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## The Effect Compensation and Training on Work Discipline and Its Impact on Employee Performance at Aceh Financial Management Agency

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### Abstract

This research aimed to examine the effect of compensation and also training on employee performance both directly and indirectly through work discipline. The sampling technique used was proportionate stratified random sampling with the size of respondents as many 140 employees, while the data analysis technique used was the Structural Equation Modeling. This research resulted the proofs of causality theories that were: compensation and training had significant effects on work discipline; work discipline had a significant effect on employee performance, and; compensation and training had significant effects on employee performance indirectly through work discipline. This research also found the work discipline acted as a partial mediator both when compensation affected employee performance, and when training affected employee performance. This logic of thinking can be the basis for further movements for both researchers and practitioners. Further researches can raise the problem of other antecedent variables that can be linked to this tested research model, or even predict moderating variables that can strengthen the effect of compensation and training on work discipline such as age and gender.

**Keywords:** Compensation, Training, Work Discipline, Employee Performance.

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### 1. Introduction

The performance of an organization is represented by the overall performance of employees in the organization, if employees in an organization have good performance, the performance of the organization will also be good so it can be said that organizational performance is a reflection of employee performance (Nasution, Musnadi and Faisal, 2015). The performance of an employee in an organization can be influenced by several factors, such as: compensation, training, and work discipline.

(Simamora, 2015) explained that compensation in accordance with the desires of employees for their work can spur employee enthusiasm to work better so that it will have a positive impact on improving the performance generated by these employees. Then, (Chiaburu and Tekleab, 2005) explained that training can develop self-efficacy and employee performance results by replacing traditional practices with work practices related to efficiently and effectively which refers to planned interventions and aims to improve the elements of individual performance. Furthermore, (Mangkuprawira, 2011) explained that work discipline is a form of training for an employee in implementing the rules that apply in the organization so that the more disciplined an employee, the higher the level of performance produced by the employee.

Based on the description previously explained, it is known that employee performance can be affected by compensation, training, and work discipline. Thus, the purpose of this research is to analyze whether compensation and training can affect work discipline and employee performance, and also to analyze the role of mediation effect of work discipline when the compensation and training affected employee performance.

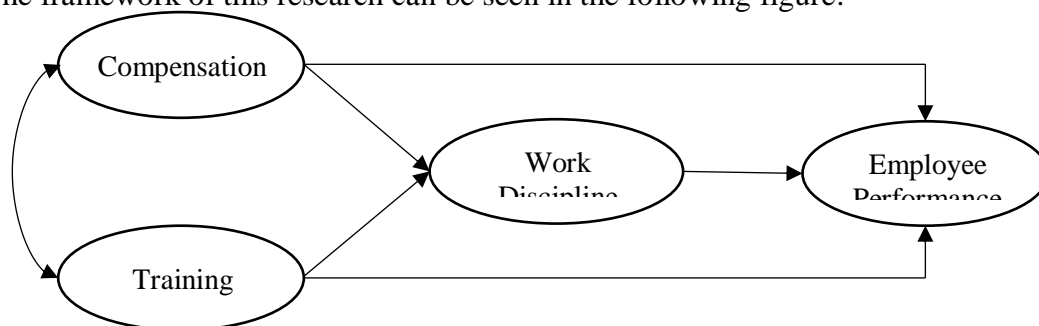
## 2. Literature Review

(Qadariah, Majid and Idris, 2019) defined employee performance is as the achievement of an employee in an organization as measured by the standards and criteria set by the organization. Then, (Mangkunegara and Waris, 2015) defined work discipline is as a form of self-control that shows the level of sincerity of members in an organization. Next, (Motlokoa, Sekantsi and Monyolo, 2018) defined training is as a systematically planned process for changing behavior that can help to acquire knowledge, skills, competencies, and the ability to carry out work effectively and efficiently. Furthermore, (Thaief *et al.*, 2015) defined compensation is as a form of compensation from the organization for the sacrifice of time, energy, and thought that has been given by employees to the organization.

The research results that have been stated by (Uwizeye and Muryungi, 2017) and (Satedjo and Kempa, 2017) found that compensation had a significant and positive effect on employee performance. Then, The research results that have been revealed by (Awang, Ismail and Noor, 2010) and (Munir, Hasanuddin and Kaseng, 2017) found that training had a significant and positive effect on employee performance. Furthermore, the research results that have been carried out by (Baharuddin, Alhabsji and Utami, 2012) and (Mangkunegara and Waris, 2015) found that work discipline had a significant and positive effect on employee performance.

The research results that have been stated by (Bharata, 2016) and (Setiawan, Saerang and Kojo, 2017) found that compensation had a significant and positive effect on work discipline. Then, the research results that have been revealed by (Bharata, 2016) and (Sulaefi, 2017) found that training had a significant and positive effect on work discipline. Furthermore, the research results that have been carried out by (Bharata, 2016) found that compensation and training had a significant and positive effect on employee performance indirectly through work discipline.

The framework of this research can be seen in the following figure:



**Figure 1. Research Framework**

Based on the above review of literature, the research hypothesis is determined as follows:

Hypothesis 1: Compensation effected employee performance significantly

Hypothesis 2: Training effected employee performance significantly

Hypothesis 3: Compensation effected work discipline significantly

Hypothesis 4: Training effected work discipline significantly

Hypothesis 5: Work discipline effected employee performance significantly

Hypothesis 6: Compensation effected employee performance significantly through work discipline

Hypothesis 7: Training effected employee performance significantly through work discipline

### 3. Method

The population in this research was all civil servants of the Aceh Financial Management Agency totaling 216, while the number of sample in this study was 140 employees selected by proportionate stratified random sampling. The research data was obtained through the dissemination of questionnaires and analyzed by structural equation model (SEM) technique using AMOS Version 24 software. SEM is a multivariate data analysis technique that combines the measurement model which aims to provide an overview of the relationship between latent variables and their indicators in a structural model, and also a description of the influence between latent variables (F. Hair Jr *et al.*, 2014).

### 4. Result and Discussion

#### Measurement of Structural Model

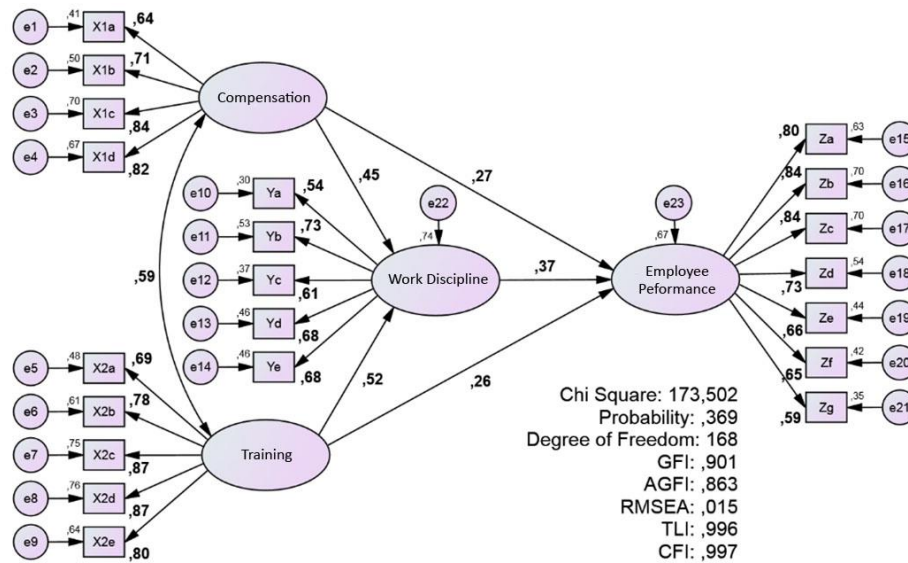
The measurement result of structural model in this research is provided in the following table :

**Table 1. Measurement Model**

Indicator Loading			Average Variance Extracted (AVE)		
ξ <sub>1.1</sub>	<---	Compensation	0.638	Compensation (ξ <sub>1</sub> )	0.570
ξ <sub>1.2</sub>	<---	Compensation	0.708	Training (ξ <sub>2</sub> )	0.647
ξ <sub>1.3</sub>	<---	Compensation	0.835	Work Discipline (η <sub>1</sub> )	0.524
ξ <sub>1.4</sub>	<---	Compensation	0.822	Employee Performance (η <sub>2</sub> )	0.539
ξ <sub>2.1</sub>	<---	Training	0.692	<b>Composite Reliability</b>	
ξ <sub>2.2</sub>	<---	Training	0.780	Compensation (ξ <sub>1</sub> )	0.840
ξ <sub>2.3</sub>	<---	Training	0.865	Training (ξ <sub>2</sub> )	0.901
ξ <sub>2.4</sub>	<---	Training	0.874	Work Discipline (η <sub>1</sub> )	0.785
ξ <sub>2.5</sub>	<---	Training	0.797	Employee Performance (η <sub>2</sub> )	0.890
η <sub>1.1</sub>	<---	Work Discipline	0.543		
η <sub>1.2</sub>	<---	Work Discipline	0.730		
η <sub>1.3</sub>	<---	Work Discipline	0.608		
η <sub>1.4</sub>	<---	Work Discipline	0.680		
η <sub>1.5</sub>	<---	Work Discipline	0.680		
η <sub>2.1</sub>	<---	Employee Performance	0.796		
η <sub>2.2</sub>	<---	Employee Performance	0.837		
η <sub>2.3</sub>	<---	Employee Performance	0.837		
η <sub>2.4</sub>	<---	Employee Performance	0.733		
η <sub>2.5</sub>	<---	Employee Performance	0.662		
η <sub>2.6</sub>	<---	Employee Performance	0.647		
η <sub>2.7</sub>	<---	Employee Performance	0.589		

From the table 1, it shows that all indicators of each variable of compensation, training, work discipline, and employee performance have the loading indicator values > 0.50 so those mean that all indicators of each variable can represent its variable. Then, it is known that each variable of compensation, training, work discipline, and employee performance have the values of AVE > 0.50 so it indicates that the indicators in the research model developed are proven to really measure the latent variable that is targeted and not measure other latent variables. Furthermore, it is known that each variable of compensation, training, work discipline, and employee performance have composite reliability values > 0.70 so it describes that all indicators of each latent variable in this research model can be relied on to measure its variable.

The structural model result in this research can be seen in the following figure:



**Figure 2. Structural Model**

From the Figure 2, it shows the result values of Chi-Square is 173.502, Significance Probability 0.369, GFI 0.901, AGFI 0.863, RMSEA 0.015, TLI 0.996, and CFI 0.997. Based on these results, all the criteria of Goodness of Fit have been fulfilled even though the values of GFI and AGFI are in the marginal category. However, overall the model in this study can already be said to be fit (good) because the significance probability value is > 0,05.

**Hypothesis Testing**

The results after testing the research model can be seen in the following table:

**Table 3. Hypothesis Testing Results**

<b>Direct Effect</b>	<b>Path Coefficient</b>	<b>Significant Value</b>
Employee Performance <--- Compensation	0.271	0.030
Employee Performance <--- Training	0.264	0.038
Work Discipline <--- Compensation	0.445	0.000
Work Discipline <--- Training	0.515	0.000
Employee Performance <--- Work Discipline	0.373	0.049
<b>Indirect Effect</b>	<b>Path Coefficient</b>	<b>Significant Value (sobel test)</b>
Employee Performance <--- Work Discipline <--- Compensation	0.166	0.042
Employee Performance <--- Work Discipline <--- Training	0.192	0.043

Based on Table 2, the effects testing both the direct and also the indirect are discussed each as follows:

H1 : Compensation effected employee performance significantly

Based on the result table, it is proven that compensation significantly effected employee performance with the path coefficient result 0.271 and the significant value result 0.030, so it states that compensation had a significant contribution in improving employee performance by 27.1%. The result indicates that the compensation received by the Aceh Financial Management Agency employees is a matter that can determine the employee's performance where logically the better the compensation received by the Aceh Financial Management Agency employees, the level of employee performance will also increase. This result is also the same or in line with the research results that have been stated by (Uwizeye and Muryungi, 2017) and (Satedjo and Kempa, 2017) which also found that compensation had a significant and positive effect on employee performance.

H2 : Training effected employee performance significantly

Based on the result table, it is proven that training significantly effected employee performance with the path coefficient result 0.264 and significant value result 0.038 so figures that training had a significant contribution in improving employee performance by 26.4%. The result indicates that the training received by the Aceh Financial Management Agency employees was a matter that can determine the employee's performance where logically the better the training received by the Aceh Financial Management Agency employees, the level of employee performance will also increase. This result is also the same or in line with the research results that have been stated by (Awang, Ismail and Noor, 2010) and (Munir, Hasanuddin and Kaseng, 2017) which also found that training had a significant and positive effect on employee performance.

H3 : Compensation effected work discipline significantly

Based on the result table, it is proven that compensation significantly effected work discipline with the path coefficient result 0.445 and significant value result 0.000 so it describes that compensation had a significant contribution in improving work discipline by 44.5%. The result indicates that the compensation received by the Aceh Financial Management Agency employees was a matter that can determine the employee's work discipline where logically the better the compensation received by the Aceh Financial Management Agency employees will also increase the level of employee's work discipline. This result is also the same or in line with the research results that have been stated by (Bharata, 2016) and (Setiawan, Saerang and Kojo, 2017) which also found that compensation had a significant and positive effect on work discipline.

H4 : Training effected work discipline significantly

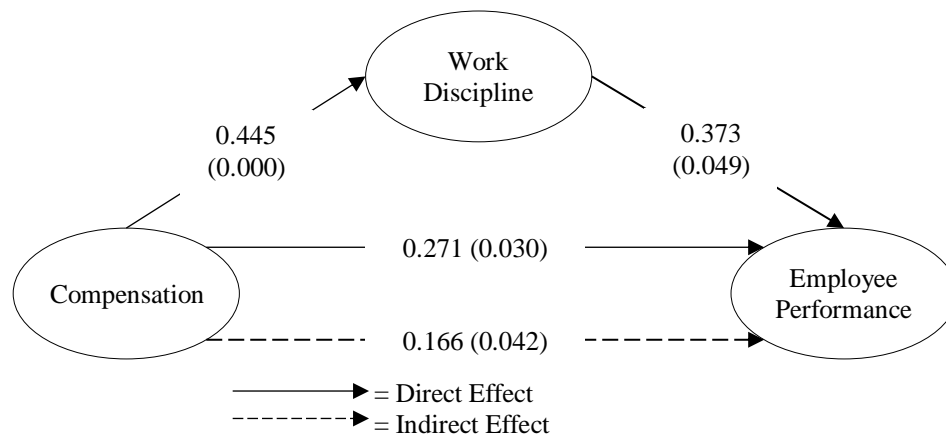
Based on the result table, it is proven that training significantly effected work discipline with the path coefficient result 0.515 and significant value result 0.000 so it explains that training had a significant contribution in improving work discipline by 51.5%. The result indicates that the training received by the Aceh Financial Management Agency employees was a matter that can determine the employee's work discipline where logically the better the training received by the Aceh Financial Management Agency employees will also increase the level of employee's work discipline. This result is also the same or in line with the research results that have been stated by (Bharata, 2016) and (Sulaefi, 2017) which also found that training had a significant and positive effect on work discipline.

H5 : Work discipline effected employee performance significantly

Based on the result table, it is proven that work discipline significantly effected employee performance the with path coefficient result 0.373 and significant value result 0.049 so it shows that work discipline had a significant contribution in improving employee performance by 37.3%. The result indicates that the work discipline possessed by the Aceh Financial Management Agency employees was a matter that can determine the employee's performance where logically the higher the level of work discipline possessed by the Aceh Financial Management Agency employees, the level of employee performance will also increase. This result is also the same or in line with the research results that have been stated by (Baharuddin, Alhabsji and Utami, 2012) and (Mangkunegara and Waris, 2015) which also found that work discipline had a significant and positive effect on employee performance.

H6 : Compensation effected employee performance significantly through work discipline

The mediating effect of work discipline on the effect of compensation on employee performance is explained as follows:



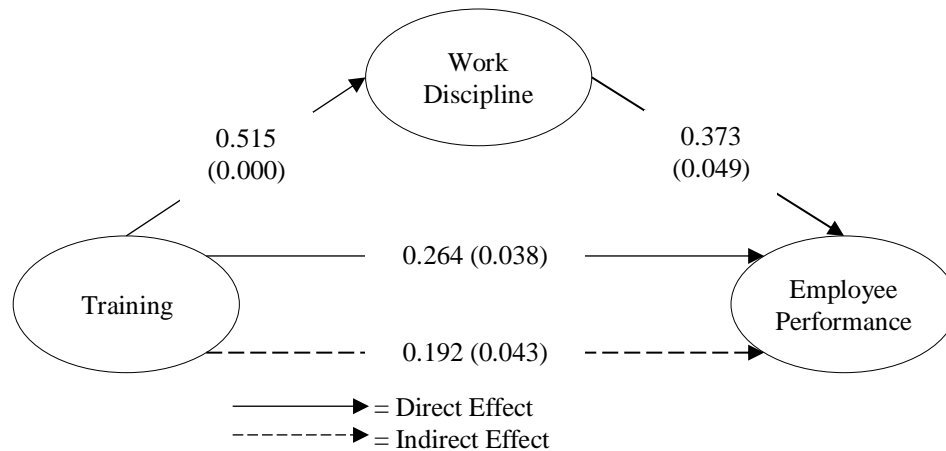
**Figure 3. Mediation Effect of Work Discipline on The Effect of Compensation on Employee Performance**

Based on the Sobel test result, it is proven that compensation significantly effected employee performance indirectly through work discipline with path coefficient 0.166 and significant value 0.042. This result concludes that the better the compensation received by the Aceh Financial Management Agency employees will also increase the level of employee's work discipline which indirectly also has a significant contribution in improving the performance of employees in the agency by 16.6%.

Based on Figure 3, also from the provisions of the mediating effect proposed by (Baron and Kenny, 1986) and had been developed by (Zhao, Lynch and Chen, 2010) to be applied in SEM, it concludes that work discipline in this research acted as a partial mediation between the effect of compensation on employee performance, it is seen from the result found that compensation had a significant effect on employee performance both directly and indirectly through work discipline. This result is also the same or in line with the research result that has been stated by (Bharata, 2016) which also found that compensation had a positive and significant effect on employee performance both directly and indirectly through work discipline so it concludes that work discipline acted as a partial mediator when compensation affected employee performance.

H7 : Training effected employee performance significantly through work discipline

The mediating effect of work discipline on the effect of training on employee performance is explained as follows:



**Figure 4. Mediation Effect of Work Discipline on The Effect of Training on Employee Performance**

Based on the Sobel test result, it is proven that training significantly effected employee performance indirectly through work discipline with path coefficient 0.192 and significant value 0.043. These result conclude that the better the training received by the Aceh Financial Management Agency employees will also increase the level of employee's work discipline which indirectly also has a significant contribution in improving the performance of employees in the agency by 19.2%.

Based on Figure 4, also from the provisions of the mediating effect proposed by (Baron and Kenny, 1986) and had been developed by (Zhao, Lynch and Chen, 2010) to be applied in SEM, it concludes that work discipline in this research acted as a partial mediation between the effect of training on employee performance, it is seen from the result found that training had a significant effect on employee performance both directly and indirectly through work discipline. This result is also the same or in line with the research result that has been stated by (Bharata, 2016) which also found that training had a positive and significant effect on employee performance both directly and indirectly through work discipline so it stated that work discipline acted as a partial mediator when training affected employee performance.

## 5. Conclusion

This research resulted the proofs of causality theories, that were: compensation and training had significant effects on work discipline; work discipline had a significant effect on employee performance, and; compensation and training had significant effects on employee performance indirectly through work discipline. This research also found work discipline acted as a partial mediator both when compensation affected employee performance, and when training affected employee performance. This logic of thinking can be the basis for further movements for both researchers and practitioners.

This result certainly can contribute for academic and practical fields. For academics, this model tested can be a reference for the development of further research models. Further researches can raise the problem of other antecedent variables that can be linked to this tested research model, or even predict moderating variables that can strengthen the effect of compensation and training on work discipline such as age and gender.



For practitioners, the results have implications in encouraging the performance of the Aceh Financial Management Agency employees. In improving employee performance, the leader of the agency need to reset the strategy based on work discipline, which also is determined by compensation and training as the antecedent variables in the research model tested. The limitation of this research resides in the scope of the object and the number of variables.

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