

Factors That Determine Employee's Performance: A Case of Electronic Manufacturing Company in Indonesia

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Abstract: The objective of this research is to determine factors that affect employee's performance. This research used observation object of 200 employees from electronic manufacturing company. Some hypothesized factors based on literature review were tested using Structural Equations Modeling (SEM). The result shows that working motivation and organization behavior significantly affect employee's performance. Contrary to the common believe, however working satisfaction and employee's commitment toward organization do not affect employee's performance. Work motivation had bigger impact than organization culture on employee's performance. Employee's performance is important to the company because it will affect to productivity of the company and company's performance. Working motivation influences employee's performance because employees feel comfortable with the internal environment of company. Furthermore, the company has values that become reference for the employees which are responsibility, quality, productivity, integrity and loyalty.

Key words: Employee's performance, employee, productivity, SEM, Indonesia

INTRODUCTION

Companies in electronic and material accessories in Indonesia currently are rapidly growing. However in the face of this rapid growth, competition also becomes stringent in this industry. To keep sustain and growing, therefore each company has to do a correct human resource management. The correct human resources management is needed to create effectiveness and efficiency for the company to reach employee's performance. Employee's performance is affected by working motivation, organization culture, working satisfaction and employee's commitment toward organization. Employee's performance can be seen by time discipline and attendance. This research conducted at one of the electronic company in Indonesia which are focused on the performance of an employee because of lateness and absenteeism. Based on that reason, the objective of this research is to determine factors that will effect toward employee's performance. The result of this research is expected to be useful for companies to increase employee's performance.

Literature review: Widyaningrum (2011) conducted a research to examine the effect of motivation and organization culture on organization commitment and

employee's performance in hospitals in Indonesia. The method that used was SEM analysis to test the hypothesis. The result shows that employee's performance in hospital is affected by work motivation, organization culture and organization commitment. Organization culture has the biggest effect on employee's performance.

In their research on the effect of motivation on employee's performance in Nigeria, Gana and Bababe (2011), using simple frequency distribution and percentages method found out that motivation is affected by incentive which in turn has positive impact on employee's performance. Motivation is one among complex problem in the company because the need and desire of every employee's in the company is different. The research in measuring working motivation was based on McClelland theory using 11 indicators.

Nazilah *et al.* (2012) in their research, define relation between motivation and organization commitment. This research aims to investigate the relationship between motivation and organizational commitment among college student volunteers. A quantitative correlation research method was used to analyze the data. This research used 350 samples from four public universities in Peninsular Malaysia. Data were analyzed using descriptive and

inferential analysis. The results of the research revealed that overall motivation, altruistic, understanding, self-enhancement and self-protection subscale were positively correlated to organizational commitment.

In his research regarding relationship between organization culture and performance in textile companies in Nigeria, Aluko (2003) revealed that organization culture has positive relation between organization culture and company's performance in textile industry. Organization culture is a system of shared meaning that adopted by the organization member that distinguished an organization with the other organization (Sunyoto, 2012a). In this research, organization culture is measured based on McKenna and Beech theory (Sunyoto, 2012b) by using 8 indicators.

Saleem *et al.* (2010), conducted a study about the effect of work motivation on job satisfaction in Mobile Telecommunication Service Organizations of Pakistan. This research is observing the motivation impact on working satisfaction. The research showed that there's a positive relation and significant effect between motivation and working satisfaction.

In the research conducted by Syauta *et al.* (2012) at Municipal Waterworks in Indonesia with sample of 127 employees using Partial Least Square (PLS) method and Sobel test, show that organization culture did not have direct effect on employee's performance but indirectly through working satisfaction. Organization commitment however is directly and significantly effecting employee's performance.

In testing an effect between working satisfaction toward organization commitment in 280 Iran workers, Eslami and dan Gharakhani (2012) showed that the working satisfaction have a positively significant effect on organization commitment. In this research, working satisfaction was measured using Robbins and Luthan theory with 7 indicators.

Qaisar *et al.* (2012) in their research, studied the impact of organizational commitment on employee's performance. Organizational commitment was measured with 3 indicators or operational variables, i.e., affective, sustainable and normative commitment. This research is testing the performance of the Pakistan police, using correlation and regression analysis. The result revealed that organization commitment have a positively significant effect on performance. Organization commitment in this research was measured by 8 indicators that was proposed by Allen and Meyer.

MATERIALS AND METHODS

The model for this research is based on the result of the previous studies discussed in the literature review. All variables are concept or latent variables and the structure or the relationship among the variables is depicted in Fig. 1. As can be seen from Fig. 1, the main variables of interest to the researcher, i.e., the dependent

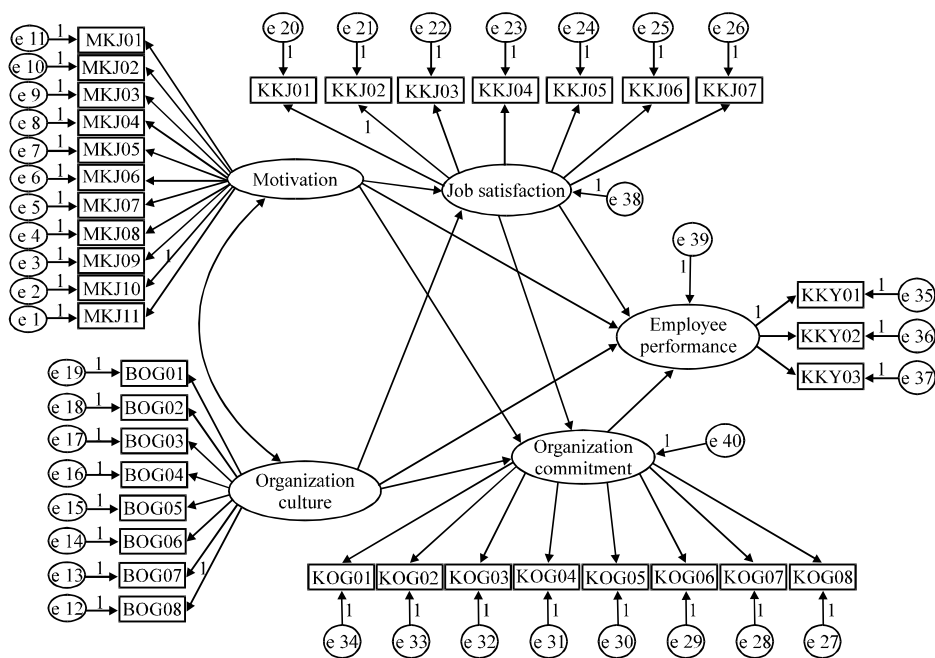


Fig. 1: Model of the relationship among variables in the research (AMOS based notation)

variable is employee's performance which is affected both directly and indirectly by variables motivation, job satisfaction, organization culture and organization commitment. Indicators or operational variables were devised for each of these from Fig 1, the main variable of interest to the researcher, i.e., the dependent variable, is employee's concept variables, again based on the previous studies. The total 37 operational variables, there were 3 for employee performance, 8 for organization commitment, 8 for organization culture, 7 for job satisfaction and 11 for working motivation. For example, KKY01-KKY03 were the operational variables for employee performance (Fig. 1). The complete set of these operational variables were given in Appendix. The data were collected using questionnaire where each of the operational variables was measured based on a 5 point Likert scale with scale anchors from 1 strongly disagree to 5 strongly agree.

Data was analyzed using Structural Equations Modeling (SEM) with Maximum Likelihood (ML) estimation method. The first step under SEM is to ensure that predetermined indicators or operational variables are indeed valid and reliable measures of the respective latent variable they represent. Confirmatory Factor Analysis (CFA) was used to confirm the reliability and validity of the measures and to determine the weight or contribution of each indicator to the latent variable it represents (the factor loading).

The second step under SEM which was to estimate the parameters of the model, i.e., testing significant and the magnitude of the relationship between dependent and independent latent variables was simultaneously estimated using multiple regression analysis. The following model is an equation for employee performance:

$$KKY = \beta_1 MKJ + \beta_2 BOG + \beta_3 KJ + \beta_4 KOG + e \quad (1)$$

Where:

- KKY = Employee performance
- MKJ = Motivation
- BOG = Organization culture
- KJ = Job satisfaction
- KOG = Organization commitment
- e = Disturbance error
- β_1, \dots, β_4 = Regression parameters

Similarly two other equations were also formulated, one for each endogenous variables, i.e., job satisfaction and organization commitment. The hypotheses for the research are as follows:

H₁: There is an impact of working motivation on performance

- H₂: Working satisfaction is affected by working motivation
- H₃: There is an effect of motivation on organization commitment
- H₄: There is an effect of organization culture on employee's performance
- H₅: There is an effect of organization culture working satisfaction
- H₆: There is an effect of organization culture on organization commitment
- H₇: There is an effect of working satisfaction on organization commitment.
- H₈: There is an effect of working satisfaction on employee's performance
- H₉: There is an effect of organization commitment on employee's performance

RESULTS AND DISCUSSION

The result from the data analysis using SPSS-AMOS 118 goodness-of-fit indicated that the model fit the data well as shown by the Chi-square value of 659.913 with p-value = 0.118 which is >0.05 that is with significance level of 5%. This result also conformed by other statistics on goodness of fit as can be seen in Table 1. The complete estimates of the parameters and factor loading are given in Fig. 2.

From Confirmatory Factor Analysis (CFA) results that is, the factor loading, as all factor loading are >0.5, it can be concluded that all operational variables are valid and reliable indicator of each respective concept variables they represent. This is also confirmed by the alpha chronbach value which are all >0.6.

The result of the regression analysis indicated that motivation significantly affects job satisfaction at 0.1% significant level (Hypothesis 1). Similarly, organization culture also significantly related to job satisfaction at 0.1% significant level (Hypothesis 2). Hypothesis 3, effect of motivation on organization commitment, was not significant at 5% significant level or even at 10% significant level. Hypothesis 4, i.e., effect of organization culture on organization commitment was not significant level of 5%. However, it was significant at 10% significant level. Since in social sciences significant level of 10%

Table 1: Goodness-of-fit test

Goodness-of-fit	Analysis result	Cut off value	Modevaluation
Chi-square	659.913 (p = 0.118)	Probability ≥ 0.05	Good
GFI	0.856	Approaching	Approaching
AGFI	0.836	>0.8	Good
TLI	0.989	>0.9	Good
CFI	0.990	≥ 0.90	Good
RMSEA	0.018	≤ 0.08	Good

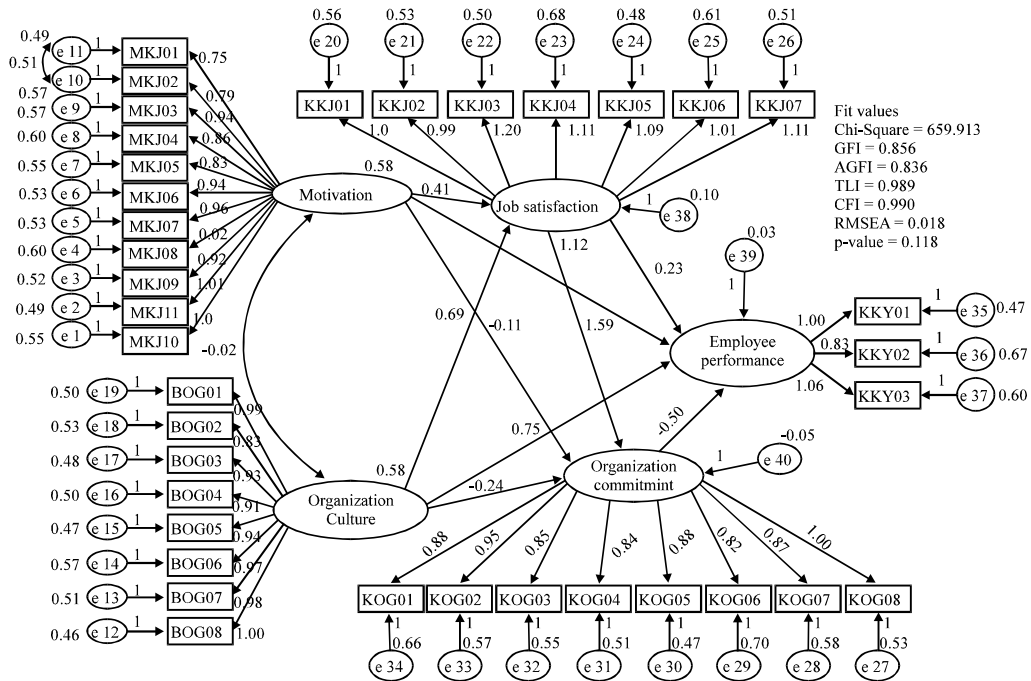


Fig. 2: SEM results, goodness-of-fit, CFA and regression analysis

is generally accepted, it can be concluded that organization culture has significant effect on organization commitment. Hypothesis 5, i.e., the effect of job satisfaction on organization commitment was significant at 0.1% significant level. Similarly hypothesis 6 and 7, i.e., the impact of motivation on employee’s performance and the impact of organization culture on employee’s performance were both significant at 0.1% significant level. However, the impact of both job satisfaction and organization commitment on employee’s performance were not significant (Table 2).

It means that only motivation and organization culture that have a direct effect significantly on employee’s performance. The result of hypothesis 1 and 4 is consistent with the research of Widyaningrum (2011). Hypothesis 1 is in line with the research of Gana and Bababe (2011) and hypothesis 4 supports the research Aluko (2003). Hypothesis 2 is consistent with the result of Saleem *et al.* (2010) and hypothesis 5 is in line with the research of Syauta *et al.* (2012). Hypothesis 7 is consistent with the research of Eslami and dan Gharakhani (2012). Because of working satisfaction and organization commitment do not have a direct effect toward employee’s performance so working motivation and organization culture do not have an indirect effect toward employee’s performance. Working satisfaction does not affect employee’s performance where the result

Table 2: Result of regression analysis

Hypothesis	Estimate	p-values
Motivation(→)Job satisfaction	0.407	***
Orgz. culture→Job satisfaction	0.685	***
Motivation→Orgz. commitment	-0.106	0.249
Orgz. culturew→Orgz. commitment	-0.241	0.092
Job Satisfactionw→Orgz. commitment	1.590	***
Motivation→Emp. performance	1.123	***
Orgz. culture→Emp. performance	0.746	***
Job satisfaction→Emp. performance	0.232	0.712
Orgz. commitment→Emp. performance	-0.524	0.245

***p-value <0.001 (0.1% significant level)

is consistent with the early research of Murty and Hudiwinarsih (2012), in manufacturing company in Surabaya. The result shows that employee’s commitment toward organization did not have effect toward employee’s performance. The variable the has the most effect on employee’s performance is work motivation (Table 2).

CONCLUSION

It can be said that working motivation and organization culture have a significant direct effect on employee’s performance. The findings in this research support and confirm findings of the research conducted by Widyaningrum (2011), Gana and Bababe (2011), Aluko (2003), Saleem *et al.* (2010), Syauta *et al.* (2012) and Eslami and dan Gharakhani (2012). Motivations is the most important factor toward employee’s performance. Companies need to keep a balance between personal and

organization goals. If there is a discrepancy between personal and organization goals, it will create working disharmony. If this happens the employees will surely not be motivated to work. Moreover, it is because organization culture has a significant effect, so the company needs to maintain the existing values which in turn will create a strong culture. The stronger the organization, the supervisor does not have to create more formal rules to arrange organization behaviour. At the same time, working satisfaction and organization commitment do not have any direct effect toward employee's performance. This suits with the research of Purwaningrum and Murty and Hudiwinarsih (2012).

APPENDIX

Operational variables

Motivation:

Code	Statement (indicator/operational variable)
MKJ01	I am committed to my work
MKJ02	I tried to find out how well my achievements
MKJ03	I tried to find out how much my work ability
MKJ04	I am willing to take responsibility related to my work
MKJ05	I hope my performance can be measured objectively
MKJ06	I am happy to deliver any new idea
MKJ07	I am always use my authority to other workers have lower job
MKJ08	I want to improve my career to be more powerful for others
MKJ09	My pleasure to work with others
MKJ10	I interact with every other employee
MKJ11	I am ready to help other employees will be a job

Organization culture:

Code	Statement (indicator/operational variable)
BOG01	System of shared values will affect the performance of your company as an employee
BOG02	Trust that exists between employees and management will affect your performance as an employee
BOG03	Attitudes and work behaviors in a routine interaction between members of the organization will affect your performance as an employee
BOG04	As an employee habits and activities that are routine in the work has affected your personality.
BOG05	Social values as the rules of the organization has successfully adopted by most members company
BOG06	Philosophy to guide the determination of organizational policies related to employees
BOG07	Norms are applied in the work has been carried out by the majority of employees
BOG08	Attitudes and behavior of your work is very influenced by the circumstances in the workplace

Job satisfaction:

Code	Statement (indicator/operational variable)
KKJ01	Salary received was appropriate as my expectations
KKJ02	You already feel comfortable with your job
KKJ03	Co-workers have a role in supporting your work
KKJ04	Policy and the role of leadership is strongly influenced your work
KKJ05	You feel confident in career development in your workplace
KKJ06	You feel comfortable with the work environment is very supportive in completing your job
KKJ07	You feel proud to inform your work to others

Organization commitment:

Code	Statement (indicator/operational variable)
KOG01	I am very happy having to spend the rest of his career in this organization
KOG02	I am very excited to talk about the problems facing the organization
KOG03	I felt the problems that occur in an organization is a problem for me as well
KOG04	Heavy for me even though I wanted to leave the organization

KOG05	I have no intention to leave the organization
KOG06	This organization gives deep meaning for me
KOG07	Too many sacrifices to leave this organization
KOG08	I have an emotional attachment to the organization
Employee performance:	
Code	Statement (indicator/operational variable)
KKY01	You understand how to implement your own job
KKY02	You are willing to give more effort to help your team for company's progress
KKY03	Facilities and infrastructure provided by the company to support your work

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