

***THE EFFECT OF JOB SATISFACTION AND COMPENSATION ON
EMPLOYEE PERFORMANCE WITH WORK MOTIVATION AS MEDIATION IN
4-STAR HOTELS BATAM CITY***

**PENGARUH KEPUASAN KERJA DAN KOMPENSASI TERHADAP KINERJA
KARYAWAN DENGAN MOTIVASI KERJA SEBAGAI MEDIASI PADA
HOTEL BINTANG 4 KOTA BATAM**

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ABSTRACT

This research investigates the impact of job satisfaction and compensation on employee performance in a 4-star hotel in Batam City, utilizing work motivation as a mediator. Job satisfaction and compensation are recognized as crucial factors influencing both work motivation and employee performance. The administration of a questionnaire to 380 hotel employees in Batam City yielded positive and significant correlations between job satisfaction, compensation, work motivation, and employee performance, as revealed by PLS analysis. Work motivation emerges as a significant mediator in the relationships between job satisfaction and employee performance, as well as between compensation and employee performance.

Keywords: Employee Performance, Work Motivation, Job Satisfaction, Compensation

ABSTRAK

Penelitian ini menyelidiki dampak kepuasan kerja dan kompensasi terhadap kinerja karyawan di sebuah hotel bintang 4 di Kota Batam, dengan menggunakan motivasi kerja sebagai mediator. Kepuasan kerja dan kompensasi diakui sebagai faktor-faktor penting yang memengaruhi baik motivasi kerja maupun kinerja karyawan. Penggunaan kuesioner kepada 380 karyawan hotel di Kota Batam menghasilkan korelasi positif dan signifikan antara kepuasan kerja, kompensasi, motivasi kerja, dan kinerja karyawan, seperti yang terungkap oleh analisis PLS. Motivasi kerja muncul sebagai mediator yang signifikan dalam hubungan antara kepuasan kerja dan kinerja karyawan, serta antara kompensasi dan kinerja karyawan.

Kata kunci : Kinerja Karyawan, Motivasi Kerja, Kepuasan Kerja, Kompensasi

INTRODUCTION

The hospitality industry is witnessing substantial growth in tandem with the flourishing tourism sector, where hotel accommodation plays a crucial role in providing comfort for travelers. Recent data from the third quarter of 2022 highlights positive momentum in the Hotel and Other Lodging sector, with quarterly growth at 5.69% and an impressive annual growth of 36.19%. Despite a notable setback in 2020 due to COVID-19 restrictions, the hospitality industry has rebounded, showcasing encouraging recovery (Purwowidhu, 2023). Batam, emerging as a city with considerable potential in hospitality and tourism, is rapidly gaining prominence. Situated strategically and forming part of a free

trade zone within the Indonesia-Malaysia-Singapore Triangle, Batam holds significant economic appeal. Since 2006, Batam, along with Bintan and Karimun, has been designated a Special Economic Zone with Singapore, leading to the elimination of trade tariffs and value-added tax between Batam and Singapore. This collaborative initiative has stimulated increased investment and trade in the region, contributing to Batam's economic growth (Indonesia Investments, 2023).

As a Free Trade Area and Free Port, Batam has great potential as a tourist destination, both for domestic and foreign tourists. With diverse facilities, tourists can easily enjoy various tourist destinations, and many of them choose Batam as the gateway for travel to

nearby Singapore. In addition, Batam offers natural beauty, rich culture, and a wide range of recreational activities, making it an attractive place for travelers looking for unique experiences (Indonesia Investments, 2023). The increase in foreign tourist arrivals to Batam in October 2022 reflects significant growth in the city's tourism industry, with an increase of 49,406.33% compared to the previous year. Tourists, especially from Singapore, dominated visits during January to October 2022. The Room Occupancy Rate (TPK) of star-rated hotels in Riau Islands Province also experienced a significant increase in October 2022, reaching an average of 48.60%. This shows that Batam is increasingly attracting foreign tourists and continues to develop as an attractive tourism destination (Rakib et al., 2018).

Indonesia's economic recovery after the COVID-19 pandemic has revived the hospitality sector which experienced a crisis during this difficult time. In the midst of increasingly fierce competition in the hotel industry, service quality is a key factor that affects hotel performance. High-quality service is a way to attract interest and maintain the company's image in the hospitality business. Guest satisfaction is closely linked to the service provided, and in a competitive business environment, service is a key element to differentiate yourself from competitors. Good service not only maintains customer satisfaction, but also builds a positive image that is important for long-term attractiveness and success in the hospitality industry (Rivaldo et al., 2021).

The performance of a company is strongly influenced by employee performance, and the role of corporate culture, organizational commitment, and a supportive work environment is critical in improving employee performance. Previous research has shown that work

culture and job satisfaction have a positive effect on employee performance (Wijayanto et al., 2020), and organizational culture has a significant effect on employee performance (Gorap et al., 2019). Therefore, selecting the right employees and creating a conducive work environment is very important for the development of the company.

In addition to internal factors, the company's introduction to tourists is also a key factor in the development of the hospitality industry. One of the factors that can affect employee performance is the level of motivation at work. Work motivation plays an important role in organizational success, because motivation can maximize the utilization of human resources, increase productivity, reduce operational costs, and increase overall efficiency (Sembiring, 2020). In its operations, hotel companies need to monitor changes in consumer behavior on an ongoing basis to anticipate these changes. Consumer behavior assessment is the basis for in-depth analysis to improve marketing strategies. Service quality that meets or exceeds customer expectations is key to maintaining future customer visits. Trust is also an important factor, because the resulting satisfaction will generate customer trust in the company (Dewi in Rivaldo et al., 2021).

This study aims to investigate the influence of organizational culture, job satisfaction, and compensation on employee performance in 4-star hotels in Batam City. In addition, this study will also examine the role of work motivation as a mediator in the relationship between these variables. This study complements previous research by focusing on post-pandemic hotel conditions, and researchers will explore variables of work motivation and employee

performance, especially in the context of hotels.

RESEARCH METHODS

This study utilized a questionnaire distribution method to gather data from respondents, specifically hotel employees in Batam city, aiming to assess the quality of their performance. The data processing involved the PLS (Partial Least Square) method with a ratio of 1:10, following Hair et al. (2019). The questionnaire, comprising 38 questions, required a total of 380 samples (38 x 10). Questionnaires were distributed across Batam city through Google Form, strategically targeting hotel employees. A total of 385 questionnaires were distributed in key areas—Batam Centre, Bengkong, Nongsa, and Nagoya—to ensure diverse participation, covering various geographical locations and work environments. This approach aimed to obtain comprehensive and representative data for a thorough evaluation of hotel employee performance in Batam city.

Hypothesis Development

Through the previous discussions and studies above, hypotheses can be compiled in this study as follows:

H1: *Job Satisfaction* has a significant effect on *Work Motivation*.

H2: *Compensation* has a significant effect on *Work Motivation*.

H3: *Work Motivation* has a significant effect on *Employee Performance*.

H4: *Compensation* has a significant effect on *Employee Performance*.

H5: *Job Satisfaction* has a significant effect on *Employee Performance*.

H6: *Job Satisfaction*, through mediation by *Work Motivation*, has a significant effect on *Employee Performance*.

H7: *Compensation*, through mediation by *Work Motivation*, has a significant effect on *Employee Performance*.

DISCUSSION

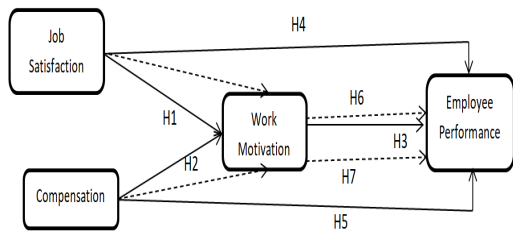
The demographics of respondents in this study provide deep insight into the composition of the workforce in the hospitality industry that is the focus of the study. The gender demographics of respondents, as revealed in. Through the results of data processing from the respondent gender table collected through the distribution of questionnaires, it shows the dominance of men in this industry, with 61% of the total 385 respondents, while women only account for 39%. The results of this analysis show that the majority of employees in the hotel industry are still dominated by male employee.

Through the age demographic table above, it can be seen that the results of the distribution of respondents show the majority of workers in the hotel industry aged 22-25 years, which accounts for as many as 137 respondents (35%). Followed by the age group of 18-21 years with the number of respondents as many as 115 (30%), and the age group of 26-30 years which reached 99 respondents (26%). While the age group of 30-35 years and over consisted of 34 respondents (9%). The results of this study are consistent with BPS data which notes that the majority of the workforce in Batam in 2023 is dominated by Generation Z (18-26 years) and Millennial Generation (26-30+ years), who make up the majority of the workforce in Batam.

Furthermore, when we examine the age demographics of respondents, the majority of workers in the hospitality industry are aged 22-25 years, reaching 35% of the total respondents. This figure reflects the dominance of this age group in the hospitality industry workforce,

which is consistent with BPS data which records the majority of the workforce in Batam aged 22-25 years. This shows the potential dynamics of the younger generation in the hospitality industry, which can influence trends and changes in the way of operations and services in hotels.

Cronbach's Alpha & Composite Reliability Test



Source: SmartPLS Output (2023)

The reliability test results in the table above were carried out using *Cronbach's Alpha and Composite Reliability methods to evaluate the extent to which the measurement tools in this study can be relied upon and consistent in measuring the variables that are the focus of the study.* The table shows Cronbach's Alpha and Composite Reliability values for each construct, namely Compensation, Employee Performance, Job Satisfaction, and Work Motivation. Cronbach's Alpha scores are 0.835 for Compensation, 0.905 for Employee Performance, 0.935 for Job Satisfaction, and 0.889 for Work Motivation. In addition, the Composite Reliability value is 0.883 for Compensation, 0.924 for Employee Performance, 0.943 for Job Satisfaction, and 0.911 for Work Motivation.

The results of this test indicate that all constructs in this study meet high standards of reliability. Cronbach's Alpha and Composite Reliability values are high (above the threshold of 0.7) indicating that the measurement tools used in this study show an excellent level of consistency and reliability in

measuring the variables concerned.

Table 3. Hypothesis Test

Pengaruh	T-Statistic	P-Values	Kesimpulan
Compensation → Employee Performance	0,429	0,668	Insignificant
Compensation → Work Motivation	3,717	0,00	Positive Significant
Job satisfaction → Employee Performance	7,178	0,000	Positive Significant
Job Satisfaction → Work Motivation	7,774	0,000	Positive Significant
Work Motivation → Employee Performance	5,443	0,000	Positive Significant

Source: SmartPLS Output (2023)

Hypothesis 1: Job Satisfaction has a significant influence on Work Motivation

Hypothesis 1 tests whether high levels of job satisfaction positively impact employee motivation. The test results showed a very high T-Statistic value (7.774) with a P-Values of 0.000, indicating that the relationship between job satisfaction and employee motivation has a very statistically significant correlation. This confirms that high levels of job satisfaction can have a positive impact on employee motivation in the hotel industry. The relationship between job satisfaction and work motivation is relevant because jobs in this sector often involve interacting with various parties, maintaining high service standards, and dealing with dynamic situations. Employees who feel satisfied with work tend to be motivated to actively engage, pay extra attention to detail, and strive to improve the guest experience. In addition, high job satisfaction creates a positive and cooperative work environment, which can strengthen collective motivation and collaboration within the team. This research is in line with previous research (Apridar& Adamy, 2018), and (Widokarti et al., 2019) which also states that *job satisfaction* has a significant influence on *work motivation*

Hypothesis 2 Compensation has a significant influence on Work

Motivation

Hypothesis 2 examines the impact of high levels of job satisfaction on employee motivation in the hospitality industry. The test results showed a very high T-Statistic value (3.717) with a P-Values of 0.000, indicating a significant correlation between compensation and employee motivation. In other words, a high level of compensation in employees contributes positively to their motivation to work well in a hospitality environment. The better the compensation provided, both in financial and non-financial form, the higher the level of employee work motivation. Thus, adequate compensation and in accordance with hospitality industry standards can be key in increasing employee motivation to provide the best service and achieve optimal job satisfaction in the fierce hospitality industry competition. This research is in line with previous research (Sudiardhita et al., 2018), (Widokarti et al., 2019), (Angelina et al., 2018) which also stated that *compensation* has a significant influence on *work motivation*

Hypothesis 3 Job Satisfaction has a significant influence on Employee Performance

Hypothesis 6 examines the combined effect of job satisfaction, job motivation, and employee performance. The test results show that the combination of these variables has a significant influence on employee performance, characterized by T-Statistic of 2.715 and P-Values of 0.007. This suggests that the relationship between job satisfaction, job motivation, and employee performance together has a significant impact. Employees who feel satisfaction on the job and are motivated to achieve higher achievements tend to provide better service to guests, improve operational

efficiency, and strengthen commitment to the company and the hospitality industry as a whole. This finding supports the results of previous studies stating that job satisfaction mediated by work motivation contributes positively to employee performance (Efendi et al., 2020). This research is in line with previous research (Fahlevi & Fahmi, 2021), (Sudiardhita et al., 2018), (Efendi et al., 2020), which also states that *job satisfaction* has a positive impact on *employee performance*.

Hypothesis 4 Compensation has a significant influence on Employee Performance

Hypothesis 4 tests whether an employee's compensation rate has a significant effect on their performance. The test results show that the T-Statistic value is 0.429 with a P-Values of 0.668, indicating that the effect of compensation on employee performance is not statistically significant. These findings suggest that other factors, such as job satisfaction, career development, and interactions among colleagues, may also play an important role in determining employee performance in the hospitality industry. Performance in this sector, which relies heavily on guest interaction and maintenance of high service standards, may be influenced more by factors such as training, team support, and a positive work environment than the level of financial compensation alone. This research is in line with research (Angelina et al., 2018) and (Rosalia et al., 2020) which also states that *compensation does not* have a significant effect on *employee performance*.

Hypothesis 5: Work Motivation has a significant influence on Employee Performance

Hypothesis 5 tests whether high

levels of employee motivation positively impact performance. The test results showed a very high T-Statistic value (5.443) with a P-Values of 0.000, indicating the statistical significance of the relationship between job satisfaction and employee performance. High job satisfaction positively affects the performance of employees in the organization.

Work motivation has a significant influence on employee performance in the hospitality industry. High levels of work motivation are associated with better performance, reflected in a positive attitude and high morale towards work and the work environment. Positively motivated employees tend to make superior contributions, maintain high service standards, and play a positive role in the success of hospitality organizations. Therefore, work motivation is a key factor that supports high employee performance in the context of the hospitality industry. This research is in line with previous research (Sudiardhita et al., 2018), (Purba & Sudibjo, 2020), (Hidayati et al., 2022), (Irwan Haryono & Sulisty, 2020), (Oktari et al., 2020), (Shifak et al., 2022), (Riyanto et al., 2021) which also states that *Work Motivation* has a significant influence on *Employee Performance*.

Indirect Effect Test Results

Table of Indirect Effect Test Results

Pengaruh	T-Statistic	P-Values	Kesimpulan
<i>Job Satisfaction</i> → <i>Work Motivation</i> → <i>Employee Performance</i>	2,715	0,007	Signifikan
<i>Compensation</i> → <i>Work Motivation</i> → <i>Employee Performance</i>	4,868	0,000	Signifikan

Source: SmartPLS Output (2023)

Hypothesis 6: *Job Satisfaction Mediated by work motivation* has a

significant influence on *Employee Performance*

Hypothesis 6 examines the shared effect of job satisfaction, job motivation, and employee performance. The test results show a T-Statistic value of 2.715 with a P-Values of 0.007, indicating the statistical significance of the combined influence. The relationship between job satisfaction, job motivation, and employee performance together has a significant impact. Job satisfaction associated with work motivation has a substantial influence on employee performance, creating a better service environment. Satisfied and motivated employees tend to maintain high quality standards, collaborate in teams, improve operational efficiency, and provide a satisfying guest experience. Job satisfaction rooted in intrinsic motivation creates a high commitment to the company and the hospitality industry. The positive relationship between job satisfaction, work motivation, and employee performance is the key to success in providing exceptional service and maintaining a good reputation in the hospitality industry. This research is in line with previous research (Efendi et al., 2020) which also states that Satisfaction mediated by *work motivation* has a significant influence on *Employee Performance*.

Hypothesis 7: *Compensation Mediated by work motivation* has a significant influence on *Employee Performance*

Hypothesis 7 examines the combined effect of compensation, work motivation, and employee performance. The test results show a high T-Statistic (4.868) with a low P-Values (0.000), indicating the statistical significance of the combined influence. High compensation contributes to work motivation, which positively affects the

performance of employees. Together, these variables exert a strong influence on employee performance. The role of compensation mediated by work motivation is increasingly important in influencing employee performance. Fair and adequate compensation is a key driver of employee motivation to provide exceptional customer service. Motivation, both financial and non-financial, encourages employees to maintain high quality standards, respond efficiently to guest needs, and collaborate with colleagues. Strong links between compensation, work motivation, and employee performance are key in maintaining excellence and guest satisfaction in the competitive hospitality industry. This research is in line with previous research (Candra Dewi & Dewi, 2019) and (Angelina Frisca et, al 2018) which also stated that *Compensation Mediated by work motivation* has a significant influence on *Employee Performance*

Test Results of Coefficient of Determination (R²)

Variabel	R Square Adjusted	Kesimpulan
<i>Employee Performance</i>	0,672	<i>moderate</i>
<i>Work Motivation</i>	0,592	<i>moderate</i>

Source: Primary Data processed (2022)

The results of the coefficient of determination test (R²) in Table 4.17 convey crucial information about the extent to which variability in the variables tested can be explained by other variables in the model. For the Employee Performance variable, the R Square Adjusted of 0.672 shows that about 67.2% of the variation in employee performance can be explained by the variables in the model. This indicates

that the model provides a moderate explanation of employee performance, but there are still other factors outside the model that affect that performance. Meanwhile, for the Work Motivation variable, the R Square Adjusted of 0.592 shows that about 59.2% of the variation in work motivation can be explained by the variables in the model. These results also indicate a moderate explanation of work motivation, with the possibility of other factors outside the model influencing employee motivation

CONCLUSION

The conclusion of this study, based on research and analysis regarding the relationship between job satisfaction, compensation, work motivation, and employee performance in organizations, indicates that the level of job satisfaction plays a crucial role in determining work motivation. These findings affirm that employees who are satisfied with their jobs are more likely to be motivated to complete assigned tasks. However, the study suggests that the impact of compensation on employee motivation is not statistically significant, hinting at the presence of other motivating factors. The importance of job satisfaction is underscored by its significant positive impact on employee performance, leading to higher productivity levels. Conversely, compensation does not significantly affect employee performance, and in some cases, exceeding acceptable limits can be detrimental. The correlation between job satisfaction and employee performance is influenced by work motivation, highlighting that the combination of job satisfaction and work motivation positively impacts employee performance

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