

The Influence Of Compensation And Motivation On The Performance Of Customer Service Employees At Telco Company In Indonesia

Mochamad Yogie Pranata^{1*}, Puspita Wulansari²

¹Management Business Telecommunication and Informatics Study Program, School of Economics and Business, Telkom University, Main Campus (Bandung Campus), Jl. Telekomunikasi No. 1, Bandung 40257, West Java, Indonesia

²Master of Management Study Program, School of Economics and Business, Telkom University, Main Campus (Bandung Campus), Jl. Telekomunikasi No. 1, Bandung 40257, West Java, Indonesia.

*Corresponding Author:

Email: yogiepranata@student.telkomuniversity.ac.id

Abstract.

This study examines the influence of compensation and work motivation on the performance of customer service employees at GraPARI Telkomsel in West Java. Using a quantitative approach, data were collected from 105 employees via questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Results indicate that both compensation (t -statistic = 7.655, p = 0.000) and motivation (t -statistics = 5.631, p = 0.000) significantly and positively affect employee performance. Collectively, these variables explain 86.2% of performance variance (R^2 = 0.862). The findings underscore the critical role of equitable compensation systems and motivational strategies in enhancing service quality in the telecommunications sector. Recommendations include revising compensation packages and fostering intrinsic motivation through recognition and career development.

Keywords: Compensation; Motivation and Employee Performance.

I. INTRODUCTION

The telecommunications industry faces intense competition, making customer service quality a key differentiator. GraPARI, Telkomsel's frontline service center in West Java, employs 105 customer service representatives (CSRs) to handle customer inquiries, yet 50% underperform relative to company targets (minimum performance score: 98/100). Performance gaps were linked to compensation reductions (10–20% in 2023 due to outsourcing transitions) and absenteeism (e.g., 11–13% in 2023). This study investigates how compensation and motivation drive CSR performance, addressing gaps in human resource management (HRM) literature specific to Indonesia's service sector.

Compensation conceptualized through (Simamora's cited Dwinati, et.al., 2019) comprehensive model encompassing gaji (base salary), insentif (performance incentives), tunjangan (allowances), and fasilitas (facilities)—serves as a foundational extrinsic motivator. It fulfills basic physiological and security needs aligned with the lower tiers of (Maslow, as cited in Hamali, 2016) hierarchy of needs. Concurrently, intrinsic motivation driven by higher-order Maslowian needs (belongingness, esteem, self-actualization) stimulates discretionary effort and engagement. This study examines the direct impact of compensation and motivation on the performance of customer service employees. Using a quantitative approach with purposive sampling and SEM-PLS analysis, this study aims to provide empirical insights and practical recommendations for strengthening human capital and institutional effectiveness in the digital era.

II. LITERATURE REVIEW

1.1 Compensation

Damayanti and Wulansari (2024) state that compensation refers to the remuneration provided by an organization to its employees. Compensation according to Kasmir (2016, p. 233) is remuneration provided by a company to its employees, either in financial or non-financial forms. This compensation constitutes an obligation that must be fulfilled by the company in return for the efforts employees have contributed to the

organization through their work – including physical labor, intellectual input, and time. Compensation represents an employee's entitlement arising from the workload and responsibilities they undertake for the company, as well as their contribution toward helping the organization achieve its objectives. Simamora (2006) conceptualizes compensation as four interdependent components: base salary, incentives, allowances or non-wage benefits (e.g., transport, health) and facilities (e.g., tools, ergonomics).

1.2 Motivation

Motivation is defined as an internal driving force within individuals that energizes, directs, and sustains goal-oriented behavior. As noted by Hamali (2016, p. 133). Lestari and Wulansari (2024) state that work motivation is created through support from leadership, enabling employees to perform beyond existing standards.

1.3 Employee Performance

Employee performance is one of the important aspects of organizational activities that refers to the way they carry out their duties and roles in the context of the organization (Santika & Wulansari, 2024). Performance is the accomplishment of given tasks measured against known standards of accuracy, completeness, cost, and speed (Mangkunegara & Prabu, 2017). Prior studies found compensation and motivation significantly influence employee performance (Nguyen et al., 2020; Dwinati, 2019).

Dimensions of employee performance Bernardin and Russel (as cited in Busro, 2017):

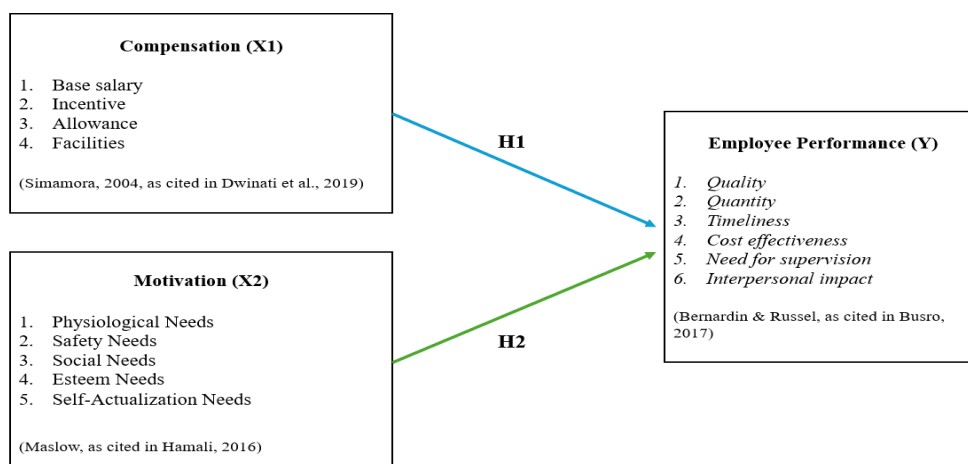
- i. Quality, which refers to the degree to which the process or output ideally functions to perform activities or to meet expectations.
- ii. Quantity, which refers to the amount produced as represented by monetary value, number of units, or number of activity cycles completed.
- iii. Timeliness, which is the degree to which activities are completed faster than planned and time is maximized to accomplish them.
- iv. Cost effectiveness, which occurs when financial, technological, and human factors are utilized as optimally as possible to achieve the best results or to reduce losses.
- v. Need for supervision, which is when organizational members can carry out their tasks independently without requiring assistance or guidance from their supervisors.
- vi. Interpersonal impact, which is the extent to which an employee feels confident, enthusiastic, and cooperates with colleagues.

III. METHODS

1.4 Research Design

This research employs a quantitative descriptive method with a cross-sectional design to investigate the influence of compensation and work motivation on the employee performance, utilizing statistical analysis to ensure objective and reliable results.

Fig 1. Research Model



This study conducted using a descriptive and verificative approach. A descriptive approach is used to determine the relationship between each independent variable with known characteristics (Paramita et al., 2021), such as compensation, motivation, and employee performance variables. In addition, this study employs a verificative approach to ensure that the research results are consistent and aligned with the initial hypotheses.

1.5 Data Collection

Data collection was conducted through questionnaires with questionnaire items adapted from established indicators used in prior research, especially, and distributed to customer service employees. The population consisted of 105 employees, and the sampling technique employed was non-probability sampling, specifically convenience sampling, due to the accessibility and availability of respondents within the company. This research uses a survey method that involves the entire population, employing questionnaires as the main data collection tool to explain the current situation. The questionnaire system is used because it is relatively easy for data collection, produces factual results, and shapes certain opinions (Armstrong & Taylor, 2020). The survey itself is a follow-up to the questionnaire system, covering the desired scope and population, complemented by interviews and focus groups to provide more precise data (Armstrong & Taylor, 2020). Each item was rated using a Likert scale with ordinal values. To ensure the accuracy of measurement, the questionnaire was pre-tested and validated for reliability through Cronbach's Alpha.

1.6 Data Analysis

The data were analyzed using descriptive statistics, classical assumption tests, and PLS-SEM with SmartPLS 3.0. Descriptive analysis summarized respondent demographics and construct scores. Assumption tests, such as normality and multicollinearity, ensured regression validity. PLS-SEM evaluated the outer model (reliability, AVE, and construct validity) and inner model (path coefficients, R^2 , f^2 , and Q^2 values). (Hair, et al., 2022)

1.7 Hypothesis

- H1: Compensation has a significant effect on the performance of CSR employees at GraPARI Telkom-sel West Java.
- H2: Work motivation has a significant effect on the performance of CSR employees at GraPARI Telkomsel West Java.

IV. RESULT AND DISCUSSION

1.8 Outer Model

a) Convergent Validity

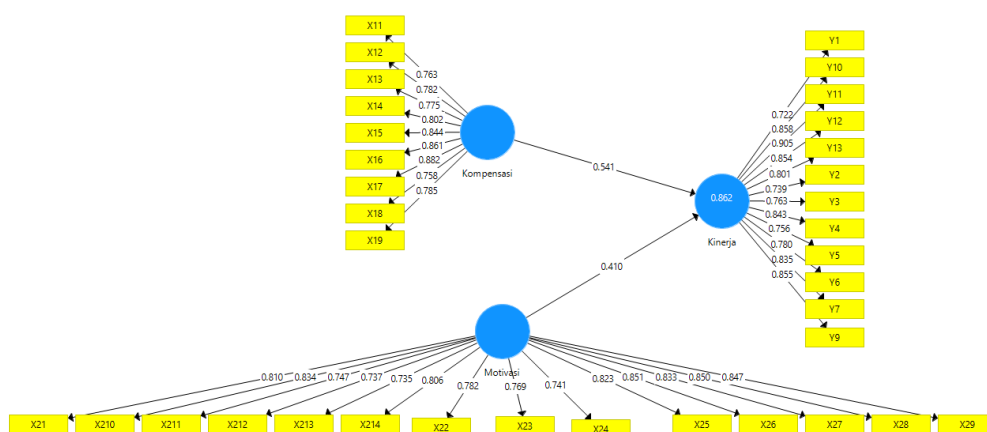


Fig 2. Full Structural Model (PLS Algorithm)

As Illustrated in Figure 1, the assessment of convergent validity is based on the outer loading values of both exogenous and endogenous variables. According to the recommended criteria, a loading value greater than 0.7 is considered acceptable (Hair, et al., 2022). The structural model (PLS Algorithm) used in this study shows that each indicator associated with its respective variable demonstrates a loading factor above 0.7. This indicates that all indicators exhibit a strong potential for convergent validity.

b) Average Variance Extracted (AVE)

Table 1. Average Variance Extracted (AVE)

Variable	Dimension	Indicator	Outer Loading	Average Variance Extracted (AVE)	Results
Compensation	Salary	The salary I receive matches my workload.	0,763	0,651	Valid
		The salary I receive aligns with the cost of living.	0,782		Valid
		The salary I receive complies with government regulations.	0,775		Valid
	Incentive	I receive incentives from the company.	0,802		Valid
		I receive incentives regularly from the company.	0,844		Valid
		I receive incentives according to the company's promise.	0,861		Valid
	Facilities	My company provides decent work facilities.	0,882		Valid
		My company provides technology-supported facilities.	0,758		Valid
		My company fulfills facilities for employees' needs.	0,785		Valid
Motivation	Physiological Needs	I receive a sufficient salary to meet my basic needs	0,810	0,638	Valid
		I receive health facilities and insurance	0,834		Valid
		I have a physically comfortable work environment quality (temperature, lighting, etc.)	0,747		Valid
	Safety Needs	I am satisfied with job security and employment guarantees.	0,737		Valid
		I am satisfied with workplace safety and health conditions.	0,735		Valid
		I am satisfied with the fairness of company policies regarding employee protection.	0,806		Valid
	Love and Belongingness Needs	I am satisfied with social relationships in the workplace.	0,782		Valid
		I get opportunities to collaborate and contribute within a team.	0,769		Valid
		I get opportunities to participate in social activities or company events.	0,741		Valid
	Esteem Needs	I receive recognition and appreciation from my supervisor.	0,823		Valid
		I am given opportunities for promotion or increased responsibility.	0,851		Valid
		I receive positive feedback from colleagues and supervisors.	0,833		Valid
	Self-Actualization Needs	I have access to training and skills development.	0,850		Valid
		I am given challenging tasks to encourage personal growth.	0,847		Valid
Employee Performance	Quality	I can complete work diligently.	0,722	0,658	Valid
		I can complete work thoroughly.	0,858		Valid
		I can minimize errors in my work.	0,905		Valid
	Quantity	I can work according to the targets.	0,854		Valid
		I can complete work following established procedures.	0,801		Valid
	Timeliness	I can complete work within the allotted timeframe.	0,739		Valid
		I can complete work within the standard timeframe for tasks/projects.	0,763		Valid
	Cost effectiveness	I utilize resources (e.g., time, labor, materials) effectively when completing tasks.	0,843		Valid
	Need for supervision	I can complete work independently without constant supervision.	0,756		Valid
		I take initiative in completing tasks.	0,780		Valid
	Interpersonal impact	I have strong collaboration and teamwork with colleagues.	0,835		Valid
		I value others' opinions.	0,855		Valid

Table 1 shows that the AVE values for Motivation (0.638), Compensation (0.651) and Employee Performance (0.658) are above 0.5, confirming strong convergent validity as each construct accounts for over half of the variance in its indicators.

c) Reliability Test

Table 2. Composite Reliability

Variable	Composite reliability	Cronbach's alpha	Results
Motivation	0.961	0.956	Reliable
Compensation	0.944	0.933	Reliable
Employee Performance	0.958	0.952	Reliable

Based on Table 2, Motivation, Compensation and Employee Performance constructs demonstrate high internal consistency reliability. The values of Composite Reliability and Cronbach's Alpha for both constructs exceed the threshold of 0.70 (Hair, et al., 2022), confirming that all indicators are consistently reliable. Therefore, both constructs are classified as reliable in this study.

1.9 Inner Model

a) Coefficient of Determination - R^2

Table 3. Coefficient of Determination - R^2

Variable	R-square	R-square adjusted
Employee Performance	0.862	0.860

Table 3 presents an R^2 value of 0.862 and an adjusted R^2 of 0.860 for Employee Performance, indicating that approximately 86.2% of its variation is explained by the model's independent variables. Based on standard criteria, this reflects a strong effect, indicating the model's high explanatory capability (Supriyati, 2021).

b) Predictive Relevance - Q^2

Table 4. Predictive Relevance - Q^2

Variable	Q^2 predict	Results
Employee Performance	0.550	predictive relevance

As shown in Table 4 above, the Q^2 value for Employee Performance is 0.550, which exceeds the threshold of 0.35. This indicates that the model has strong predictive relevance (Hair, et al., 2022), meaning it is highly capable of accurately predicting the observed outcomes for this construct.

c) Hypothesis

Table 5. Path Coefficients dan T-statistics

	T statistics (O/STDEV)	P values
Compensation-> Performance	7.655	0.000
Motivation-> Performance	5.631	0.000

As shown in Table 5, SmartPLS analysis reveals a t-statistic of 7.655 and a p-value of 0.000 for the effect of compensation on employee performance. Meanwhile, the t-statistics for the effect of motivation on employee performance is 5.631 with a p-value of 0.000. Since both T-values exceed 1.980 and the P-values are less than 0.05, the results are statistically significant (Hair, et al., 2022). Therefore, H_a is accepted and H_0 is rejected, confirming that compensation and motivation have a positive effect on employee performance among customer service employees at GraPARI Telkomsel West Java. This highlights how both compensation and motivation significantly influence employee performance. Companies should thus prioritize fair and competitive compensation structures and implement effective motivation programs to achieve superior service performance.

V. CONCLUSION AND RECOMMENDATION

The findings of this study indicate that compensation and motivation have a positive and significant influence on employee performance at GraPARI Telkomsel West Java. Using a quantitative method and PLS-SEM analysis, the research found that key aspects of compensation and motivation significantly influence the performance of customer service employees at GraPARI Telkomsel West Java. Fair and proper

compensation can increase employees' work motivation, satisfaction, and responsibility in carrying out their duties, thereby positively impacting performance improvement. Motivation has a significant effect on employee performance. A high level of motivation, whether intrinsic or influenced by the work environment, encourages employees to work more productively, professionally, and results-oriented, which directly enhances the quality-of-service performance for customers. Companies should prioritize fair compensation structures and implement targeted motivation programs to achieve superior service performance. The statistical results support the acceptance of the research hypothesis, with a high path coefficient and strong t-value.

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