

The Effect of Transactional Leadership, Compensation, and Organization Culture on Employee Performance with Work Motivation as a Mediating Variable

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Abstract

This research investigates how transactional leadership, compensation, and organizational culture at Hotel XYZ influence employee performance, with work motivation playing a role as a mediator. A quantitative approach was employed, involving a questionnaire survey of 110 Hotel XYZ employees in Makassar. Data analysis was conducted using the SEM-PLS technique. The findings suggest that transactional leadership does not have a notable impact on employee performance, but compensation and organizational culture play a significant role. Additionally, it is evident that work motivation serves as a mediator for the relationship between organizational culture and employee performance. This research benefits Hotel XYZ by informing strategies to enhance employee performance through a focus on developing organizational culture and work motivation.

Keywords: Compensation, Employee Performance, Organizational Culture, Transactional Leadership, Work Motivation.

1. Introduction

In the era of globalization, it is essential for all businesses to consistently enhance the productivity of their staff to stay ahead in the market. The efficiency of employees is a crucial factor in the development of a company (Mathis & Jackson, 2006). Referring to Mangkunegara (2017), employee performance is often described as the success of employees in completing tasks assigned to them, leading to the accomplishment of work results in terms of both quality and quantity. Employees' effectiveness directly impacts the success of the company and their ability to meet goals. (S. P. Robbins & Judge, 2013). In order to improve and monitor job performance effectively, businesses must acknowledge the critical factors that impact employees.

Hotel XYZ is one of the companies that is also experiencing problems in employee performance. Hotel XYZ is a 4-star hotel located on HM Dg Patempo Metro Street Tanjung Bunga Makassar inaugurated in 2016. Located close to the tourism center of Makassar, Losari Beach, this hotel was developed on an area of 6.7 hectares and has a capacity of 264 rooms which include superior, deluxe, and executive suites.

The performance problem at Hotel XYZ is evidenced by the Key Performance Indicator (KPI) measurement. KPIs are used to measure how well employees perform in carrying out the strategies that the company has carried out to achieve its vision and mission (Arini et al., 2015). Based on data from Hotel XYZ Makassar (2024) regarding the percentage of the



number of employees who get a monthly key performance indicator score as the basis for distributing service charges at Hotel XYZ Makassar, it shows that in the last 6 months employees who have score A in the 85-100 value range are still below 20%, meaning that there are still few employees who get the best KPI scores at Hotel XYZ. The number of employees based on score B in the 70-84 score range gets the highest percentage, meaning that there are still many employees whose performance is quite good at Hotel XYZ. However, there are still some employees who have a score D value range of less than 55 which means that there are still some employees who have poor performance based on key performance indicators at Hotel XYZ.

In order to understand the reasons why there are still employees with low performance at Hotel XYZ, researchers conducted a survey of 50 employees. In this survey, researchers provided nine factors that are considered to have the potential to improve performance, and asked employees to choose the indicators that they think are most influential in improving their performance.

The findings of the internal survey of Hotel XYZ employees showed that the highest employee factor was the leadership aspect, with a percentage of 78.2%. This factor is followed by compensation with 65.5%, and in third position is organizational culture with 60%. According to this information, effective leadership significantly impacts the overall performance of Hotel XYZ. This study identifies variables that are thought to affect employee performance, including transactional leadership, compensation, and organizational culture, with the mediating variable of work motivation.

According to Bernardin & Russell (1993) explains performance as the achievement of individual tasks and responsibilities, which is measured by how well the work meets the criteria set by the company. In line with organizational progress, the understanding of performance is growing, covering various aspects that affect productivity, such as motivation, leadership style, and work culture. According to Luthans (2011), high performance results not only from individual abilities, but also positive environmental support and an effective feedback system. This suggests that achieving optimal performance requires collaboration between individuals and organizations. Thus, focusing on performance improvement is essential to achieve long-term success in organizations.

Leaders who motivate their employees in return and are done by employees so that employee and organizational goals are achieved and employees gain trust in carrying out their work are often known as transactional leadership (Jufrizen & Lubis, 2020). Study done by Alhempri et al. (2024) states that transactional leadership affects employee performance. Employees often feel hampered by transactional leadership in carrying out daily tasks and activities. The motives of employees must be understood by the leader because the motive is based on the desire to provide satisfaction of all employee needs so that it affects employee behavior and performance.

Employee performance can be impacted by work compensation. Roberts & McGowan (2013) state that compensation serves as a way to acknowledge and appreciate an employee's efforts within the company, typically including monetary and non-monetary incentives. Effendi & Chaerudin (2021) in their research explain that the performance of employees is greatly influenced by their compensation. Compensation that is given accordingly and on time for employees is very important to provide encouragement to employees when working (Shobirin & Siharis, 2022). Compensation encompasses a range of remuneration and incentives that workers earn in exchange for their efforts. This form of compensation includes salaries, wages, benefits, and various other forms of reward (Milkovich et al., 2014). If

compensation is managed appropriately, it can help companies to achieve their goals and retain productive employees (Tanjung & Mardhiyah, 2023).

In addition to the above variables, organizational culture is also a possibility that affects the performance of XYZ Hotel employees. Organizational culture pertains to a shared system of beliefs, values, and principles that influence the behavior of employees in a company. This culture can affect organizational effectiveness and is a key element in change management (S. P. Robbins & Judge, 2013). Studies carried out by Restutiani et al. (2023) found that the culture of company has an impact on how employees perform. Culture plays a crucial part within the organization because it functions as a system that spreads beliefs and values that develop in the organization, as well as being a guide in directing the behavior of its members.

Work motivation is a factor that influences the extent to which individuals are engaged and committed in their work. According to Ryan (2017), work motivation consists of two types, namely intrinsic motivation (motivation from within the individual, such as personal satisfaction and interest) and extrinsic motivation (motivation from external factors, such as rewards or recognition). Both contribute to job performance and satisfaction. According to Hasibuan (2012), motivation acts as a powerful factor that ignites a person's passion for their job, encouraging them to work together, be productive, and exert maximum effort in attaining satisfaction. Research by Farida et al. (2022) states that work motivation affects employee performance.

This study seeks to investigate how transactional leadership, compensation, and organizational culture impact employee performance at XYZ Hotel in Makassar, with work motivation playing a role as a mediator.

2. Literature Review

2.1. Employee Performance

Referring to Arda (2017), performance relates to the results achieved in a set period while completing tasks, based on established objectives and promises. Meanwhile, Ambarita et al. (2018) state that performance is assessed by the degree of competence and output achieved in accordance with designated responsibilities. Mahadewi & Netra (2020) also emphasized that employee obligations are executed according to the tasks delegated to them. In addition, Andry (2019) revealed that performance describes the work of individuals or groups in an organization, which is carried out based on responsibility and authority to achieve organizational goals legally and in accordance with the rules.

2.2. Transactional Leadership

Based on the views of S. P. Robbins & Judge (2013), transactional leadership is a type of leadership that inspires followers by clearly outlining the expectations and responsibilities needed to reach specific objectives. Meanwhile, according to Feranita in Bernardo et al. (2023), transactional leadership can include the application of values, but these values relate to the exchange process, such as honesty, responsibility, and reciprocity.

2.3. Compensation

Sastrohadiwiryo (2002) explains that compensation serves as recognition from the employer to employees for their hard work and creativity that has helped the organization thrive. Meanwhile, Widyaningrum (2019) defines Compensating employees is a way to recognize and appreciate their efforts and contributions in the workplace. This recognition can come in the form of monetary rewards, both directly through salary and indirectly through benefits, in addition to other non-monetary incentives.

2.4. Organizational Culture

The term "organizational culture" refers to the deeply rooted values, beliefs, and norms that have been established and evolved within a company and are collectively embraced by members of an organization as a framework for decision-making and addressing issues within the organization (Sutrisno, 2009). The culture of an organization reflects the beliefs and practices of its members, influencing the way they interact with each other and with the outside world (S. Robbins, 2016).

2.5. Work Motivation

Hasibuan (2012) defines motivation as an incentive that motivates an individual to collaborate, perform efficiently, and fully utilize their resources and determination to reach a sense of fulfillment. Meanwhile, Sondang (2013) explains that work motivation is the impetus that compels individuals or organizations to utilize their skills, effort, and time required to finish tasks and fulfill responsibilities to achieve the company's goals.

2.6. Conceptual Framework

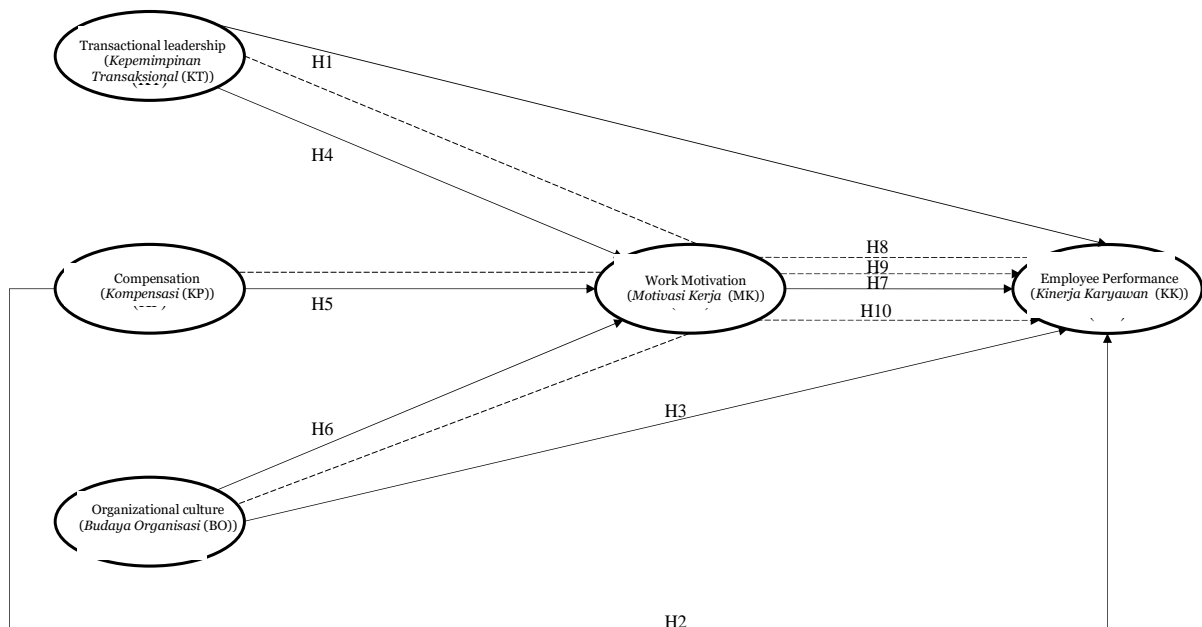


Figure 1. Conceptual Framework

Source: Modification from Adriansyah et al. (2020); Effendi & Chaerudin (2021); Farida et al. (2024); Lazuardi et al. (2023); Wolor et al. (2019)

3. Methods

3.1. Object of Research

The effect of transactional leadership (KT), compensation (KP), and organizational culture (BO) on employee performance (KK) at XYZ Hotel in Makassar will be analyzed in this study, with work motivation (MK) being viewed as a moderating factor. The study will examine transactional leadership, compensation, and organizational culture as the main variables, with employee performance as the focus of interest. Work motivation will play a role as a mediating factor in this quantitative research.

3.2. Operational Variables

The research variables in this study include five main aspects, namely employee performance, transactional leadership, compensation, organizational culture, and work

motivation. Employee performance is measured using ten indicators based on operational standards, ability to complete tasks according to targets, timeliness, efficiency, coordination with coworkers, knowledge, ability to handle situations, and work ethic without supervision, as described by S. Robbins (2016). Transactional leadership includes five indicators such as positive response from superiors, rewards for performance, and supervision and corrective actions to ensure work standards are met, referring to Lee et al. (2023). Compensation is measured using ten indicators that include salary, incentives, benefits, work facilities, and health insurance, in line with the research of Idris et al. (2020). Organizational culture, with 12 indicators, includes innovation, initiative, accuracy, work effectiveness, teamwork, collaboration between departments, and motivation from management, based on Robbins & Judge in Tiyaniti et al. (2021). Finally, work motivation is measured through 12 indicators involving efforts to achieve the best results, task diversity, enjoyment of work, challenges, supervision, compliance with policies, and promotion opportunities, referring to Herzberg in Luthans (2011).

3.3. Population and Sample

The group under scrutiny consists of all staff members at Hotel XYZ, focusing on those who have been employed for a minimum of two years, including both permanent and contractual workers, amounting to 153 individuals according to the internal data from Hotel XYZ in 2024. This study uses a sample approach because only part of the population will be studied. In this study, the sample used was employees of Hotel XYZ in Makassar.

The determination of the number of samples needed for this study will follow the approach created by Krejcie & Morgan in the year 1970. With a total population of 153 individuals and a margin of error set at 5%, this information will be plugged into the Krejcie formula outlined below.

$$\text{Krejcie formula } n = \frac{x^2 \cdot N \cdot P(1-P)}{(N-1) \cdot d^2 + x^2 \cdot P(1-P)}$$

Description:

n = sample size/number of respondents

N = population size

x^2 = Chi Square value with df (1)

d = sampling error/error tolerance

P = population proportion

The results of calculations with the formula and assumptions above and with a population of 153 employees, the results show that the number of samples that can be taken is 109.06 or rounded up to 110 people or employees of Hotel XYZ.

3.4. Sampling Method

This study establishes certain requirements for the participants to be examined, therefore utilizing methods of sampling that are not based on probability. In this study, the criteria set for sample withdrawal are permanent and contract employees with a minimum service period of two years. The determination of these criteria aims to ensure that the sampled population members have sufficient experience in assessing employee performance at XYZ Hotel.

3.5. Data Collection Method

Primary data is data that researchers gather firsthand in order to gather relevant information for their research goals (Bougie & Sekaran, 2019). Primary data collection can be done through various methods such as tests, interviews, observations, and questionnaires. The researcher made the decision to gather data using a questionnaire. This survey was

disseminated online using Google Form. A survey involves gathering information by giving respondents a set of questions to respond to (Suliyanto, 2018). This research utilized a Likert scale to assess how much respondents agreed with the statements provided. The scale includes five levels ranging from strongly disagree to strongly agree, assigned values from 1 to 5. Suliyanto (2018) discussed different measurement scales such as nominal, ordinal, interval, and ratio scales. The Likert scale employed in this study falls under the category of an interval scale as it maintains consistent distance between the levels.

3.6. Data Analysis Method

This research utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) as the data analysis technique, employing the SmartPLS version 4 software. The decision to use PLS-SEM was based on its capacity to examine different factors impacting an occurrence and offer a more thorough understanding of the correlation among variables.

4. Results and Discussion

4.1. Research Results

4.1.1. Inferential Analysis

1) Construct Reliability

Table 1. Cronbach Alpha and Composite Reliability Value

Variable	Cronbach's Alpha	Composite Reliability	Result
Transactional leadership	0,869	0,904	Reliable
Compensation	0,929	0,939	Reliable
Organizational culture	0,958	0,963	Reliable
Work motivation	0,951	0,957	Reliable
Employee performance	0,951	0,958	Reliable

Source: Results of PLS-SEM data processing research, 2024

According to the data shown in the chart, it is evident that all variables have a Cronbach's alpha value greater than 0.7, meeting the required criteria (Ghozali, 2016). In addition, all variables also have a composite reliability value between 0.7 to 0.95, which is within the recommended limits, and no indicator redundancy is found. Based on the outcome of this reliability assessment, it can be inferred that all indicators have satisfied the required standards, therefore they are considered trustworthy in assessing the desired concept.

2) Construct Validity

Table 2. Average Variance Extracted (AVE) Value

Variable	Average Variance Extracted (AVE)	Result
Transactional leadership	0,653	Valid
Compensation	0,610	Valid
Organizational culture	0,683	Valid
Work motivation	0,652	Valid
Employee performance	0,698	Valid

Source: Results of PLS-SEM data processing research, 2024

The data provided in table 2 demonstrates that all variables in the research model have an Average Variance Extracted (AVE) value greater than 0.50, meeting the required criteria. Therefore, it can be inferred that the indicators in the model accurately measure their corresponding constructs.

3) Discriminant Validity

Table 3. Heterotrait-Monotrait Ratio (HTMT) Value

	BO	KT	KK	KP	MK
Organizational culture					
Transactional leadership	0,673				
Employee performance	0,757	0,734			
Compensation	0,520	0,788	0,665		
Work motivation	0,709	0,729	0,704	0,438	

Source: Results of PLS-SEM data processing research, 2024

4.1.2. Inner Model

1) Coefficient of Determination (R^2)

An R-squared value of 0.75 represents a considerable impact, while 0.50 signifies a moderate impact, and 0.25 suggests a minimal impact (Hair Jr et al., 2017).

Table 4. R-Squared Value

	R Square	R Square Adjusted
Work motivation (Z)	0,594	0,582
Employee performance (Y)	0,684	0,672

Source: Results of PLS-SEM data processing research, 2024

The table displayed above reveals that the R^2 value for the variable of employee performance is 0.684, falling into the category of having a moderate impact. This indicates that the independent factors in the model account for 68.4% of employee performance, with the remaining 31.6% being attributed to external variables not considered in the research. Moreover, the R^2 value for the variable of work motivation as a mediator stands at 0.594. According to the aspect of predictive accuracy, this value falls under the moderate influence category as the three independent variables in our research model show a significant capacity to predict work motivation, which acts as a mediating variable.

2) Effect Size (F^2)

The f-squared value is used to evaluate the relevance of the construct in explaining the endogenous variables involved.

Table 5. Effect Size (F Squared) Value

Variable	F-squared
BO → KK	0,189 Moderate effect size
BO → MK	0,281 Moderate effect size
KP → KK	0,139 Small effect size
KP → MK	0,039 Small effect size
KT → KK	0,003 No effect
KT → MK	0,283 Moderate effect size
MK → KK	0,086 Small effect size

Source: Results of PLS-SEM data processing research, 2024

According to the findings of the study, the connection between organizational culture factors and employee performance, organizational culture and job motivation, and transactional leadership and job motivation has a moderate impact, as indicated by f-squared values of 0.189, 0.281, and 0.283, respectively. The factors of compensation and work

motivation only have a minor impact on employee performance, as evidenced by their respective f-squared values of 0.139, 0.039, and 0.135. Meanwhile, the transactional leadership variable on employee performance has no effect with an f-squared value of 0, 003.

4.1.3. Predicted Value of Q2_Predict and CVPAT

The Q2 value can be in the value range of 0 to 1, while if it is below 0 it is said to have no predictive value of relevance (Hair Jr et al., 2017).

Table6. Q²_Predict Konstrukt Value

Variable	Q ² _Predict
Work motivation	0,557
Employee performance	0,619

Source: PLS-SEM processed results, 2024

Table 6 displays the Q2_Predict value of 0.373 for the work motivation variable and 0.454 for employee performance. Both values pass the value between 0.2 to 0.5, so the predictive ability of the model is medium (medium predictive relevance). If this research model is tested in other studies with the same context and the assumption of the same sample criteria, but the population is different, the probability is high enough to get similar results.

Analysis with PLS-SEM the latest approach to assessing the predictive ability of the model is with Cross-Validated Predictive Ability (CVPAT). This CVPAT method is recommended to be used routinely in PLS-SEM analysis which is oriented towards causal predictive (Hair Jr et al., 2017). In this CVPAT procedure, the data is obtained by comparing the bootstrapping error value with the out-sample error gradually according to a certain algorithm.

Table 7. Cross-Validated Ability (CVPAT) Value

Variable	PLS-SEM vs. Indicator average (IA)		PLS-SEM vs. Linear model (LM)	
	Average loss difference	p-value	Average loss difference	p-value
Work motivation	-0,281	0,000	-0,206	0,000
Employee performance	-0,283	0,000	-0,055	0,000
Overall	-0,282	0,000	-0,137	0,000

Source: PLS-SEM processed results, 2024

In this study, we analyze the CVPAT results through a two-stage process. Initially, we compare the output of PLS-SEM with the average indicators of the data that has been adjusted or is from outside the sample. The comparison findings indicate that the average loss difference is below zero with a p-value of 0.000, suggesting that the model demonstrates predictive capacity. In the subsequent comparison between the PLS-SEM and linear model (LM), the average loss difference also shows a negative value. This indicates that this model has a strong predictive ability in predicting employee performance from a work motivation perspective. These findings indicate the level of possibility or relevance if the proposed model is then tested in other studies with different data, but with the same criteria, the results are likely to be similar. The outcome of the evaluation conducted through the CVPAT technique validates that the proposed research model emphasizing the significance of work motivation effectively predicts employee performance, which is the primary focus of this research.

4.1.4. Hypothesis Test

Based on Hair Jr et al. (2017), a hypothesis is considered to have importance when the t-statistics value exceeds the t-table value at a significance level of 0.05 (5%) for p-values.

Table 8. Hypothesis Test Results

	Hypothesis	Original Sample (O)	T Statistics	P Values	Result
H1	Transactional leadership has a positive effect on employee performance	0,060	0,561	0,288	Positive but insignificant effect
H2	Compensation has a positive effect on employee performance	0,316	3,946	0,000	Positive and significant effect
H3	Organizational culture has a positive effect on employee performance	0,355	3,836	0,000	Positive and significant effect
H4	Transactional leadership has a positive effect on work motivation	0,552	4,902	0,000	Positive and significant effect
H5	Compensation has a positive effect on work motivation	-0,187	1,612	0,054	Negatively and insignificantly affected
H6	Organizational culture has a positive effect on work motivation	0,435	4,973	0,000	Positive and significant effect
H7	Work motivation affects employee performance	0,258	2,746	0,003	Positive and significant effect
H8	Transactional leadership has a positive effect on employee performance through work motivation	0,142	2,249	0,012	Positive and significant effect
H9	Compensation has a positive effect on employee performance through work motivation	-0,048	1,250	0,106	Negatively and insignificantly affected
H10	Organizational culture has a positive effect on employee performance through work motivation	0,112	2,212	0,013	Positive and significant effect

Source: PLS-SEM processed results, 2024

According to the information in table 8, it can be inferred that out of the ten hypotheses put forward in this research, three of them have shown no significant results. This is indicated by seven hypotheses that have a significant effect and the coefficient value is in accordance with the expected direction in the hypothesis.

4.1.5. Mediation Analysis

In this research context, the motivation to work serves as an mediator factor connecting the influence of three distinct factors to the efficiency of employees. The aim is to determine whether the motivation for work partially mediates or fully mediates the effects.

Table 9. Indirect Effect and Direct Effect

Hypothesis	Original Sample (O)	T Statistics	P Values	Result
Transactional leadership → employee performance	0,060	0,561	0,288	Not significant
Compensation → employee performance	0,316	3,946	0,000	Significant
Organizational culture → employee performance	0,355	3,836	0,000	Significant
Transactional leadership → employee performance → work motivation	0,142	2,249	0,012	Significant
Compensation → employee performance → work motivation	-0,048	1,250	0,106	Not significant
Organizational culture → employee performance → work motivation	0,112	2,212	0,013	Significant

Source: PLS-SEM processed results, 2024

According to the data in Table 9, there seems to be no significant link between transactional leadership and employee performance. However, there is a significant indirect correlation through work motivation, leading to the conclusion of complete mediation. The strong correlation between pay and job performance outweighs any impact from motivation, leading to the conclusion that there is no mediation. It can be determined that organizational culture plays a partially mediating role in the link between employee performance and work motivation.

4.1.6. PLS-POS Analysis

The first advance analytic performed is PLS-POS where this analysis is classified as latent class analysis which aims to identify the existence of classes or segments in the collected respondent data. The grouping of the total sample is to see the extent to which there is data heterogeneity. 86 out of the 110 samples collected belonged to segment 1, while the remaining 24 samples were from segment 2. The number of samples obtained meets the required criteria based on the power analysis calculation, which accounted for an effect size of 0.25, 3 predictor variables, and 80% power.

Table 10. R² Value of PLS-POS Analysis Results

Variable	PLS Bootstrapping	PLS-POS	
	Full model R ²	R ² Segment 1	R ² Segment 2
Number of samples	110	86	24
Work motivation	0,594	0,619	0,859
Employee performance	0,684	0,821	0,953

Source: PLS-SEM processed results, 2024

R² in table 11 shows that there has been an increase in the variable's value in both segments 1 and 2. The R² value for employee performance in segment 1 is 0.821, while in segment 2 it is 0.953. These values indicate a significant level of explanatory power. This value is greater when compared to the original sample using the total sample with R² of 0.684. Similarly, there is a work motivation variable R² value in segment 1 of 0.619 and in segment 2 of 0.859 and falls into the category of strong explanatory power or substantial. The R² value of segment 2 is greater than the total sample. Thus it can be said that this model has a stronger explanatory prediction or explanatory prediction ability when using the segment 2 sample.

The results or outcomes of the PLS-POS model are also presented in the form of a comparable model image where in this figure the R² value and the coefficient on the existing path can be seen. The following two figures show the difference in results between segments 1 and 2 of the total sample of this study.

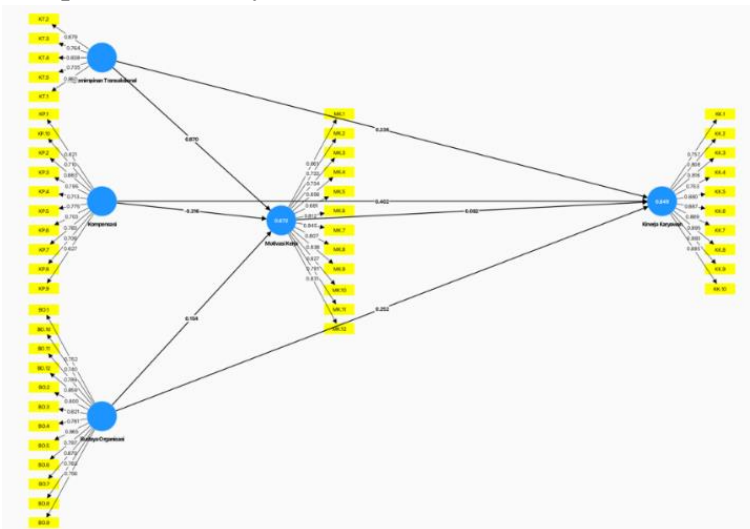


Figure 3. PLS-POS Segment 1
Source: PLS-SEM processed results, 2024

The R² value for the employee performance variable in the dark blue circle is 0.849, as shown in segment 1 of Figure 3, where this value is categorized as strong explanatory power. On the side of this model, the R² value of work motivation becomes larger and more meaningful. The largest coefficient is found from transactional leadership. In segment 2, it is likely that respondents consider the importance of transactional leadership to improve performance.

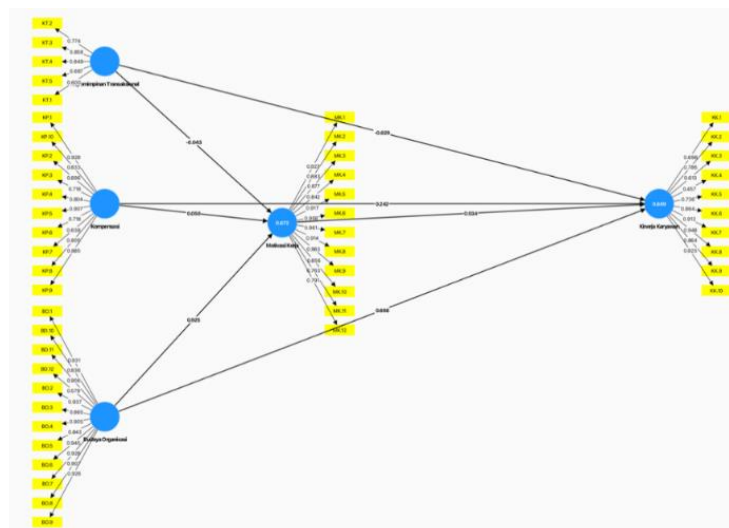


Figure 4. PLS-POS Segment 2
Source: PLS-SEM processed results, 2024

In Segment 2 of Figure 4, the employee performance variable has an R² value of 0.849 highlighted in the dark blue circle, where this value is categorized as strong explanatory power. On the side of this model, the R² value of work motivation becomes smaller but still meaningful. The largest coefficient found from organizational culture in segment 1 is the

possibility that respondents consider the importance of organizational culture in improving employee performance.

4.1.7. Importance-Performance Mapping Analysis (IPMA)

The next stage in PLS-SEM analysis is the optional advance analytic stage, one of which is the importance performance mapping analysis (IPMA). Analysis with IPMA is recommended because it is useful to provide more specific input for management.

Table 11. Importance and Performance Value of Constructs

Variable	Construct Importance for Employee Performance	Construct Performances Employee Performance
Transactional leadership	0,203	64,921
Compensation	0,268	61,173
Organizational culture	0,468	73,519
Work motivation	0,258	66,505
Mean	0,299	66,530

Source: PLS-SEM processed results, 2024

From table 11, the mean values for importance and performance of the Employee Performance construct can be found in employees. The mean for importance was recorded at 0.299, while the mean for performance was 66.530. Values below these averages are considered low, while values above them are considered high. With this data, two lines can be drawn to divide the graph into four quadrants, which are then used.

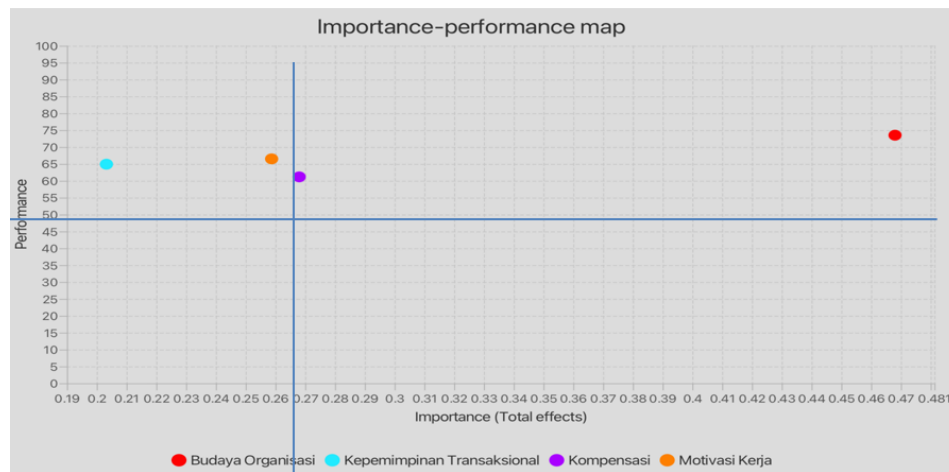


Figure 5. Construct IPMA Results

Source: PLS-SEM processed results, 2024

From the IPMA output figure 5 above, it can be seen that for the construction target in the research model, namely organizational culture is in the upper right quadrant. This variable has a large influence and high performance. Therefore, company management needs to focus and maintain this variable.

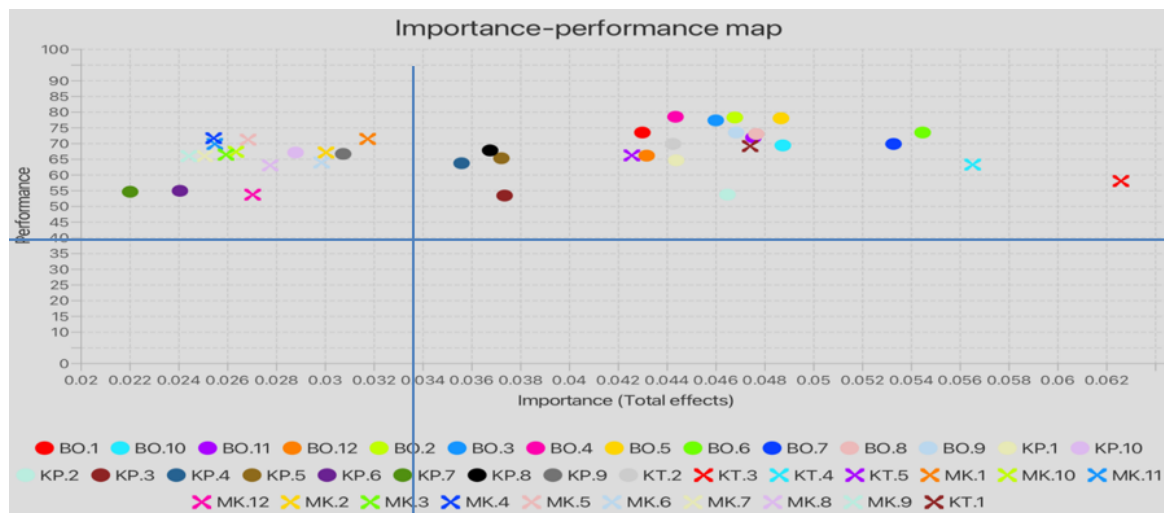


Figure 6. IPMA Indicator Results
Source: PLS-SEM processed results, 2024

In the figure 6 above, the indicators in this study are divided into two main groups. Indicators in the right group are considered very important because they have a greater total effect value compared to other indicators. There are seven indicators in the lower right quadrant that are considered important by respondents but still show below-average performance, namely indicators KT.3, KT.4, KT.5, MK.1, KP.1, and KP.2. This is a new finding in this study that needs priority attention. Hotel XYZ management needs to evaluate and adjust the compensation structure to make it fairer and in accordance with employee contributions and transactional leadership styles by strengthening a fair reward and sanction system, setting clear targets, and providing regular feedback and training. Periodic evaluation of a transparent and fair compensation structure can ensure that employees feel valued and motivated to contribute better to the company. And periodic evaluation of transactional leadership will help ensure its effectiveness in supporting employee productivity.

The indicators in the middle group are considered quite important, but can be the next priority after the indicators in the right group have improved. Furthermore, an explanation of hypothesis testing and managerial implications will be described below.

4.2. Discussion

4.2.1. Transactional Leadership on Employee Performance

In the initial hypothesis, the impact of transactional leadership on employee performance at Hotel XYZ was evaluated. However, the findings indicated a P value of 0.288, which is greater than the threshold of 0.05. Therefore, it was determined that there is no significant correlation between transactional leadership style and employee performance at Hotel XYZ. Consequently, the hypothesis was deemed invalid and rejected.

The findings indicated that the transactional leadership approach did not yield a considerable impact on the job performance of employees within Hotel XYZ. Various reasons could account for this outcome. First, the characteristics of employees dominated by gen z are more suited to a participative or transformational leadership style that offers inspiration and personal development. Second, the culture and work environment at Hotel XYZ does not support a transactional approach that focuses on rewards and punishments. In addition, external conditions such as the economic situation or industry competition can also have more influence on employee performance than the leadership style itself. Ineffective

implementation of transactional leadership, where rules and rewards are inconsistent, could also be a factor.

One of the positive impacts of a transactional leadership style is improved performance through timely and relevant rewards. When employees know that they will be rewarded for achieving targets or penalized if they fail, they tend to be more motivated to work efficiently and effectively. This reward system can be in the form of bonuses, incentives, or public recognition that makes employees feel valued.

This discovery is backed up by the study conducted by Lazuardi et al. (2023) that transactional leadership style has no significant effect on employee performance. Nevertheless, it goes against the conclusions reached in studies carried out by Lee et al. (2023), Setiani & Rizaldy (2021), Wahyuni et al. (2020) and Adriansyah et al. (2020) state that leadership style affects employee performance. leadership is the effort of a person who is entrusted with the task of leadership, to organize, unite and move his subordinates together to achieve predetermined goals.

4.2.2. Compensation on Employee Performance

The second hypothesis looks at how compensation impacts the performance of employees at Hotel XYZ. The analysis indicates a significant P value of 0.000, suggesting that compensation does have an impact on employee performance at Hotel XYZ. Therefore, the hypothesis is supported.

The results showed that compensation affects employee performance. Fair and competitive compensation is a key factor in motivating employees and improving their performance at Hotel XYZ. A good compensation structure includes a competitive base salary, which ensures employees feel valued according to their contribution. In addition, the provision of performance-based bonuses and incentives encourages employees to work harder and achieve targets. Additional benefits and facilities, such as health, education, and other perks, also improve employee welfare, which in turn has a positive impact on their performance. Research has shown that employee performance is greatly impacted by the level of compensation they receive Wolor et al. (2019), Idris et al. (2020), Zayed et al. (2022), Effendi & Chaerudin (2021) and Rakatama & Chaerudin (2021).

4.2.3. Organizational Culture on Employee Performance

The third hypothesis explores how the organizational culture at Hotel XYZ impacts the performance of employees. The results of the study indicate a significant P value of 0.000, which is less than the accepted threshold of 0.05. This leads to the conclusion that the organizational culture does indeed have an impact on employee performance at Hotel XYZ, thus supporting the hypothesis.

The study findings indicated that the performance of employees is influenced by the organizational culture. This is because a robust and favorable organizational culture at Hotel XYZ is crucial in enhancing employee performance. A good organizational culture sets values that prioritize cooperation, integrity, and innovation, which creates a supportive and inclusive work environment. This positive work environment encourages employees to perform better and more efficiently. In addition, a culture that encourages professional development and continuous training helps employees improve their skills and knowledge, which ultimately improves their performance at work.

This finding is supported by the research of Farida et al. (2024) and Adriansyah et al. (2020) which suggests that organizational culture can have a positive impact on employee performance, despite contradicting previous findings of Saluy et al. (2022) and Sapta et al. (2021) that organizational culture has no significant effect on employee performance.

4.2.4. Transactional Leadership on Work Motivation

The fourth hypothesis examines how transactional leadership impacts work motivation at Hotel XYZ. Results of the test indicate a P value of $0.000 < 0.05$, suggesting that transactional leadership does indeed influence work motivation at the hotel. As a result, the hypothesis is deemed valid.

The findings indicated that the motivation of employees is impacted by the transactional leadership approach. The way leaders practice transactional leadership has a significant influence on how motivated employees feel at Hotel XYZ. Transactional leadership, which focuses on a clear link between performance and reward, can increase work motivation through structured reward and punishment mechanisms. In a work environment such as at Hotel XYZ, transactional leaders set clear expectations, provide specific instructions, and ensure that employees understand the consequences of their performance.

One of the main ways transactional leadership style increases work motivation is through concrete rewards. Workers who are aware that meeting specific goals will lead to rewards such as bonuses, incentives, or recognition are more likely to feel inspired to increase their efforts and productivity. These rewards provide an immediate boost that encourages employees to meet or even exceed expectations. For example, awarding bonuses based on monthly achievements or public recognition of hard work can boost employee morale and desire to achieve better results.

Previous studies have also found that the transactional leadership approach positively impacts employee motivation (Adriansyah et al., 2020; Lazuardi et al., 2023; Wahyuni et al., 2020).

4.2.5. Compensation on Work Motivation

The fifth hypothesis evaluates how compensation impacts work motivation in Hotel XYZ. With a P value of $0.054 > 0.05$ from the test results, it is determined that compensation does not influence work motivation at Hotel XYZ. Therefore, the hypothesis is not supported and is discarded.

The findings indicated that compensation does not play a role in boosting employee drive. This could be due to the insufficiently competitive or industry-aligned nature of the compensation, thus failing to have a notable impact on employee motivation. Employees have diverse requirements and hopes in relation to their job, with elements such as acknowledgment, chances for professional growth, prioritizing work-life balance and a positive work environment over financial compensation. This discovery varies from the study conducted by Wolor et al. (2019), Tumi et al. (2022) and Effendi & Chaerudin (2021) state that compensation affects employee work motivation.

4.2.6. Organizational Culture on Work Motivation

The sixth hypothesis examines how organizational culture impacts work motivation within Hotel XYZ. According to the test findings, the P value is 0.000 , indicating that the work motivation at Hotel XYZ is greatly impacted by the organizational culture. Therefore, the hypothesis is validated.

The findings indicated that the motivation of employees is impacted by the organizational culture. An influential and optimistic culture plays a significant role in boosting employee motivation within Hotel XYZ. The organizational culture encompasses the values, norms, and practices embraced by the company, shaping employee behavior and attitudes in the workplace.

An organizational culture that prioritizes cooperation, innovation, and appreciation of employee contributions can significantly increase work motivation. When employees feel that

they are working in a supportive and collaborative environment, they are more motivated to contribute their best. Values that promote rewards for hard work and individual and team achievements make employees feel valued and recognized, which in turn increases their work motivation. Research findings are backed by studies carried out by Sapta et al. (2021), Ibrahim et al. (2022), Saluy et al. (2022) and Muniarty et al. (2021) state that organizational culture affects employee work motivation.

4.2.7. Work Motivation on Employee Performance

The seventh hypothesis examines how work motivation impacts employee performance at Hotel XYZ. The results of the test indicate a P value of $0.003 < 0.05$, suggesting that work motivation does indeed have an influence on employee performance at Hotel XYZ. Therefore, the hypothesis is deemed valid. This discovery is backed up by Lazuardi et al. (2023), Wahyuni et al. (2019), Adriansyah et al. (2020), Wolor et al. (2019), Effendi & Chaerudin (2021), Rakatama & Chaerudin (2021), Saluy et al. (2022), Sapta et al (2021), Ibrahim et al. (2022), Alhempri et al. (2024) and Hakim et al. (2023).

4.2.8. Transactional Leadership on Employee Performance through Work Motivation

The eighth hypothesis delves into how work motivation impacts the connection between transactional leadership and employee performance in Hotel XYZ. The results suggest that with a P value of $0.012 < 0.05$, it can be inferred that work motivation is not a mediating variable in the relationship between transactional leadership and employee performance at Hotel XYZ. Therefore, the hypothesis is deemed valid.

The results of the research suggest that transactional leadership at Hotel XYZ does not influence Employee Performance through Work Motivation. This could be due to the transactional leadership style, which focuses on rewards and punishments to achieve compliance from employees, may not be effective in increasing employees' intrinsic motivation. Employees may feel that their job is only to meet certain targets without any significant reward for their initiative or creativity, so there is no meaningful increase in work motivation.

This discovery is corroborated by a study done by Lazuardi et al. (2023) that transactional leadership style does not have a beneficial impact on employee performance through motivation, which contrasts with study of Wahyuni et al. (2020) and Adriansyah et al. (2020) which stated that motivation can play a role in how transactional leadership affects employee productivity.

4.2.9. Compensation to Employee Performance through Work Motivation

The research conducted at Hotel XYZ examines if employee productivity is impacted by pay as a result of motivation at work. Upon analyzing the data, it was discovered that the P value of 0.106 exceeds the significance threshold of 0.05. Hence, the results imply that motivation at work does not act as a mediator in how compensation affects the performance of employees at Hotel XYZ. Subsequently, the original hypothesis is not upheld and is therefore rejected.

The study's results suggest that there is no correlation between employee performance and compensation at Hotel XYZ, regardless of their level of work motivation. This is due to the fact that job satisfaction as a whole, which encompasses factors like work-life balance, interpersonal relationships, and job stability, plays a significant role in determining employee performance. If overall job satisfaction is not affected by compensation, then work motivation will not increase either. This finding is supported by Hidayat (2021) that improving employee

performance does not rely on motivation alone. When supervisors fail to show appreciation through praise or bonuses to their team members, it can lead to diminished motivation among employees in the workplace. However, this finding is not supported by Effendi & Chaerudin (2021) which stated that employee performance can be influenced by work motivation as a mediator for compensation. In research (Tumi et al., 2022; Wolor et al., 2019) employee performance can be influenced by compensation.

4.2.10. Organizational Culture on Employee Performance through Work Motivation

The tenth theory explores the impact of work motivation on employee performance within the organizational culture of Hotel XYZ. The results show that there is a noteworthy P value of 0.013, indicating that the motivation to work serves as a mediator in the connection between the culture of the organization and the performance of employees at Hotel XYZ. Therefore, the hypothesis is deemed valid.

The study's results suggest that the organizational culture at Hotel XYZ impacts employee performance by enhancing work motivation. A strong and positive organizational culture can increase employee motivation, which in turn improves their performance. At Hotel XYZ, an organizational culture that prioritizes collaboration, innovation, and appreciation of individual and team contributions can create a work environment that supports high work motivation.

When employees perceive their work environment as nurturing, diverse, and recognizing of their efforts, they are likely to feel more inspired to perform at their peak. This high work motivation is then reflected in their performance, whether in the form of higher productivity, better service quality, or increased guest satisfaction.

In this scenario, work motivation plays a critical role in connecting organizational culture to employee productivity. If there is a lack of motivation, the benefits of a positive organizational culture may not be effectively reflected in employee performance. As a result, it is crucial for the management of Hotel XYZ to focus on building and nurturing a supportive organizational culture that empowers and inspires employees to perform at their best.

According to the studies by Saluy et al. (2022) and Adriansyah et al. (2020), discovered evidence indicating that work motivation serves as a link between organizational culture and employee performance. The higher the quality of the company's organizational culture, the greater the level of comfort experienced by employees in the workplace. In order to boost motivation among employees and enhance their performance in the workplace, it is essential to acknowledge the importance of organizational culture. Nonetheless, findings from this research challenge the conclusions of a previous research conducted by Ibrahim et al. (2022), which claimed that the impact of work motivation on employee performance is not significantly affected by the culture of the organization.

5. Conclusion

The main goal of this research is to evaluate how efficiently workers at the XYZ Hotel are performing. The study design is according on a revised version of previous studies, where the focus is on how work motivation influences employee performance as the main factor under investigation. There are three independent variables that act as antecedents of employee performance. A total of 10 hypotheses were empirically tested using data collected from respondents who have work experience at Hotel XYZ. The analysis resulted in several important findings related to the effect of various factors on employee performance. Transactional leadership has a positive but insignificant influence on employee performance,

indicating that this leadership style is not strong enough to significantly improve performance without a combination of other approaches. On the flip side, employee performance is greatly boosted by fair compensation systems and a robust organizational culture, underscoring their impactful influence on productivity. The study revealed that applying transactional leadership positively impacted work motivation, leading to increased morale and productivity among employees. However, compensation had a negative and insignificant effect on work motivation, indicating the need to consider other factors that influence motivation more. The influence of organizational culture on work motivation is proven to be positive and substantial, demonstrating that a work environment that fosters support can enhance employee dedication. Motivation at work plays a crucial role in enhancing employee performance and ultimately leading to maximum productivity. Transactional leadership and organizational culture both play a crucial role in influencing employee performance through work motivation. Conversely, compensation has a minimal and negative impact on performance. The results emphasize the importance of businesses focusing on factors like leadership, company culture, and employee motivation in order to improve overall employee productivity.

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