performance and can impact employee attitudes toward results, such as motivation, morale, commitment, and satisfaction. Essentially, organizational culture consists of a set of shared values, beliefs,

attitudes, and traditions that bind members of the organization as a reference for working and interacting within the organization. Many definitions of organizational culture have been proposed by experts. One of the definitions proposed by Armstrong (2017) is as follows: "Organizational or corporate culture is the pattern of values, norms, beliefs, attitudes, and assumptions that may not have been articulated but shape the way in which people behave and things get done. Values refer to what is believed to be important about how people and the organizations behave. Norms are the unwritten rules of behavior."

Based on this definition, organizational or corporate culture can be defined as a pattern of values, norms, beliefs, attitudes, and assumptions regarding how to behave and perform work within an organization. This culture is formed by the work habits established within the organization, which are created by the founders and owners of the organization. The culture originating from the founders is then socialized to employees and subsequent generations of employees. This culture is then learned by the group and used as a reference for solving problems faced by the organization members.

To achieve its objectives, every organization is required to improve its performance. Therefore, human resources are the most important factor that must be considered by companies. Potential human resources, along with the company's large capital capabilities, can lead the company to success. Recognizing the importance of valuable human resources, companies need to pay attention to compensation as a fair reward for the work performed by employees. The compensation received by employees tends to determine their standard of living and social status in society.

Employees receive compensation from employers as a reward for services rendered. Wage levels have a significant impact on how hard employees work. According to Moeherson in (Evayanti & Waloejo, 2019), organizational culture can provide guidance and reinforce behavioral standards to control organizational behavior, enabling effective and efficient performance of tasks and responsibilities to achieve the goals and objectives set by the organization. All benefits provided by employers to employees are part of compensation. When employee performance declines, the quality of their work deteriorates. The importance of compensation for employees significantly affects their behavior and performance. The higher the compensation received by employees, the greater their well-being, motivating them to fulfill their responsibilities. On the other hand, if compensation is low, employee well-being decreases, leading to a decline in work enthusiasm and resulting in losses for the company, preventing it from achieving its objectives effectively. Compensation is always linked to the quantity, quality, and value of services provided by employees to the company where they work. Providing compensation to employees will influence how well organizational goals can be achieved, even affecting the survival of the company.

A combination of positive organizational culture and adequate compensation systems can significantly affect employee performance. A supportive organizational culture provides a conducive work environment, while compensation can serve as an incentive for employees to work hard and perform better. Overall, these two factors support each other in improving employee productivity and effectiveness, which ultimately contributes to the success of the organization.

Given the importance of these factors, this study aims to examine the influence of organizational culture and compensation on employee performance at PT. Prospera Kreasi Boga. By understanding the relationship between these three variables, it is hoped that organizations can develop more effective strategies to enhance employee performance and ultimately achieve better business goals. It is expected that this research will make a significant contribution in understanding the dynamics between organizational culture, compensation, and employee performance.

## METHODS

This study uses a quantitative approach with a survey method to analyze the relationships between variables based on the data obtained. This approach aims to measure the relationship between variables numerically, in accordance with the definition of scientific research according to Sugiyono (2019). This study is descriptive, meaning it reveals the values of the independent variables without relating them to other variables, and it uses a descriptive quantitative approach to represent the data in numerical form.

The population of the study is the employees of PT XYZ Jakarta. A sample of 50 employees was selected using simple random sampling with Slovin's formula, considering a margin of error of 10%. Data were collected through questionnaires, observations, and literature studies. Closed-ended questionnaires were used to obtain data from the respondents, while observations were conducted to directly understand the organizational culture, compensation, and employee performance. Literature studies were used to complement the information with sources from books, articles, and relevant literature.

The operational definitions of the variables are designed to ensure consistency in data collection and interpretation. The independent variables in this study are organizational culture and compensation. Organizational culture includes dimensions such as norms, dominant values, and organizational climate, while compensation includes wages, salaries, incentives, benefits, and facilities. The dependent variable is employee performance, which is measured through work outcomes (quality and quantity), work behavior (time and effectiveness), and responsibility.

The collected data were analyzed using statistical techniques, including validity and reliability tests to ensure that the research instruments met the established criteria. Validity was tested by correlating the statement scores with the total score, while reliability was tested using Cronbach's Alpha, with a significant value above 0.70. Classical assumption tests were performed to ensure that the data met the requirements for regression analysis, including normality, heteroscedasticity, and multicollinearity tests.

Multiple linear regression analysis was used to test the effect of organizational culture and compensation on employee performance. Partial effects were tested through the t-test, while simultaneous effects were tested using the F-test. The coefficient of determination ( $R^2$ ) was used to measure the contribution of the independent variables to the dependent variable. The research model is considered strong if the  $R^2$  value is close to one, indicating a strong relationship between the independent and dependent variables. The results of this analysis

provide an overview of the extent to which organizational culture and compensation influence employee performance at PT XYZ Jakarta.

## RESULTS AND DISCUSSION

### Descriptive Statistics

The respondent characteristics in this study were analyzed to understand their demographics based on gender and length of employment. Of the 50 respondents involved, the distribution by gender was evenly split, with 50% male and 50% female, reflecting gender equality among employees at PT XYZ Jakarta. Meanwhile, regarding the length of employment, the majority of respondents (32.7%) had 3-5 years of work experience, followed by 30.8% with 1-3 years, 28.8% with less than one year, and 7.7% with more than five years of experience.

This study aims to understand respondents' perceptions of organizational culture, compensation, and their impact on employee performance. Descriptive analysis shows that the majority of respondents tend to agree with statements about organizational culture that supports a work-life balance and encourages innovation and creativity. Regarding compensation, most respondents feel that the company's bonus and incentive systems are clear and fair, although some feel dissatisfied with the alignment of salaries with job responsibilities. In terms of employee performance, the majority of respondents showed a tendency to agree that they have high work productivity, are able to meet targets, and receive feedback that supports performance improvement. Overall, the research findings indicate that organizational culture and compensation have an influence on employee performance, with respondents generally providing positive responses to the measured variables.

### Data Quality Testing

In this study, data analysis was conducted using SPSS software, Microsoft Excel, and questionnaires to assess the independent variables (Organizational Culture and Compensation) and the dependent variable (Employee Performance). The analysis included validity and reliability tests.

#### 1. Validity Test

To assess the validity of the instruments, SPSS was used to evaluate the Corrected Item-Total Correlation values. A statement item is considered valid if its  $r$ -calculated value exceeds the  $r$ -table value. The validity tests for Organizational Culture, Compensation, and Employee Performance showed that all variables had valid indicators. For Organizational Culture, Compensation, and Employee Performance, the  $r$ -calculated values were consistently higher than the  $r$ -table value, confirming the validity of the questionnaires used to measure each variable.

#### 2. Reliability Test

Reliability was tested using Cronbach's Alpha in SPSS. A variable is considered reliable if its Cronbach's Alpha exceeds 0.70. The results showed that all variables—Organizational Culture (0.874), Compensation (0.905), and Employee Performance (0.927)—had Cronbach's Alpha values above 0.70, indicating that the instruments used to measure these variables are reliable and consistent.

These tests confirm that the data collection instruments used in this study are both valid and reliable, ensuring the accuracy and consistency of the results.

### Classical Assumption Test

#### Data Normality Test

**Table 1.** Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	0.0000000
	Std. Deviation	7.41920685
Most Extreme Differences	Absolute	0.117
	Positive	0.116
	Negative	-0.117
Test Statistic		0.117
Asymp. Sig. (2-tailed)		,072 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The Kolmogorov-Smirnov Test is used in this study to assess the normality of data by evaluating the significance of residuals. The testing criteria state that if the significance value is greater than 5% (0.05), the data is considered to have a normal distribution. Conversely, if the significance value is less than 5% (0.05), the data is considered not to have a normal distribution. Based on the analysis results, the Asymp. Sig. (2-tailed) value obtained is 0.072, which is greater than  $\alpha = 0.05$ . This indicates that the data has a normal distribution and meets the requirements for regression analysis.

#### Multicollinearity Test

**Table 2.** Multicollinearity Test

Coefficients <sup>a</sup>			
Model	Collinearity Statistics		
		Tolerance	VIF
1	TOTAL_X1	0.455	1.815
	TOTAL_X2	0.455	1.815
a. Dependent Variable: TOTAL_Y			

The results of the multicollinearity test show that there are high values of variables in the sample, which can increase the standard error and cause the t-statistic to be smaller than the t-table when testing coefficients. A good regression model should be free from correlations between variables to avoid multicollinearity. To detect multicollinearity in the regression model, the Variance Inflation Factor (VIF) and tolerance indicators are used. Based on the analysis, the tolerance value for the organizational culture (X1) and compensation (X2)

variables is 0.455, which is greater than 0.10, while the VIF value for both variables is 1.815, which is less than 10. Therefore, it can be concluded that there is no indication of multicollinearity in the regression model used.

### Heteroscedasticity Test

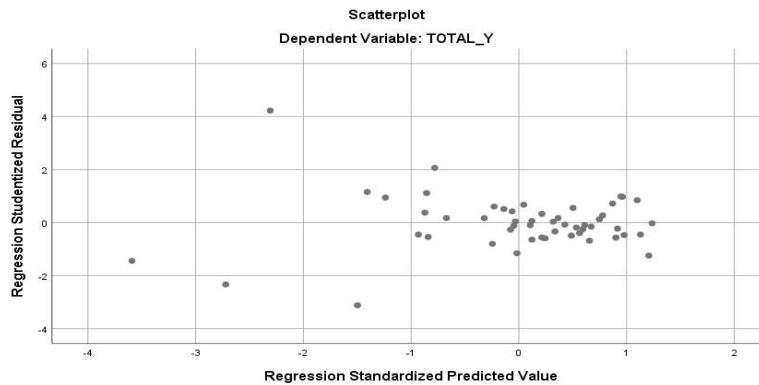


Figure 1. Heteroscedasticity Test

Heteroscedasticity testing was conducted using the Glejser method to determine whether there are any issues of heteroscedasticity in the regression model. The testing criteria are as follows: if the significance value is greater than 0.05 ( $\alpha = 0.05$ ), it can be concluded that there is no heteroscedasticity. Conversely, if the significance value is less than 0.05, heteroscedasticity is present.

Based on the analysis using a scatterplot, it is observed that the data points are randomly scattered both above and below zero on the Y-axis, without forming any specific pattern. The distribution of points that are not concentrated above or below the Y-axis indicates the absence of heteroscedasticity. Therefore, the regression model used can be considered valid.

### Hypothesis Testing

Table 3. Multiple Linear Regression Test

Model	Coefficients				t	Sig.
	Unstandardized Coefficients		Standardized	Beta		
	B	Std. Error	Coefficients			
1 (Constant)	7.014	3.014			2.420	0.041
TO-TAL_X1	0.821	0.285	0.512		3.922	0.000
TO-TAL_X2	0.074	0.142	0.083		0.553	0.562

a. Dependent Variable: TOTAL\_Y

T-Test is used to test the partial influence of independent variables on the dependent variable by comparing the calculated t-value with the critical t-value at a significance level of 5% ( $\alpha = 0.05$ ). The results of the analysis show that the t-value for the organizational culture variable is 3.922, while the critical t-value for 47 degrees of freedom (df) is 2.009. With a significance value of 0.000, which is less than 0.05, it can be concluded that the calculated t-value is greater than the critical t-value, and the significance meets the criteria. This indicates a positive and significant effect of organizational culture on employee performance. On the other hand, for the compensation variable, the calculated t-value is 0.553, which is smaller than the critical t-value of 2.009. The significance value obtained is 0.562, which is greater than 0.05. This result indicates that there is no significant or positive effect of compensation on employee performance.

**Table 4. F Test**

Model	Sum of Squares	df	ANOVAa		
			Mean Square	F	Sig.
1 Regres- sion	1726.780	2	863.390	23.431	,000b
Residual	1614.047	49	32.940		
Total	3340.827	51			

a. Dependent Variable: TOTAL\_Y  
 b. Predictors: (Constant), TOTAL\_X2, TOTAL\_X1

F-Test is used to test the simultaneous effect of organizational culture and compensation on employee performance. The results of the analysis show that the calculated F-value is 23.431, while the critical F-value for  $df_1 = 2$  and  $df_2 = 47$  at a significance level of 0.05 is 3.19. The significance value obtained is 0.000, which is less than 0.05. Therefore, it can be concluded that the calculated F-value is greater than the critical F-value, and the significance meets the criteria. This indicates that organizational culture and compensation, when tested simultaneously, have a positive and significant effect on employee performance.

**Discussion**

In this study, the effects of Organizational Culture (X1) and Compensation (X2) on Employee Performance (Y) were examined using various statistical methods, including T-tests and F-tests. The primary aim of the research was to understand how these two independent variables influence the performance of employees at a company. Organizational culture, defined as the shared values, beliefs, and practices within an organization, is crucial in shaping employee behavior, work ethics, and overall performance. Compensation, on the other hand, refers to the financial rewards and benefits given to employees in exchange for their work, which can directly impact their motivation and performance.

The T-test results for Organizational Culture (X1) revealed that it has a significant impact on employee performance (Y). This was evident from the calculated t-value, which exceeded the critical value from the t-table, and the significance level was lower than the threshold, confirming that the null hypothesis was rejected. Organizational culture plays an

important role in shaping the work environment, influencing employee engagement, job satisfaction, and ultimately performance. When the organizational culture supports positive values, fosters creativity, and encourages collaboration, employees are more likely to feel motivated and perform at their best.

In contrast, the results for Compensation (X2) showed no significant effect on employee performance. The calculated t-value was smaller than the critical value from the t-table, and the significance level was greater than the threshold, leading to the acceptance of the null hypothesis. Compensation, while important in attracting and retaining talent, may not always directly influence day-to-day performance, as it can be overshadowed by other factors such as job satisfaction, organizational culture, and work-life balance. This finding suggests that while financial incentives are important, they may not be as crucial in driving high performance as the intangible aspects like organizational culture.

The lack of significant findings for Compensation may also be attributed to the specific context of the study. In many organizations, compensation packages are often standardized and may not vary greatly among employees, particularly if they are part of a larger, hierarchical structure. In such cases, employees may prioritize other factors, such as work relationships or organizational values, over the financial rewards offered by the company. Therefore, even though compensation is a key motivator, it might not always directly translate into improved performance if other factors are not aligned. However, when both Organizational Culture (X1) and Compensation (X2) were analyzed together through an F-test, the results showed a significant effect on employee performance. The calculated F-value exceeded the critical F-value, and the significance level was well within the acceptable range, indicating that these two variables, when considered together, have a positive and significant impact on employee performance. This suggests that a well-rounded approach, incorporating both a supportive organizational culture and fair compensation, is essential for maximizing employee performance.

The interaction between organizational culture and compensation highlights the importance of a holistic approach to employee motivation. While compensation alone may not lead to significant improvements in performance, its combination with a positive organizational culture can create an environment where employees feel valued and empowered to perform their best. A supportive organizational culture can enhance the effectiveness of compensation by fostering a sense of belonging, job satisfaction, and alignment with organizational goals, which in turn can improve overall performance.

These findings emphasize the need for companies to focus not only on competitive compensation packages but also on creating a work environment that promotes employee engagement, creativity, and collaboration. When employees feel that their contributions are recognized and valued, and when they are part of a culture that supports their growth and development, they are more likely to be motivated and perform at high levels. The results of this study also suggest that organizations should invest in cultivating a strong organizational culture that aligns with their strategic objectives. Organizational culture affects various aspects of employee behavior, including work ethics, communication, and collaboration. A positive culture that encourages innovation, teamwork, and transparency can enhance

employee performance and contribute to achieving organizational goals. In contrast, a toxic or negative organizational culture can lead to disengagement, low morale, and poor performance.

In light of these findings, it is recommended that organizations prioritize the development of a strong, positive organizational culture alongside competitive compensation strategies. Companies should focus on creating an environment where employees feel motivated, respected, and supported in their roles. This can be achieved through initiatives such as regular feedback sessions, employee recognition programs, team-building activities, and opportunities for career growth and development. Moreover, organizations should regularly assess the effectiveness of their compensation strategies to ensure that they remain competitive within the industry and meet the needs of their employees. While compensation alone may not guarantee high performance, it can serve as an important motivator, particularly when it is aligned with performance metrics and employee expectations.

Furthermore, organizations must recognize that employee performance is influenced by a wide range of factors, both internal and external to the workplace. External factors such as personal circumstances, work-life balance, and job market conditions can also impact employee performance. Therefore, it is important for organizations to take a comprehensive approach to employee performance, considering both tangible and intangible factors that contribute to success.

This study also provides valuable insights for future research on the relationship between organizational culture, compensation, and employee performance. Future studies could explore additional variables that may affect performance, such as leadership styles, job design, and organizational communication. Additionally, longitudinal studies could provide deeper insights into the long-term effects of organizational culture and compensation on employee performance over time.

In conclusion, the findings of this study highlight the significant role of organizational culture in driving employee performance, while compensation, although important, does not have as significant a partial effect. The combination of a positive organizational culture and fair compensation is crucial for enhancing employee performance. By focusing on both aspects, organizations can create an environment that fosters high employee engagement, productivity, and satisfaction, leading to overall organizational success.

## CONCLUSION

This study concludes that organizational culture significantly influences employee performance at PT XYZ. A positive organizational culture, marked by strong values and norms, enhances employees' attitudes and behaviors, directly improving their performance. This underscores the importance of cultivating a supportive and productive work environment. While compensation is crucial for attracting and retaining employees, the study found it does not have a significant direct effect on performance. Compensation, though motivational, may not lead to improved performance unless factors like organizational culture are also addressed. When both organizational culture and compensation were considered together, they were found to significantly influence employee performance. This suggests that

combining a positive organizational culture with competitive compensation is more effective in enhancing performance. Management should focus on fostering a positive culture aligned with company goals while ensuring competitive compensation packages. In conclusion, the study highlights the critical role of organizational culture in shaping employee performance. Compensation alone does not guarantee improved performance, but when paired with a strong organizational culture, it can significantly enhance employee effectiveness and contribute to the company's overall success.

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