

Analysis of the Effect of Compensation and Intellectual Capital Through Job Satisfaction on Performance

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ABSTRACT

This study aims: (1)to examine and analyze the effect of compensation and intellectual capital on job satisfaction, (2)to examine and analyze the effect of compensation and intellectual capital on employee performance, (3)to examine and analyze the effect of job satisfaction on employee performance, and (4)to examine and analyze the effect of compensation and intellectual capital on employee performance through job satisfaction. This study uses primary data through a survey of 335 employees as a sample of a total of 2.076 employees. Data were analyzed using the structural equation modeling (SEM) program. The results showed: (1)compensation and intellectual capital have a positive and significant effect on job satisfaction, (2)compensation and intellectual capital have a positive and significant effect on employee performance, (3)job satisfaction has a positive and significant effect on employee performance, and (4)compensation and intellectual capital have a positive and significant effect on employee performance through job satisfaction

INTRODUCTION

State Electricity Company or PT. PLN (Persero) is a state-owned company that takes care of all aspects of electricity in Indonesia. PT. PLN (Persero) handles all stages of electricity from upstream to downstream, from producing electricity to managing payment methods and handling customer complaints. PT. PLN (Persero) functions more as an agent of development with a heavy burden of responsibility, especially in maintaining the stability of the function of production and distribution of electricity supply to the wider community, including in South Sulawesi, Southeast Sulawesi, and West Sulawesi. The government, as the majority shareholder of BUMN, has decided to postpone the plan to increase the TDL because people's purchasing power has not stabilized after the previous TDL increase. This means PT. PLN (Persero) and the Government cannot immediately increase the selling price of electricity. There are too many elements to consider and calculate the selling price of electricity, including people's purchasing power and the economic situation which are the main considerations, so that PT. PLN (Persero) cannot directly charge increased costs to its customers. Thus, PT. PLN (Persero) is trapped in a dilemma situation, namely: raising tariffs is wrong, not increasing is also wrong. If the TDL is increased, then PT. PLN (Persero) will be faced with the inability of the community to pay for electricity. Even the basic electricity tariff often becomes a political commodity so that the increase in electricity rates often becomes a political issue that is placed as a policy. The government prefers to provide electricity subsidies which are basically a form of government intervention for the lack of ability of the people to pay the selling price of electricity.

The observation results found that there were phenomena related to the human resources of PT PLN (Persero), it was seen that there were still employees who did not make good use of their working time such as being late for work, not coming to the place even though they should still be on duty, leaving work earlier than the regular rest time has been scheduled. Determined, many employees take a break or relax during working hours and leave the office before going home determined, many employees rest or relax during working hours and leave the office before going home. The phenomenon that occurred at PT. PLN (Persero) from year to year until now is very complex, starting from a decrease in electricity production which causes a decrease in company investment, an increase in the basic electricity rate causes consumers to distrust the service because the electricity production is inadequate, there are limited natural resources and human resources lead to poor accountability to management. Because of these factors, other problems arose regarding financial management, including: irrelevant employee salary issues, procurement of equipment that had too high a price, and purchases that were not in accordance with the company's plans. The theory that discusses compensation is explained by Michael and Harold (2001:443),

that a number of packages are offered by organizations to workers in return for using their workforce. Compensation is divided into three forms, namely: material, social and activity. Forms of material compensation can be in the form of salaries, benefits, bonuses and commissions (As'ad, 2004). Giving social compensation is closely related to the need to interact with others, such as: status, recognition, appreciation for career development and promotion. Giving activity compensation can be in the form of "power" possessed by an employee to carry out activities outside of his routine work, so that work boredom does not arise, delegation of authority, responsibility, participation in decision making, as well as personality development training. Previous research that is relevant to this research is research conducted by Darma and Supryanto (2017) showing the results that compensation has a positive and significant effect on satisfaction and performance. Meanwhile, research conducted by Pradita (2017) showed results that compensation had a negative and significant effect on performance.

The theory that discusses intellectual capital is explained by Jurczak (2008) describing intellectual capital as all resources that are interconnected with each other (material or non-material, tangible or intangible) that are disposed of by organizations in creating the value needed to gain competitive advantage in a period long-term. The main components of intellectual capital are: human capital (competence capital, attitude and intellectual agility of all members of the organization and their ability to make decisions, solve problems); organizational capital (intellectual property, organizational structure, databases and computer equipment, management style, organizational culture); relational capital (relationships with customers, strategic partners, investors). Intellectual capital as one of the capitals in the scientific literature is referred to as a resource for the company's progress in the future (Luthans, 2017).

The results of previous research relevant to the intellectual capital variable were carried out by Hidayat and Azzahra (2019), showing that intellectual capital has a positive and significant effect on employee performance.

The novelty in this study is that the theory used is different from previous research, there has been no previous research that examined the effect of intellectual capital on job satisfaction, the research periodization and research locations are different from previous research.

LITERATURE REVIEW

Compensation

Compensation uses the reward theory which is explaining that a number of packages are offered by the organization to workers in return for using their workforce (Michael and Harold, 2001). Compensation is divided into three forms, namely: material, social, and activity. Forms of material compensation can be in the form of salaries, benefits, bonuses, and commissions. Giving social compensation is closely related to the need to interact with others, such as: status, recognition, appreciation for career development and promotion. Giving activity compensation can be in the form of "power" possessed by an employee to carry out activities outside of his routine work, so that work boredom does not arise, delegation of authority, responsibility, participation in decision making, as well as personality development training.

Intellectual Capital

Intellectual capital uses the connectedness theory which describes intellectual capital as all resources that are connected to each other (material or non-material, tangible or intangible) that are disposed of by organizations in creating the value needed to gain competitive advantage over a long period of time long (Jurczak, 2008). The main components of intellectual capital are: human capital (competence capital, attitude, and intellectual agility of all members of the organization and their ability to make decisions, solve problems); relational capital (relationships with customers, strategic partners, and investors); organizational capital (intellectual property, organizational structure, databases and computer equipment, management style, with organizational culture). Intellectual capital as one of the capitals in the scientific literature is referred to as a resource for the company's progress in the future.

Job Satisfaction

Job satisfaction is measured by the theory of equity theory (theory of justice) which is this theory is based on the assumption that people are motivated by the desire to be treated fairly in work which in essence is that people who get job satisfaction are people who get justice (As'ad, 2004).

Performance

Performance is measured by the theory of performance appraisal explaining that performance is the result of work achieved by a person or group within an organization, according to their respective authorities and responsibilities in order to achieve goals (Dessler, 2018:49). The organization concerned is not legally violating any law, morals, or ethics.

METHODOLOGY

This research was carried out in the main implementing unit (Office of PT. PLN (Persero)) and all implementing units (Branch Offices, Sector Offices, South Sulawesi AP2B System Office, and Makassar APD Office).

The research instrument used was a questionnaire. Questionnaire is a research instrument that consists of a set of questions (or other types of prompts) for the purpose of gathering information from respondents through survey or statistical study (Ratnawita et al., 2023). Questionnaire given to employees of PT. PLN (Persero) South Sulawesi, Southeast Sulawesi and West Sulawesi Regions. The questionnaire consists of several statements using a likert scale with the conversion of five alternative answers instrument validity testing, testing the validity of the instrument was carried out using the SPSS for wind program. Each item statement in the questionnaire must be positively correlated with the total score of the statement. Items that have a high correlation coefficient can be considered to have high validity as well. An indicator is said to be valid if the correlation value is > 0.6 (Hair, et al., 2006:118). Testing the reliability of research instruments, the reliability of the instrument is measured by cronbach's alpha, that is, if the cronbach's alpha coefficient is > 0.6 , it means that the reliable instrument meets the reliability requirements. However, if cronbach's alpha < 0.6 means the instrument does not meet the reliability requirements (Hair, et al., 2006:118).

This research basically wants to get the best model to explain the direct and indirect effects of exogenous and endogenous variables, namely between compensation, intellectual capital and job satisfaction on performance. On this basis, in this study the statistical technique structural equation model (SEM) was used using AMOS 18.0 software. SEM is a powerful, multivariate technique found increasingly in scientific investigations to test and evaluate multivariate causal relationships. SEMs differ from other modeling approaches as they test the direct and indirect effects on pre-assumed causal relationships (Kurdhi et al., 2023; Pandiangan, 2023).

RESULTS AND DISCUSSION

Characteristics of the Respondents

The characteristics of the respondents can be known from the results of research conducted on all employees at PT. PLN (Persero) South Sulawesi, Southeast Sulawesi and West Sulawesi Region, South Sulawesi Province (abbreviated PT. PLN (Persero) SulSelTraBar Region) totaling 335 respondents including: gender, age level, education level, and years of service. The characteristics of the respondents, can be explained as follows.

Table 1. Distribution of Respondents by Gender at PT. PLN (Persero) for the SulSelTraBar Region in 2021

Number	Gender	Frequency (Person)	Percentage (%)
1.	Male	242	72.24
2.	Female	93	27.76
Amount		335	100.00

Source: Primary Data Processed (2021)

Based on the data in Table 1 above, it can be explained that the composition of respondents according to gender was mostly male, namely 242 people (72.24%) compared to female sex, which was less in number, namely 93 people (27.76 %). Even though there are differences, it is hoped that employees will help each other in carrying out the tasks and responsibilities that have been given in order to improve employee performance at PT. PLN (Persero) SulSelTraBar Region.

Table 2. Distribution of Respondents by Age Level at PT. PLN (Persero) for the SulSelTraBar Region in 2021

Number	Age Level (Year)	Frequency (Person)	Percentage (%)
1.	≤ 33	18	5.37
2.	34 - 39	130	38.81
3.	40 - 45	86	25.67
4.	≥ 46	101	30.15
Amount		335	100.00

Source: Primary Data Processed (2021)

Based on the data in Table 2 above, it can be explained that there were 18 respondents aged 33 years and under (5.37%), aged 34-39 years as many as 130 people (38.81%), aged 40-45 years as many as 86 people (25.67%), and 101 people aged 46 years and over (30.15%). This means that in general, respondents with an age level of 34 to 39 years are considered to be of sufficient age so that they can support the achievement of better employee performance. Meanwhile, employees who are still young can show better performance, if they have adequate knowledge and skills according to their respective fields.

Table 3. Distribution of Respondents by Education Level at PT. PLN (Persero) for SulSelTraBar Region in 2021

Level of Education	Amount (Person)	Percentage (%)
SLTA	122	36.42
D1	41	12.24
D3	55	16.42
S1	105	31.34
S2	11	3.28
S3	1	0.30
Amount	335	100.00

Source: Primary Data Processed (2021)

Based on the data in Table 3 above, it can be explained that the education level of the respondents who occupied the highest proportion was SLTA with 122 people (36.42%), followed by an undergraduate education level with 105 people (31.34%), D3 with 55 people (16.42%), D1 were 41 people (12.24%), and S2 were 11 people (3.28%). From these data it can be said that the educational level of employees at PT. PLN (Persero) for the Sulseirabar Region is quite adequate because almost half of the employees have a Bachelor's level of education. An adequate level of education is expected to create a good performance. However, it is realized that the level of education is not the only factor that determines a person's performance, because employees with SLTA education may show better performance than employees with higher education.

Table 4. Distribution of Respondents by Working Period at PT. PLN (Persero) for the SulSelTraBar Region in 2021

Number	Years of Service (Year)	Frequency (Person)	Percentage (%)
1.	≤ 11	39	11.64
2.	12- 17	217	64.78
3.	≥ 18	79	23.58
	Amount	335	100.00

Source: Primary Data Processed (2021)

Based on the data in Table 4 above, it can be explained that the working period of the respondents was between 7-23 years, that is for the interval of working period of 11 years and below there were 39 people (11.64%), working period of 12-17 years there were 217 people (64.78%), and 79 people aged 18 years and over (23.58%). From these data it can be said that the dominant employee tenure is 12 to 17

years. This means employees of PT. PLN (Persero) for the SulSelTraBar Region already has sufficient experience in completing the work.

Based on the description of the characteristics of the respondents above, it shows that there is diversity. This is not intended to relate to the level of employee performance at PT. PLN (Persero) SulSelTraBar Region, but at least this illustrates that in this study the various characteristics of the respondents were captured and allowed variations in employee responses and statements to the research variables.

Hypothesis Testing

Furthermore, interpreting the model can be done by looking at the value of the path coefficient of the indirect effect and the total effect as shown in Table 5.

Furthermore, testing the hypothesis by comparing the t-count value with the t-table value, if the t-count value > t-table, then the relationship between the variables is significant and can be analyzed further. At the degree of freedom (df) = 309, the t-table value of 0.05 is 1.9.

Table 5. Direct, Indirect, and Total Influence Coefficient Values between Variables in the SEM Model

No.	Variable			P-Value (≤ 0,05)	Direct	Indirect	Total	Information
	Exogenous	Intervening	Endogenous					
1	Compensation (X ₁)	-	Job Satisfaction (Y ₁)	0.000	0.356	-	0.356	Significant
2	Intellectual Capital (X ₂)	-	Job Satisfaction (Y ₁)	0.011	0.207	-	0.207	Significant
3	Compensation (X ₁)	-	Performance (Y ₂)	0.001	0.304	-	0.304	Significant
4	Intellectual Capital (X ₂)	-	Performance (Y ₂)	0.033	0.243	-	0.243	Significant
5	Job Satisfaction (Y ₁)	-	Performance (Y ₂)	0.010	0.205	-	0.205	Significant
6	Compensation (X ₁)	Job Satisfaction (Y ₁)	Performance (Y ₂)	0.000	0.304	0.155	0.459	Significant
7	Intellectual Capital (X ₂)	Job Satisfaction (Y ₁)	Performance (Y ₂)	0.000	0.243	0.046	0.289	Significant

Source: Results of Analysis with SEM (2021)

Based on the data in Table 5, it can be interpreted that the results of testing the direct effect, indirect effect and total effect between variables as well as the empirical findings of this study are as follows:

The test results show that the direct effect coefficient value between compensation and job satisfaction is 0.356. This means that compensation can significantly support job satisfaction. Thus, the first hypothesis is accepted.

The test results show that the direct effect coefficient value between intellectual capital and job satisfaction is 0.207. This means that intellectual capital is able to significantly support job satisfaction. Thus, the third hypothesis is accepted.

The test results show that the direct effect coefficient value between compensation and employee performance is 0.304. This means that compensation is able to significantly support employee performance. Thus, the sixth hypothesis is accepted.

The test results show that the direct effect coefficient value between intellectual capital and employee performance is 0.243. This means that intellectual capital is able to support employee performance significantly, so that the seventh hypothesis is accepted.

The test results show that the direct effect coefficient value between job satisfaction and employee performance is 0.205. This means that job satisfaction can support employee performance significantly, so that the eighth hypothesis is accepted.

The test results show that the coefficient value of the direct effect between compensation and employee performance is 0.304 and the indirect effect through job satisfaction with a positive value of 0.155, while the total effect which is the sum of the direct effects and indirect effects through job satisfaction a figure of 0.459 was obtained. This means that the impact of intervening variables can strengthen the relationship between compensation and employee performance which is supported by facts and empirical data.

The test results show that the coefficient value of the direct effect between intellectual capital and employee performance is 0.243 and the indirect effect through job satisfaction with a positive value is 0.046, while the total effect which is the sum of the direct effects and indirect effects through satisfaction work obtained a figure of 0.289. This means that the impact of intervening variables can strengthen the relationship between intellectual capital and employee performance which is supported by facts and empirical data.

CONCLUSIONS AND RECOMMENDATIONS

The conclusion of this study is compensation has a positive and significant influence on employee job satisfaction. This means that the more sufficient the inventory, the higher the job satisfaction of employees. Intellectual capital has a positive and significant direct effect on job satisfaction. This means that the more effective the intellectual capital, the higher the job satisfaction of employees. Compensation has a positive and significant influence on employee performance. This means that the more adequate the compensation, the employee's performance will increase as well. Intellectual capital has a positive and significant influence on employee performance. This means that the better the intellectual capital, the higher the employee performance. Job satisfaction has a positive and significant influence on employee performance. This means that the higher the job satisfaction, the higher the employee performance. The coefficient value of the direct effect between compensation and employee performance and the indirect effect through job satisfaction with a positive value, and the total effect indicates the impact of job satisfaction which can strengthen the relationship between compensation and employee performance. The coefficient value of the direct effect between intellectual capital and employee performance and the indirect effect through job satisfaction with a positive value, and the total effect which shows the impact of job satisfaction which can strengthen the relationship between intellectual capital and employee performance.

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