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Building Performance Through Work Discipline Influenced by Work Environment and Compensation

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ABSTRACT

Objective: The objectives of this study are. To determine the effect of work environment variables and rewards on employee performance through employee work discipline through work discipline. To determine whether there is a direct and indirect effect of work discipline intervention variables, in order to determine performance improvement strategies in the organization.

Methodology: This study refers to quantitative research by collecting a sample of 110 respondents, then through the data processing process using smart PLS.

Results of the study: The results of the study indicate that there is an influence given by the work environment on performance, compensation variables affect performance, work discipline affects performance, the results of indirect effects also show that there is an influence given by the work environment on performance through work discipline and the influence given by the work environment on performance through work discipline.

Conclusion: The results show that the work environment has an influence on performance, compensation for performance, directly and indirectly through work discipline, and work discipline has a significant influence on performance.

Keywords: Environment; Compensation; Discipline; Performance

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INTRODUCTION

Organizations also need to design effective strategies in Human Resource (HR) management, such as increasing employee engagement, strengthening a positive work culture, and providing ongoing training to improve employee skills and knowledge. The application of digital technology is also a key aspect in HR management, including the use of the HRIS (Human Resource Information System) platform to simplify personnel administration and analyze employee data. (Siyambalapitiya et al., 2018)

Fair compensation that is in line with employee contributions is also a crucial factor in HR management. It is important for companies to adopt a transparent and detailed payroll system, while providing incentives and rewards to employees who achieve superior performance. These steps can not only increase motivation but also strengthen employee loyalty to the company, which in turn, has a positive impact on the company's productivity and overall performance. (Supatmi et al., 2012)

Employee discipline is a crucial element in a company's human resource management. Effective employee discipline practices can positively affect a company's productivity, work quality, and overall performance. Conversely, a lack of employee discipline can result in decreased productivity, increased costs, and potential legal risks. (Iskamto et al., 2020)

In HR leadership, having a clear vision and mission and paying attention to fairness, transparency, and diversity are essential to creating a positive work environment. Effective leadership must be able to motivate employees, encourage achievement, and improve their skills through ongoing training programs. A supportive and friendly work environment will make employees feel appreciated and more motivated to comply with company rules and norms, which ultimately improves work discipline. (Simorangkir et al., 2021)

In addition, fair compensation that is in line with employee contributions plays a crucial role in creating a sense of responsibility and commitment to their tasks. By providing appropriate compensation, companies not only appreciate employee performance but also encourage them to maintain high discipline. Fairness in rewarding employee contributions is important to maintain their motivation and involvement in achieving company goals. (Maizar et al., 2023)

Based on the gap research above, therefore, it is necessary to conduct more in-depth research to test the role of work discipline as a mediator in the relationship between Work Environment and leadership with employee performance. By deepening the understanding of the factors that affect employee performance, companies can design more effective strategies to improve employee performance and overall business results.

LITERATURE REVIEW

Performance

Employee performance is a crucial factor that determines the progress of a company, both individually and as a team. Good performance has a positive impact, while poor performance can have a significant negative effect. Therefore, companies must always evaluate performance in each division and individual to ensure business sustainability and development. Effective performance management, both at the individual and team level, is critical to the success of an organization. (Al Zeer et al., 2023)

Discipline

Discipline is an important attitude expected by educators to ensure that learning activities run smoothly, both inside and outside the classroom. Discipline includes compliance with rules, regulations, and procedures, which are carried out consciously without external coercion. The main purpose of discipline is to help individuals, especially children, to control themselves and carry out activities according to applicable rules. Positive discipline occurs when members of an organization obey the rules of their own accord because they understand,

believe in, and support them, not because they fear the consequences of disobedience (Anita & Ariyanto, 2023).

Work environment

Work environment is the totality of all physical, psychological, social, and cultural factors that influence employee behavior and performance. He emphasized the importance of interpersonal relationships and job satisfaction in creating an effective work environment. work environment as all physical and non-physical aspects that exist around the workplace that affect work, either directly or indirectly. He also noted that a good work environment is the key to achieving optimal organizational performance (Schilleci, 2023).

Compensation

Compensation is an important program that reflects the organization's efforts to retain human resources and serves as a motivation for employees to work optimally. For employees, compensation not only means financial rewards but also reflects social status and affects the standard of living. For employers, compensation is a major factor in personnel management, which includes salaries, incentives, benefits, and recognition of employee achievements (Sharma et al., 2023).

METHOD

This study involved employees or professionals in Jakarta as the population, with samples determined using purposive sampling techniques, which select respondents intentionally based on their ability to explain certain phenomena. Cheah (2024) Using the SEM-PLS approach, samples were taken based on the assumption that a minimum of 5 times the number of formative/reflective indicators was needed, resulting in 110 samples from 18 indicators. Sugiyono (2014) SEM-PLS was chosen because it is often used in management research, is able to explain the variance of the main construct, is suitable for small sample sizes, and can handle complex models with many structural relationships. Primary data were collected through an online questionnaire using Google Form.

RESULTS AND DISCUSSION

Convergent Validity

Convergent validity is used to determine the instrument items that can be used as indicators of all latent variables. The results of this test are measured based on the value of the loading factor (outer loading) of the construct indicator. The following convergent validity test results are presented in the table.

Table 1. Convergent Validity test

Variable	Indicator	Outer Loadings	AVE
Work Environmn et	X1.1	0.819	0.625
	X1.2	0.791	
	X1.3	0.745	
	X1.4	0.731	
	X1.5	0.790	
	X1.6	0.901	
	X1.7	0.859	
Compensati on	X2.1	0.702	0.585
	X2.2	0.808	
	X2.3	0.894	
	X2.4	0.740	
	X2.5	0.659	
Dicipline	Y1.1	0.834	0.613
	Y1.2	0.817	
	Y1.3	0.724	
	Y1.4	0.765	
	Y1.5	0.769	
Performan ce	Y2.1	0.812	0.690
	Y2.2	0.865	
	Y2.3	0.839	
	Y2.4	0.804	
	Y2.5	0.831	

Source: Data 2024

The table results show that all external loading factors have values greater than 0.5. Therefore, it can be concluded that this measurement meets the requirements of convergent validity. Hair (2017) The convergent validity of the measurement model using reflective indicators is assessed based on the external loading factors of the indicators that measure the construct. In this study, there are 5 constructs with the number of indicators between 3 and 10 indicators, with a rating scale from 1 to 5. If the correlation coefficient is equal to 0.3 or more (minimum 0.3), then the instrument item is considered valid. Conversely, if the correlation coefficient is less than 0.3, then the item is considered invalid. Sugiyono (2014) Based on the results of the loading factors above, it can be concluded that the construct that has a dominant loading factor above 0.5 has good convergent validity. Thus, based on the analysis of the loading factors, it can be confirmed that this measurement meets the requirements of convergent validity well.

5.1.3 Composite Reliability dan Cronbach's Alpha

Construct reliability testing is an important step in ensuring the internal consistency of the indicators that form the construct. In this study, reliability testing was carried out using two methods, namely composite reliability and Cronbach's alpha. The following are the results of composite reliability and Cronbach's alpha testing from Smart PLS:

Table 2. Composite Reliability dan Cronbach's Alpha

Variable	Cronbach's Alpha	Composite Reliability
Work Environmnet	0.910	0.929
Compensation	0.820	0.875
Dicipline	0.848	0.888
Performance	0.888	0.917

Source: Data 2024

Composite reliability is used to measure the degree of internal consistency of a block of indicators that measure a construct. A composite reliability value above 0.70 indicates that the indicators together indicate the same latent variable. In addition, testing also involves Cronbach's alpha, which is also a measure of internal reliability. A Cronbach's alpha value above 0.60 is considered adequate, although it is not an absolute standard. (Gao & Huang, 2024)

5.1.4 Discriminant Validity

Discriminant validity test is conducted by looking at the HTMT value. An indicator will be declared to meet discriminant validity if the indicator's cross loading value on its variable is with a value <0.90

Tabel 3. Fornell Larcker Critical

	X1	X2	Y1	Y2
X1	0.807			
X2	0.677	0.765		
Y1	0.785	0.743	0.783	
Y2	0.781	0.772	0.824	0.830

Source: Data 2024

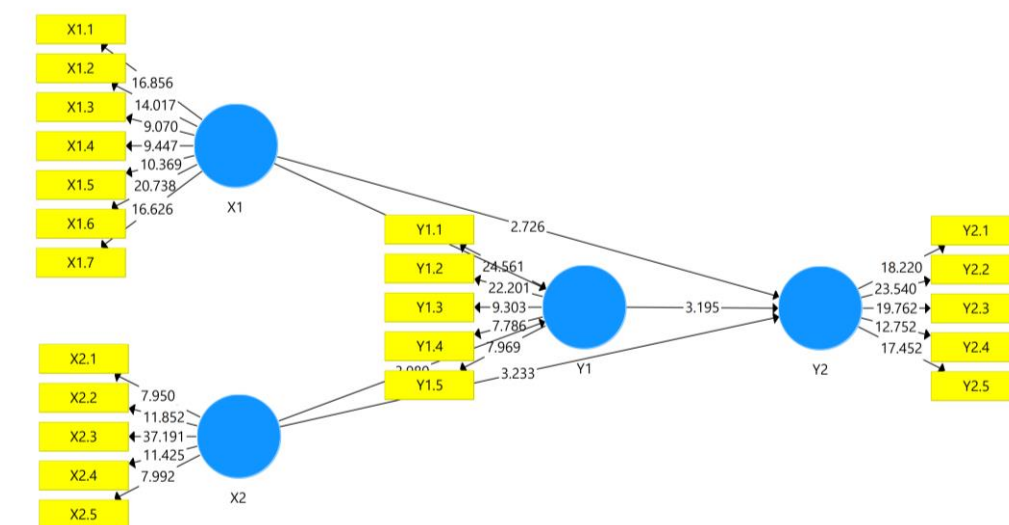
Discriminant validity test is an important step to ensure that the indicators that form the variables in the study have the ability to discriminately distinguish one variable from another. In the discriminant validity test, we observe the cross loading value of the indicators on the variables formed. (Leguina, 2015)

5.2. Structural Test

5.2.1 Model Structural (Inner Model)

The structural model in PLS is evaluated using R^2 for the dependent variable and the path coefficient value for the independent variable which is then assessed for significance based on the t-statistic value of each path. The structural model of this study can be seen in the following figure:

Figure 1. PLS Process



Source: data 2024

Table 4. R-square

Variable	R Square	R Square Adjusted
Dicipline	0.698	0.693
Performance	0.764	0.757

Source: data 2024

The R Square value of discipline of 0.0.698 indicates that there is a double correlation between the environment and compensation. This indicates that the environment provided and the compensation owned by employees contribute to influencing the level of work discipline. These variables explain about 69.8% of the variation in work discipline. Meanwhile, the R Square value of performance of 0.764 indicates a double correlation between the environment, compensation and discipline. This indicates that the compensation environment and work discipline together affect the level of employee performance. These variables explain about 76.4% of the variation in employee performance.

Table 5. Path Coefficients (Mean, STDEV, t-Value)

	Variabel	T Statist ics	P Values	Significanc e Level
H1	Work Environment -> Dicipline	5.461	0.000	<0.05
H2	Compensation -> Dicipline	2.726	0.007	<0.05
H3	Work Enviromnet -> Performance	3.980	0.000	<0.05
H4	Compensation -> Performance	3.233	0.001	<0.05
H5	Dicipline -> Performance	3.195	0.001	<0.05
H6	Work Environment -> Dicipline->Perfromance	2.583	0.010	<0.05

H7	Compensation -> Dicipline->Perfromance	2.698	0.007	<0.05
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Source: Data 2024

Discussion

a. The influence of environmental variables on work discipline

This study proves that the work environment has a positive and significant influence on work discipline, as evidenced by the T statistic value of 5.461 which is greater than 1.96, this is also evidenced by the P value of 0.000 which states that hypothesis 1 is accepted and significant.

A work environment supported by good leadership and a positive corporate culture can have a significant impact on employee work discipline. Effective leadership not only provides clear direction but also shows commitment to company standards and values.

When employees feel well supported and directed, they tend to be more motivated to comply with established rules and norms (Hikmah Perkasa et al., 2023).

In addition, a corporate culture that encourages hard work, responsibility, and collaboration also contributes to increased work discipline. When these positive norms are promoted and practiced consistently in the work environment, employees will feel motivated to comply with procedures, respect work hours, and contribute maximally to company goals (Anita & Ariyanto, 2023).

b. The influence of compensation variables on work discipline

This study proves that there is a positive and significant influence of compensation on work discipline, as evidenced by the T statistic value of 2.726 which is greater than the value of 1.96, this is also evidenced by the P value of 0.007 which states that hypothesis 2 is accepted and significant.

Fair and competitive compensation also has a significant impact on employee work discipline. When employees feel that they are rewarded in accordance with their contributions and performance, they tend to be more motivated to maintain a high level of discipline. (Noviyanti et al., 2023).

Good compensation includes not only competitive salaries but also other benefits and incentives such as bonuses, awards, or career development opportunities. When employees feel that their efforts are recognized and financially rewarded, they tend to be more committed to complying with the rules, meeting deadlines, and achieving the set performance targets. Conversely, dissatisfaction with compensation or perceptions of unfairness in the compensation system can reduce motivation and lead to a decrease in work discipline (Rezeki & Hidayat, 2021).

c. The influence of environmental variables on performance

This study proves that the environment has a positive and significant influence on performance, as evidenced by the T statistic value of 3.980 which is greater than 1.96, this is also proven by the P value of 0.000 which states that hypothesis 3 is accepted and significant.

A positive work environment has indeed been shown to have a significant influence on employee performance. When employees work in a supportive environment, they tend to feel more motivated, happier, and more focused on their work. A positive work environment includes various factors, such as an inclusive company culture, open communication, support

from superiors, opportunities for career development, and a balance between work and personal life (Rehman et al., 2020).

When employees feel appreciated and supported by their superiors and coworkers, they tend to be more enthusiastic about working well. In addition, a work environment that promotes collaboration and a solid work team can increase productivity and creativity. Employees are also more likely to stay with the company in the long term, reducing recruitment and training costs for the company (Raza & Khan, 2022).

d. The influence of compensation variables on performance

This study proves that there is a positive and significant influence of compensation on performance, as evidenced by the T statistic value of 3.233 which is greater than the value of 1.96, this is also evidenced by the P value of 0.001 which states that hypothesis 4 is accepted and significant.

Compensation has been shown to have a positive and significant influence on employee performance. When employees feel that their efforts and contributions are appreciated through adequate compensation, they tend to be more motivated to work hard and achieve better results. Fair and competitive compensation not only provides incentives for employees to achieve performance targets, but also strengthens their sense of attachment to the company (Chen & Hassan, 2022).

e. The influence of work discipline variables on performance

This study proves that there is a positive and significant influence of discipline on performance, as evidenced by the T statistic value of 3.195 which is greater than 1.96, this is also evidenced by the P value of 0.001 which states that hypothesis 5 is accepted and significant. This is in line with previous research which states that if work discipline has been obtained, performance will increase significantly.

Work discipline positively and significantly affects employee performance in various ways. Employees who have a high level of discipline tend to be more consistent in achieving their goals. They organize their work schedules well, avoid unnecessary distractions, and focus on tasks that prioritize achieving company goals (Prasetyo et al., 2021).

f. The influence of environmental variables on performance through work discipline

This study proves that there is an influence given by the work environment on performance through work discipline, as evidenced by the T statistic value of 2,583 which is greater than the value of 1.96, this is also proven by the P value of 0.010 which states that hypothesis 6 is accepted and significant. This is in line with previous research which states that if the work environment will increase along with performance that is in line with work discipline as an intervening variable

This study highlights the importance of the work environment in forming work discipline which in turn affects employee performance. These findings indicate that a supportive work environment, such as an inclusive corporate culture, open communication, and support from superiors, can trigger an increase in employee work discipline (Anita & Ariyanto, 2023).

g. The influence of compensation variables on performance through work discipline

This study proves that there is an influence given by the work environment on performance through work discipline, as evidenced by the T statistic value of 2,698 which is greater than the value of 1.96, this is also proven by the P value of 0.001 which states that hypothesis 7 is

accepted and significant. This is in line with previous research which states that if compensation will have an impact on performance, if compensation increases it will have an impact on the performance of the results of the implications of work discipline.

This study shows that compensation has a positive and significant influence on employee work discipline, which in turn has implications for overall employee performance. This finding highlights that fair and adequate compensation is not only an extrinsic motivation factor, but also affects the level of employee work discipline. When employees feel appreciated and rewarded appropriately for their contributions, they tend to be more motivated to comply with rules, meet deadlines, and work with high consistency (Hidayat, 2021).

CONCLUSION

A conducive work environment and fair compensation play an important role in improving employee work discipline, which in turn has a positive impact on their performance. When employees work in a comfortable environment, with harmonious relationships between colleagues and fair leadership, they tend to be more motivated to maintain discipline, such as punctuality and consistency in tasks. This helps improve productivity and work quality. Conversely, a less supportive work environment, such as an uncomfortable workspace or internal conflict, can reduce morale and discipline, which has a negative impact on performance. In addition, fair compensation that is commensurate with employee performance greatly influences motivation and work discipline.

When employees feel appreciated and receive compensation that is commensurate with their contributions, they are more motivated to work with high discipline, which leads to increased performance. However, if compensation is felt to be inadequate, employees may feel underappreciated, which can result in a decrease in their morale, discipline, and work productivity.

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