

***ANALYSIS OF THE EFFECT OF FINANCIAL INCENTIVE SYSTEM ON
EMPLOYEE MOTIVATION AND PERFORMANCE AT PT. PENERBIT
ERLANGGA MAHAMERU SURABAYA BRANCH***

**ANALISIS PENGARUH SISTEM INSENTIF FINANSIAL TERHADAP
MOTIVASI DAN KINERJA KARYAWAN PADA PT. PENERBIT ERLANGGA
MAHAMERU CABANG SURABAYA**

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ABSTRACT

Every company or organization engaged in production or business has the same goal, which is to make a profit, including PT. Penerbit Erlangga Mahameru. In order to achieve the goal, the company must have the ability to combine production factors as well as possible so that the efficiency and effectiveness of the company can be increased as much as possible. This study examines the effect of incentives on employee performance and motivation of PT. Penerbit Erlangga Mahameru, Surabaya Branch. This study uses a quantitative method with SEM-PLS (Structural Equation Modeling) Partial Least Square analysis. The results of the study indicate that there is a positive effect of incentives on employee performance and motivation of PT. Penerbit Erlangga Mahameru, Surabaya Branch.

Keywords: *Incentives, Performance, Motivation*

ABSTRAK

Setiap perusahaan atau organisasi yang bergerak di bidang produksi atau bisnis memiliki tujuan yang sama, yaitu memperoleh keuntungan, termasuk PT. Penerbit Erlangga Mahameru. Untuk mencapai tujuan tersebut, perusahaan harus memiliki kemampuan untuk mengkombinasikan faktor-faktor produksi dengan sebaik-baiknya agar efisiensi dan efektivitas perusahaan dapat ditingkatkan semaksimal mungkin. Penelitian ini menguji pengaruh insentif terhadap kinerja dan motivasi karyawan PT. Penerbit Erlangga Mahameru Cabang Surabaya. Penelitian ini menggunakan metode kuantitatif dengan analisis SEM-PLS (Structural Equation Modeling) Partial Least Square. Hasil penelitian menunjukkan bahwa terdapat pengaruh positif insentif terhadap kinerja dan motivasi karyawan PT. Penerbit Erlangga Mahameru Cabang Surabaya.

Kata Kunci: Insentif, Kinerja, Motivasi.

INTRODUCTION

One of the most important factors is human or man power. Employees are company assets that influence desires, needs, feelings, reason and so on, so that the company has elevated the position of employees as subjects who have a large share in achieving the goals of PT. Penerbit Erlangga Mahameru.

PT. Penerbit Erlangga Mahameru is one of the leading companies in Indonesia engaged in publishing books and educational materials. Established with the aim of improving the quality of education in Indonesia, PT. Penerbit Erlangga Mahameru provides various

textbooks, reference books, and teaching materials for various levels of education, from elementary education to college.

However, there is a problem of lack of motivation and performance of PT. Penerbit Erlangga Mahameru employees. To solve this problem, additional incentives are needed so that the basic needs and actualization of employees are met. Based on previous studies, the relationship between incentives and employee motivation is very clear and significant. Incentives, both in financial and non-financial forms, have a positive influence on

employee work motivation, which in turn improves their performance.

Research by Parashakti and Parashakti & Lukertina (2020) shows that incentives and work motivation significantly affect employee performance at the BPJS office in Jakarta. This study confirms that incentives can encourage employees to work better and achieve more optimal results.

Another study by Yulia et al. (2023a) found that incentives and compensation have a positive impact on employee performance at the Nagan Raya Regency Education Office, with work motivation as a full mediating variable. This shows that work motivation plays an important role in mediating the effect of incentives on employee performance. In addition, Josiah (2021a) also emphasized that incentives have a significant contribution to employee performance, although a "reward and punishment" system is needed to ensure fairness and accountability.

In the context of the relationship between incentives and employee performance, research by Frankort & Avgoustaki (2021) shows that periodic incentive payments can improve non-incentivized behavior and work outcomes through the mechanism of "salience-induced reciprocity." Although it does not always affect the performance of the incentivized directly, this periodic incentive still provides a temporary boost in employee performance. Furthermore, Norbaiti et al.'s (2022) study found that salary and incentives significantly improved employee performance, confirming that appropriate incentives can improve overall performance.

A study by Alkandi et al. (2023) showed that incentive and reward systems significantly improved

employee performance in the Saudi industrial sector when mediated by job satisfaction. This suggests that job satisfaction plays an important role in linking incentives to employee performance. Ibrahim & Abiddin (2023a) also found that incentives significantly affected employee productivity and organizational performance, with good planning and management of incentive programs being critical for optimal results.

In addition, Ruhnama et al. (2021) found that financial incentives, especially salary increases, positively affected employee productivity and motivation. Long-term and group-directed incentives were more effective than individual incentives. A study by Josiah (2021a) also showed that incentives contributed significantly to employee performance, but a "reward and punishment" system was needed to ensure fairness and accountability.

Previous studies have generally shown that financial incentives improve employee motivation and performance. However, specific research on how financial incentives at PT. Erlangga Mahameru Publisher Surabaya Branch has not influenced employees yet. Therefore, this research gap motivates research to test the influence of employee incentives on employee motivation and performance.

RESEARCH METHODS

This research is conclusive, because the results of the research are intended to help decision makers in evaluating and choosing what actions to use in certain situations (Hair, Christian, & Marko, 2019). In conclusive research, hypothesis testing is carried out with a formal and structured research process, a representative sample size, the use of quantitative data analysis, and the final result is a conclusion as a practical or

scientific benefit. The research approach used is a deductive approach, namely the process of developing existing theories with tests applied to practice when data collection and analysis occurs (Sugiyono, 2019).

This research utilizes quantitative data collected through a questionnaire distributed to respondents. The data collection method employs an agree-disagree scale, and the analysis technique is based on Structural Equation Modeling (SEM). The process includes editing the questionnaire, coding, assigning weights to each question, and tabulating the collected data (Ghozali, 2019).

RESULTS AND DISCUSSIONS

Outer Model

The following is an illustration of the SEM diagram used in this research:

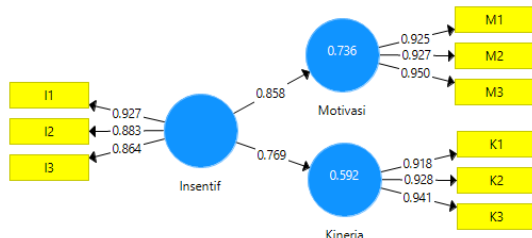


Figure 1. Loading Factor

The loading factor of each indicator on the variable with a minimum value of 0.6 and also the Average Variance Extract (AVE) analysis with a minimum value of 0.5 but there are meet the requirements.

Based on the table below, it can be seen that the results of convergent validity testing show that all variables have indicators with loading factor values of more than 0.6 or 0.5, meaning that all indicators have met the convergent validity criteria.

Table 1. Results of Loading Factor

Variabel	Item	Loading Factor	Info
<i>Incentives</i>	I1	0,927	Valid
	I2	0,883	Valid
	I3	0,864	Valid

Variabel	Item	Loading Factor	Info
<i>Performance</i>	K1	0,918	Valid
	K2	0,928	Valid
	K3	0,941	Valid
<i>Motivation</i>	M1	0,925	Valid
	M2	0,927	Valid
	M3	0,950	Valid

Data Source: Processed by Researchers, 2024

Next, the AVE Method is used to assess the convergent validity of each construct and latent variable. The minimum value that is considered to be met is at least 0.5. The average variance extracted by AVE based on these SEM results is as follows:

Table 2. Average Variance Extracted Value

Variabel	AVE	Info
<i>Incentives</i>	0,796	Valid
<i>Performance</i>	0,863	Valid
<i>Motivation</i>	0,873	Valid

Data Source: Processed by Researchers, 2024

In the table above, the AVE value for the latent variable *incentives* (0.796), *performance* (0.863), dan *motivation* (0.873). Thus, it can be said that the measurement model is valid and meets the validity test requirements.

The cross loading values based on the results in this SEM are as follows:

Table 3. Cross Loading Value

	Incentives	Perform	Motivation
I1	0.927	0.754	0.798
I2	0.883	0.727	0.746
I3	0.864	0.564	0.752
K1	0.694	0.918	0.593
K2	0.731	0.928	0.700
K3	0.718	0.941	0.688
M1	0.818	0.660	0.925
M2	0.789	0.711	0.927
M3	0.797	0.625	0.950

Data Source: Processed by Researchers, 2024

In the cross-loading table, it is evident that the value for each latent

variable is greater than the values of other latent variables.

This reliability test also examines the composite reliability value as an indicator of reliability, where both values should exceed 0.70. The Cronbach's alpha and composite reliability values obtained in this SEM are as follows:

Table 4. Construct Reliability

Variabel	Cronbach's Alpha	Composite Reliability	Info
<i>Incentives</i>	0.871	0.921	Reliable
<i>Performance</i>	0.921	0.950	Reliable
<i>Motivation</i>	0.927	0.954	Reliable

Data Source: Processed by Researchers, 2024

Based on the table above, the results of the reliability test analysis show that the composite reliability score is greater than 0.7, which means that all variables are reliable and have passed the test requirements.

Inner Model

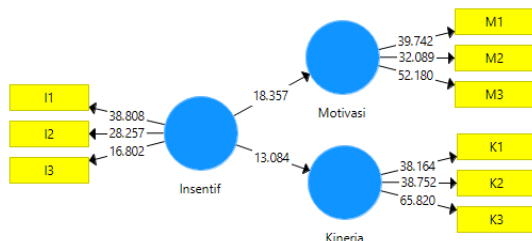


Figure 3. Inner Model

The model's feasibility test examines the R-square value, which ranges from 0 to 1. An R-square value of 0.75 is considered good, 0.50 is moderate, and 0.25 is considered poor.

Table 5. Nilai R-Square

Variabel	R-Square	Info
Motivation	0.736	<i>Moderate</i>
Perform	0.592	<i>Moderate</i>

Data Source: Processed by Researchers, 2024

From the table above, the model's suitability can be assessed by the r-square result for motivation, which is 0.736 (73.6%). This indicates that 73.6% of the variation in motivation can be explained by incentives. The r-square

result for perform, which is 0.592 (59.2%). this indicates that 59.2% of the variation in perform can be explained by incentives.

To determine whether a relationship is significant, the p-value should be compared to the 5% error rate, as outlined in the research hypothesis testing:

Table 6. Path Coefficient SEM-PLS

	Original sample (O)	T statistics (O/STDEV)	P values
incentives -> motivation	0.858	18.357	0.000
incentives -> perform	0.769	13.084	0.000

Data Source: Processed by Researchers, 2024

Based on the table above, the results of the hypothesis test show the following results and conclusions:

1. Incentives has a positive effect of 0.858 on motivation with a t-statistic value of 18.357 and a p-value of 0.000 < 0.05. Therefore, the hypothesis "Incentives has a positive and significant effect on motivation" (H1) is accepted.
2. Incentives has a positive effect of 0.769 on performance with a t-statistic value of 13.084 and a p-value of 0.000 < 0.05. Therefore, the hypothesis "Incentives has a positive and significant effect on performance" (H2) is accepted.

Impact incentives on motivation

The results of the study showing that incentives have a positive effect on employee motivation can be explained through various theoretical perspectives and empirical evidence from previous studies. Incentives function as an external motivational tool that encourages employees to achieve certain goals and improve their performance. According to the expectancy theory proposed by Victor Vroom, employee motivation is influenced by their

expectation that their efforts will result in good performance, which in turn will result in the desired rewards (Vroom, 1964). When employees see that the incentives offered by the company can be achieved through increasing their efforts and performance, they will be motivated to work harder. In addition, the reinforcement theory developed by B.F. Skinner states that behavior that is rewarded will tend to be repeated, while behavior that is not rewarded or punished will tend to be avoided (Skinner, 1953).

Incentives function as positive reinforcement that encourages employees to continue to show good performance. Furthermore, Maslow in the Hierarchy of Needs states that individuals are motivated to fulfill their needs ranging from physiological needs to self-actualization (Maslow, 1970). Financial incentives can help employees meet their basic needs (such as physiological and safety needs), which in turn can increase their motivation to achieve higher needs such as esteem and self-actualization. Herzberg in his two-factor theory states that there are two factors that influence work motivation: motivator factors and hygiene factors (Herzberg, 2015). Incentives can be considered as motivator factors that directly increase employee job satisfaction and motivation. Empirical evidence in this study also supports these findings (Parashakti & Lukertina, 2020). Research by Parashakti and Lukertina (2020) found that incentives and work motivation significantly affect employee performance at BPJS offices in Jakarta. Research by Yulia, Najmi, and Iskandar (2023) also shows that incentives and compensation have a positive effect on employee performance with work motivation as a full mediating variable.

These studies support the finding that incentives not only increase work motivation but also the overall

performance of employees. Overall, incentives have a positive effect on employee motivation because they provide external encouragement that encourages employees to achieve better performance. Incentives create a clear expectation that greater effort will lead to desired rewards, reinforce positive behaviors, and help meet a variety of employee needs. Thus, incentives play a significant role in enhancing employee motivation and performance, as previous studies have shown.

Impact incentives on performance

The results of the study showing that incentives can improve employee performance can be explained through several main reasons supported by theory and empirical evidence. First, according to the Expectancy Theory by Victor Vroom, employee motivation is determined by the expectation that their efforts will result in good performance, which in turn will result in the desired rewards (Vroom, 1964). When employees are given clear incentives related to improved performance, they will be motivated to work harder and more effectively. The expectation that their extra effort will be rewarded with adequate incentives drives them to improve their performance.

Second, according to the Reinforcement Theory by B.F. Skinner, behavior that is rewarded will tend to be repeated, while behavior that is not rewarded or punished will tend to be avoided (Skinner, 1953). Incentives act as positive reinforcement that encourages employees to continue to show good performance. When employees see that their hard work and performance are rewarded with incentives, they will be motivated to maintain or improve their performance.

Third, according to the Two-Factor Theory by Frederick Herzberg,

incentives are included in the motivating factors that can increase employee job satisfaction and motivation (Herzberg, 2015). By providing incentives, companies can increase employee satisfaction and motivation levels, which in turn improves their performance.

Fourth, based on Maslow's Hierarchy of Needs, individuals have hierarchical needs ranging from physiological needs to self-actualization (Maslow, 1970). Financial incentives can help employees meet their basic needs such as physiological and safety needs, allowing them to focus on higher needs such as esteem and self-actualization. With basic needs met, employees are more capable and motivated to perform better.

In addition, empirical evidence supports a positive relationship between incentives and employee performance. Research by Parashakti and Lukertina (2020) found that incentives and work motivation significantly affect employee performance at BPJS offices in Jakarta. Research by Yulia, Najmi, and Iskandar (2023) also shows that incentives and compensation have a positive effect on employee performance with work motivation as a full mediating variable. Overall, incentives improve employee performance by providing clear and concrete external encouragement, reinforcing positive behavior, meeting basic needs to higher needs, and providing recognition and achievement. Incentives help create a supportive and motivating work environment, so that employees are encouraged to try harder and achieve higher performance.

CONCLUSION

Based on the analysis and discussion presented, the following conclusions can be drawn:

1. Incentives has a positive effect of 0.858 on motivation with a t-statistic

value of 18.357 and a p-value of 0.000 < 0.05. Therefore, the hypothesis "Incentives has a positive and significant effect on motivation" (H1) is accepted.

2. Incentives has a positive effect of 0.769 on performance with a t-statistic value of 13.084 and a p-value of 0.000 < 0.05. Therefore, the hypothesis "Incentives has a positive and significant effect on performance" (H2) is accepted.

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