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Research Article

Beyond Pay: How Compensation and Work Motivation Shape Employee Performance in an Indonesian Distribution Center

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Abstract
This study examines the relationship between compensation, work motivation, and employee performance at PT Tirta Investama Distribution Center Jatiasih. It addresses concerns about declining employee performance classifications and growing development needs. Drawing on Equity Theory and Self-Determination Theory, the study considers organizational rewards and employee motivation in a distribution-center setting. A quantitative cross-sectional survey was conducted with 64 purposively selected employees from a population of 104. Data were collected through structured questionnaires and analyzed using multiple linear regression. Compensation and work motivation were each positively associated with performance and jointly helped explain differences in performance within the sample. These findings support considering financial and non-financial rewards alongside motivational conditions in human resource management. The results do not establish causality, and questionnaire findings should be distinguished from historical company performance assessments. Declining performance classifications suggest that compensation and motivation may not fully explain operational outcomes, which may also reflect competencies, training, workload, supervision, and working conditions. The study recommends reviewing compensation fairness and transparency while strengthening employee development, recognition, and supervisory support. Its single-site, purposive, cross-sectional design limits generalizability; future research could use longitudinal methods and objective performance data.

Keywords: Compensation, Work Motivation, Employee Performance, Human Resource Management, PT Tirta Investama.

JEL Classification: M12, M52, J25

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1. Introduction

Human resources are a strategic factor in an organization's success in achieving business objectives and maintaining operational sustainability. In an increasingly competitive business environment, companies are required not only to possess adequate resources, technology, and work systems but also to optimize employee performance.

Employee performance matters because it directly affects organizational targets, productivity, efficiency, and the ability to produce outputs to established standards. Recent research indicates that work motivation is positively associated with employee performance, with longitudinal evidence suggesting that motivation contributes to subsequent improvements in job performance (Wang et al., 2024). Furthermore, employee-related factors, including individual characteristics, skills, and motivation, are important antecedents that can explain differences in work performance across organizations (The employee-related antecedents of work performance, 2024).

Employee performance has become increasingly important because organizational effectiveness depends substantially on employees' ability to perform their duties and responsibilities. Optimal performance enables companies to achieve operational targets efficiently, whereas declining performance may hinder organizational objectives. Therefore, organizations need to identify and manage factors that can sustainably improve employee performance. One factor frequently examined in human resource management is compensation. Compensation is not merely an economic reward for employees' contributions; it can also serve as a managerial instrument to encourage productivity, satisfaction, and commitment. Tarigan et al. (2022) found that a total reward system, which incorporates both financial and non-financial rewards, is positively associated with employee productivity and organizational financial performance. This indicates that an appropriate reward system can become an important mechanism for organizations to improve employee-related outcomes.

Compensation may include salaries or wages, incentives, benefits, and facilities that an organization provides to employees. From an organizational perspective, an appropriate compensation system can encourage employees to increase their efforts and maintain their performance. Employees' perceptions of compensation are also important because the effectiveness of compensation depends not only on the amount received but also on how employees perceive the fairness and adequacy of the reward system. Ohunakin and Olugbade (2022) found that employees' perceptions of compensation systems are associated with job performance, demonstrating that compensation can influence important employee outcomes. Similarly, research on employee benefits indicates that organizational benefits can represent organizational support and contribute to individual performance (Theorizing the relationship between discretionary employee benefits and individual performance, 2023). Therefore, compensation management should be part of a broader human resource strategy rather than solely a financial obligation.

In addition to compensation, work motivation is another important factor that can influence employee performance. Work motivation refers to the internal and external forces that encourage employees to exert effort toward achieving individual and organizational objectives. Employees with stronger work motivation are generally more willing to complete their responsibilities, achieve performance targets, and contribute to organizational objectives. Recent evidence further supports this relationship. Wang et al. (2024), through a meta-analytic review of longitudinal studies, found that work motivation had a positive and significant effect on subsequent job performance. Their findings also indicated that the relationship was stronger from motivation to performance than from performance to subsequent motivation. This evidence strengthens the argument that improving employee motivation can be an important approach to enhancing organizational performance.

The relationship between work motivation and employee performance has also been supported by studies conducted in the Indonesian organizational context. Lestari and Dewi (2023) found that work motivation had a positive and significant effect on employee performance at Perumda Air Minum Tirta Sewakadarma Denpasar. Similarly, Ikhsan and Supartha (2023) demonstrated that work motivation positively and significantly affected employee performance. These findings indicate that motivation is a relevant factor in explaining differences in employee performance across various organizational settings. Nevertheless, the strength and nature of these relationships may vary according to organizational characteristics, job types, reward systems, and working conditions. Therefore, further empirical research within specific organizational contexts remains necessary (Lestari & Dewi, 2023; Ikhsan & Supartha, 2023).

Compensation and work motivation are particularly relevant in organizations with operational and distribution activities that require consistent employee performance. PT Tirta Investama Distribution Center (DC) Jatiasih is an organizational setting where employee performance is critical to ensure distribution activities meet company targets. Based on the company's internal performance assessment data presented in this study, employee performance changed during the 2021–2023 period. The percentage of employees classified as Pass decreased from 83% in 2021 to 72% in 2022 and further declined to 63% in 2023. At the same time, the percentage of employees classified as Need Education increased from 2% in 2021 to 5% in 2022 and reached 12% in 2023. The increase in the Need Education category indicates that a growing proportion of employees required additional education or development to perform their tasks adequately. This condition demonstrates a relevant organizational performance problem that requires further investigation.

The phenomenon becomes more significant because compensation and motivation do not necessarily generate the same performance response among all employees. The research document indicates that employees' compensation at PT Tirta Investama DC Jatiasih varies by educational level, career level, and length of service. However, some employees receiving relatively high compensation did not necessarily show increased work efficiency, while others receiving lower compensation showed good and improving performance. This suggests that compensation alone may not fully explain differences in employee performance and that motivation may also play an important role. Therefore, examining compensation and motivation together provides a more comprehensive view of employee performance within the organization.

The research gap can be identified from the differences in organizational contexts and the mechanisms through which compensation and motivation influence employee performance. Previous studies have generally demonstrated positive relationships between compensation, motivation, and performance. However, the findings have often been examined alongside other variables such as work environment, leadership, job satisfaction, work stress, and organizational factors. For example, Laathi'fah and Noekent (2024) found that compensation positively affected employee performance and work motivation, while work motivation also positively influenced performance and mediated the relationship between compensation and performance. Such findings demonstrate that the relationship among compensation, motivation, and employee performance remains relevant for further examination in different organizational contexts.

Furthermore, previous research suggests that compensation effectiveness may depend on organizational characteristics and work environments. Research on Indonesian family businesses found that compensation and motivation were among the factors associated with sustainable employee performance. At the same time, organizational conditions also shape employee outcomes (Determinants of sustainable employee performance, 2025). Other research has demonstrated that compensation and productivity relationships can differ according to employee groups and organizational conditions. Consequently, findings from previous studies cannot necessarily be generalized directly to every organization. This creates an empirical gap that supports the need to examine compensation and work motivation specifically at PT Tirta Investama Distribution Center Jatiasih.

Based on the identified phenomenon and research gap, this study addresses three main research questions: (1) Does compensation affect employee performance at PT Tirta Investama Distribution Center Jatiasih? (2) Does work motivation affect employee performance at PT Tirta Investama Distribution Center Jatiasih? and (3) Do compensation and work motivation simultaneously affect employee performance at PT Tirta Investama Distribution Center Jatiasih? These questions are based on the decline in the Pass category and the increase in the Need Education category during 2021–2023, as well as organizational indications that compensation and work motivation are relevant factors in explaining employee performance.

Accordingly, this study aims to analyze the effect of compensation on employee performance, analyze the effect of work motivation on employee performance, and examine the simultaneous

effect of compensation and work motivation on employee performance at PT Tirta Investama Distribution Center Jatiasih. Practically, the findings are expected to provide useful input for the company in evaluating its compensation policies and motivation programs to support improvements in employee performance. Academically, this study is expected to contribute empirical evidence to human resource management, particularly on the relationship between compensation, work motivation, and employee performance in a distribution-center organizational context.

Building on the observed decline in employee performance and the limitations of previous research across organizational contexts, this study examines how compensation and work motivation relate to employee performance at PT Tirta Investama Distribution Center Jatiasih. Theoretically, it integrates Equity Theory and Self-Determination Theory to explain two complementary perspectives on employee performance: compensation reflects employees' evaluations of the rewards they receive relative to their contributions. At the same time, work motivation represents the psychological forces that direct and sustain work-related effort. At the same time, work motivation represents the psychological forces that direct and sustain work-related effort. These perspectives provide a conceptual basis for understanding how organizational reward practices and employee motivation may be associated with performance in distribution operations. Unlike studies that examine these relationships in broader organizational settings or alongside numerous additional variables, this study focuses on the specific performance challenges identified in the company's internal assessments from 2021 to 2023. Accordingly, it examines the individual relationships between compensation and work motivation and employee performance, as well as their joint statistical contribution. The findings are expected to extend context-specific evidence on human resource management in distribution centers and inform managerial consideration of compensation practices and motivational initiatives, while recognizing that the cross-sectional research design cannot establish causal mechanisms.

2. Literature Review and Hypothesis

Literature Review

Compensation

Compensation refers to the rewards an organization provides to employees in return for their contributions, effort, and services. Compensation can take various forms, including direct financial compensation such as salaries, wages, and incentives, as well as indirect compensation such as benefits and facilities. From a human resource management perspective, compensation is an important organizational mechanism because it reflects the value the organization places on employees' contributions and can influence employee attitudes and behavior. Tarigan et al. (2022) explain that a total reward system includes both financial and non-financial rewards and can boost employee productivity and organizational performance. Similarly, Ohunakin and Olugbade (2022) demonstrate that employees' perceptions of compensation systems are relevant to job-related outcomes. Compensation can also be understood through employees' perceptions of fairness and the relationship between rewards and their contributions. When employees perceive that the rewards they receive are appropriate in relation to their responsibilities and contributions, compensation can encourage positive attitudes toward work. Conversely, perceptions of inadequate or unfair compensation may reduce employees' willingness to exert additional effort. Research on employee benefits also indicates that organizational rewards may express organizational support and influence individual employee outcomes (Theorizing the relationship between discretionary employee benefits and individual performance, 2023). Therefore, compensation is not merely an economic instrument but also an important component of human resource management that can shape employee behavior and organizational outcomes.

Work Motivation

Work motivation refers to the psychological forces that determine the direction, intensity, and persistence of employees' work-related behavior. Motivation encourages employees to exert effort and direct their behavior toward achieving individual and organizational objectives. Wang et al. (2024) explain that work motivation is an important factor underlying employee behavior and show, through longitudinal meta-analytic evidence, that it predicts subsequent job performance.

Thus, motivation is not only an internal psychological condition but also a key mechanism that influences how employees perform their jobs. Self-Determination Theory offers an important theoretical perspective on work motivation. The theory emphasizes the importance of psychological needs for autonomy, competence, and relatedness in shaping employees' motivation and work-related outcomes (Gagné et al., 2022). When employees satisfy these basic psychological needs, they are more likely to develop autonomous motivation, which can encourage positive work behavior and performance. Good et al. (2022) further show that both intrinsic and extrinsic motivation can influence performance, although their effects may differ depending on the nature of the work and the motivational context.

Employee Performance

Employee performance refers to the actions, behaviors, and work outcomes employees exhibit that contribute to achieving organizational objectives. Performance is a central concept in human resource management because organizations depend on employees' ability to perform assigned tasks effectively. Wang et al. (2024) describe job performance as a core organizational outcome that includes behaviors and outcomes related to organizational goals. Employee performance therefore reflects not only the final results employees achieve but also how they execute their responsibilities in the workplace. Employee performance can be assessed through several dimensions, including work quality, work quantity, task execution, and responsibility. Work quality concerns the extent to which employees produce work that meets established standards, while work quantity relates to the achievement of predetermined targets. Task execution reflects employees' ability to complete assigned duties properly, whereas responsibility concerns employees' willingness to perform their duties and accept accountability for their work. These dimensions provide a comprehensive view of employee performance because they consider both output and how employees carry out their responsibilities.

Hypothesis Development

The Effect of Compensation on Employee Performance

Compensation can influence employee performance because employees generally evaluate the rewards they receive in relation to the contributions they provide to the organization. From the perspective of Equity Theory, employees compare the ratio between their inputs, such as effort, skills, experience, and responsibilities, and the outcomes they receive, including salary, incentives, benefits, and other rewards. When employees perceive their compensation as fair and appropriate, they are more likely to maintain positive work attitudes and exert greater effort. Therefore, an appropriate compensation system can encourage employees to improve the quality and quantity of their work. Empirical evidence supports the relationship between compensation and employee performance. Laathi'fah and Noekent (2024) found that compensation has a positive and significant effect on employee performance among employees of industrial companies in Central Java. The study also found that compensation positively influences work motivation, indicating that compensation can function as an important organizational mechanism for encouraging employee effort. Similarly, Kahuningan and Netra (2023) found that compensation has a positive and significant effect on employee performance at PT Astra International Tbk. Daihatsu Cokroaminoto Branch Denpasar. Their findings further indicate that compensation can improve employee motivation, which in turn contributes to performance. The relationship between compensation and performance is also supported by Tarigan et al. (2022), who found that total reward systems involving financial and non-financial rewards are associated with employee productivity and organizational financial performance. Ohunakin and Olugbade (2022) likewise demonstrate that employees' perceptions of compensation systems are associated with job performance. In the Indonesian context, Nopriandi (2023) also found that compensation had a positive and significant effect on employee performance at PT Wilmar Cahaya Indonesia. Collectively, these findings indicate that employees who perceive their compensation as appropriate are more likely to perform better.

H1: Compensation has a positive and significant effect on employee performance.

The Effect of Work Motivation on Employee Performance

Work motivation represents the internal and external forces that encourage employees to direct and sustain their efforts toward achieving work objectives. From the perspective of Self-Determination Theory, employee motivation is influenced by the extent to which the work environment satisfies basic psychological needs for autonomy, competence, and relatedness. Employees who feel these needs are adequately supported are more likely to develop autonomous motivation and demonstrate positive work behaviors. Gagné et al. (2022) emphasize that Self-Determination Theory provides an important framework for understanding how work environments influence employee motivation, performance, and well-being. The theoretical relationship between motivation and performance is supported by recent empirical evidence. Wang et al. (2024), using a meta-analytic review of longitudinal cross-lagged studies, found a positive and significant effect of work motivation on subsequent job performance. Importantly, the study found stronger evidence for the motivation-to-performance direction than for the reverse relationship. This finding provides strong evidence that work motivation is not merely correlated with performance but can also predict subsequent employee performance. Good et al. (2022) also found that, within a Self-Determination Theory framework, intrinsic and extrinsic motivation can influence salesperson performance. Their meta-analysis demonstrates that motivational forms play an important role in explaining performance outcomes.

Furthermore, Laathi'fah and Noekent (2024) found that work motivation positively and significantly affects employee performance in industrial companies. Their research provides evidence that employees with stronger work motivation tend to demonstrate better performance. Additional evidence is provided by Nopriandi (2023), who found that motivation positively and significantly affects employee performance at PT Wilmar Cahaya Indonesia. Tauhid et al. (2024) also examined compensation and motivation in relation to employee performance and found that these factors are relevant to performance in the organizational context studied. These findings are consistent with Self-Determination Theory, which explains that motivation influences employees' direction and intensity of effort and consequently affects their work-related outcomes.

H2: Work motivation has a positive and significant effect on employee performance.

The Effect of Compensation and Work Motivation on Employee Performance

Employee performance is unlikely to be determined by a single factor because it is influenced by a combination of organizational and individual factors. Compensation represents an external organizational mechanism through which employees are rewarded for their contributions, whereas work motivation represents the psychological force that directs employees' efforts toward achieving work objectives. Therefore, the combination of appropriate compensation and strong work motivation may provide a stronger foundation for improving employee performance than either factor considered independently. The relationship can be explained through the combination of Equity Theory and Self-Determination Theory. Equity Theory suggests that employees evaluate whether the rewards they receive are fair relative to their contributions. Appropriate compensation can therefore encourage positive employee responses and effort.

Meanwhile, Self-Determination Theory explains that motivation is shaped by the satisfaction of employees' psychological needs, including autonomy, competence, and relatedness. When employees receive appropriate organizational rewards and are strongly motivated to perform their work, they are more likely to direct greater effort toward achieving organizational objectives (Gagné et al., 2022; Good et al., 2022). Empirical studies provide support for the simultaneous relationship among compensation, motivation, and employee performance. Rismawati et al. (2023) found that compensation and work motivation both have positive, significant effects on employee performance, and together they explain a substantial proportion of performance variation. Nopriandi (2023) similarly found that compensation and motivation have both partial and simultaneous effects on employee performance at PT Wilmar Cahaya Indonesia. These findings show that compensation and motivation can work together as key determinants of employee performance. Further support is provided by Laathi'fah and Noekent (2024), who found that compensation significantly affects employee performance and that work motivation also significantly affects employee performance. Their findings also demonstrate a significant

relationship between compensation and work motivation, suggesting that compensation may contribute to employee motivation in addition to its direct relationship with performance. Kahuningan and Netra (2023) similarly found that compensation positively affects performance and motivation, while motivation also positively affects performance.

H3: Compensation and work motivation simultaneously have a positive and significant effect on employee performance.

3. Data and Method

Revised Data and Method

This study used a quantitative cross-sectional survey design to examine the relationships between compensation, work motivation and employee performance at PT Tirta Investama Distribution Center Jatiasih. The study population consisted of 104 employees, from which 64 respondents were selected using purposive sampling. The sample size represented approximately 61.54% of the population. The manuscript should specify the inclusion criteria used to select respondents, including employment status, organizational assignment, and, where applicable, minimum work experience. The authors collected primary data through a structured questionnaire using a five-point Likert scale to measure compensation, work motivation, and employee performance. The measurement indicators covered salary and wages, incentives, allowances and facilities for compensation; physiological, safety, social, esteem, and self-actualization needs for motivation; and work quality, work quantity, task implementation, and responsibility for employee performance. Instrument validity and internal consistency were established using the validity test results and Cronbach's alpha coefficients: 0.877 for compensation, 0.852 for motivation, and 0.838 for employee performance. The questionnaire distribution and response rates should be reported as follows: [insert the numbers of questionnaires distributed, returned, excluded, and retained, together with the response rate]. The hypothesized relationships were examined using multiple linear regression specified as ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \varepsilon$), where ($Y$) denotes employee performance, (X_1) represents compensation, (X_2) represents work motivation, and (ε) is the error term. We evaluated statistical significance at the 5% level, supported by instrument reliability assessment and relevant regression diagnostic tests. Potential common-method bias should be assessed using an appropriate procedure and its results reported. Ethical procedures, including informed consent, voluntary participation, confidentiality, and authorization for data collection, should also be documented according to the procedures actually implemented. Because respondents were purposively selected from a single organization and data were collected at one point in time, the findings may not represent the wider workforce. They should be interpreted as statistical associations rather than definitive causal effects.

Variable Measurement

This study involved one dependent variable and two independent variables. Employee performance was the dependent variable, while compensation and motivation were the independent variables. Compensation refers to the financial and non-financial rewards employees receive in return for their contributions to the organization. The compensation variable was measured using indicators consisting of salary and wages, incentives, allowances, and facilities (Afandi, 2018). Motivation represents the internal and external driving forces that encourage employees to perform their jobs effectively. The motivation variable was measured using indicators such as physiological needs, safety needs, social needs, esteem needs, and self-actualization needs (Suwatno, 2011). Employee performance refers to the quality and quantity of work employees achieve in carrying out their responsibilities. Employee performance was measured using indicators of work quality, work quantity, task implementation, and responsibility (Mangkunegara, 2017).

Data Collection Method

Primary data were collected through questionnaires distributed directly to employees. The questionnaire consisted of statements representing each research indicator and was measured using a Likert scale ranging from strongly disagree to agree strongly. This method allowed respondents to express their perceptions of compensation, motivation, and employee performance in a structured way.

Data Analysis Technique
Data analysis was conducted using multiple linear regression analysis to examine the influence of compensation and motivation on employee performance. Before hypothesis testing, the research instrument was evaluated for validity and reliability to ensure the accuracy and consistency of the measurement items. Furthermore, classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, were performed to verify that the regression model met the required statistical assumptions.

4. Results

Reliability Test
The reliability test assesses measurement consistency. This test is conducted by comparing the Cronbach's alpha value or score against a threshold of 0.60. A Cronbach's alpha value greater than 0.60 indicates the measure is reliable.

Table 1. Reliability Test Results

Variables	Cronbach Alpha	Critical Value	Description
Compensation	0,877	0,600	Reliable
Motivation	0,852	0,600	Reliable
Employee Performance	0,838	0,600	Reliable

Source: Primary data processed in 2024

Table 1 indicates that the variables for compensation, motivation, and employee performance are reliable.

Normality Test
The normality test is conducted to assess whether the data distribution is normal. The Kolmogorov-Smirnov test is a widely used normality test, particularly following the proliferation of statistical software. Its advantages are its simplicity and the fact that it does not lead to differences in interpretation among observers. This issue often arises with graphical normality tests. The Kolmogorov-Smirnov test yielded a significance value of 0.750; since this value exceeds the 0.05 significance level, it can be concluded that the data in this study are normally distributed.

Linearity Test
The linearity test assesses whether the linear relationship between two variables is significant. A relationship is considered linear if the significance value is less than 0.05.

Table 2. Linearity Test Results

Variables	Sig of Linearity	Significance Level	Description
Compensation and Employee Performance	0.00	0.05	Linear
Motivation and Employee Performance	0.00	0.05	Linear

Source: Primary data, processed in 2024

Based on Table 2, the significance value for linearity is 0.00. Since this value is less than 0.05, it can be concluded that there is a linear relationship between the variables of compensation and employee performance, as well as between motivation and employee performance.

Multicollinearity Test
The multicollinearity test is conducted to determine whether intercorrelation or collinearity exists among independent variables within a regression model. Intercorrelation refers to a linear or strong relationship between one independent variable (or predictor variable) and another predictor variable within the model. This intercorrelation can be assessed through correlation coefficients between independent variables, VIF and Tolerance values, eigenvalues and condition indices and the standard errors of beta coefficients (or partial regression coefficients). Compensation and

motivation have VIF values of 2.230 each, which are below the 10 threshold. Thus, it can be stated that each independent variable is free from multicollinearity.

Heteroscedasticity Test

This test aims to determine whether residual variance differs across observations within a regression model. If residual variance remains constant across observations, the condition is homoscedasticity; if it differs, it is heteroscedasticity. To detect heteroscedasticity in this study, we examine a scatterplot of the predicted dependent variable (ZPRED) against the residuals (SRESID).

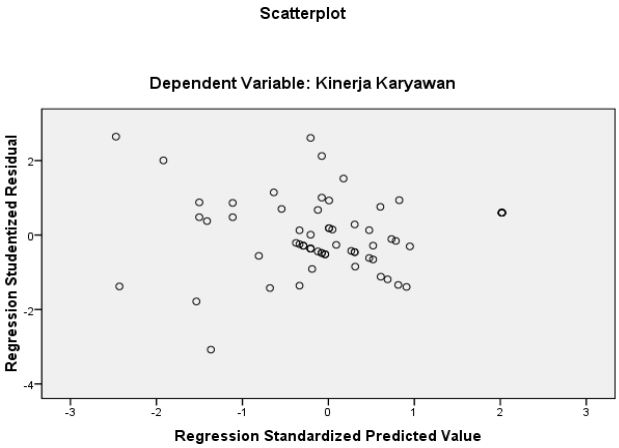


Figure 1. Heteroscedasticity Test Results

Figure 1 shows that the data points are randomly distributed above and below the zero mark on the Y-axis. It can be concluded that the regression model does not violate the assumption regarding heteroscedasticity (i.e., the model is free from heteroscedasticity).

Autocorrelation Test

The autocorrelation test is a statistical analysis used to determine whether variables in a prediction model and correlated over time. Consequently, if autocorrelation is present in a prediction model, the disturbance values are no longer independent but exhibit autocorrelation. The autocorrelation test results show a Durbin-Watson (DW) value of 1.797. Compared with the significance Table values—using a 5% (0.05) significance level, a sample size of 64, and two independent variables (K=2)—the upper critical value (dU) is 1.6601. The results indicate that DW > dU (1.797 > 1.6601) and DW < 4-dU (1.797 < 4 – 1.6601, or 1.797 < 2.3399); therefore, it can be concluded that no autocorrelation exists.

Table 3. t-Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.549	2.826		5.148	.000
	H1	.465	.069	.651	6.752	.000
	(Constant)	12.834	3.446		3.724	.000
	H2	.455	.075	.608	6.026	.000

Source: Primary data, processed in 2024

Based on Table 3, the significance value is 0.000 (< 0.05) and the calculated t-value is 6.752 (> 1.99962, the t-table value); therefore, it can be stated that the compensation variable has a significant partial effect on employee performance. Based on Table 4.17, the significance value is 0.000 (< 0.05) and the calculated t-value is 6.026 (> 1.99962, the t-table value); therefore, it can be stated that the motivation variable has a significant partial effect on employee performance.

5. Discussion

The Effect of Compensation on Employee Performance

The findings indicate that compensation is positively associated with employee performance at PT Tirta Investama Distribution Center Jatiasih. This result suggests that salaries and wages, incentives, allowances, and facilities can support employee performance by providing economic security and signaling organizational recognition. However, this relationship should not be interpreted as meaning that higher compensation automatically produces better performance. From an Equity Theory perspective, employees evaluate rewards not only by their absolute monetary value but also by whether they are fair relative to their effort, responsibilities, experience, and contributions. Consequently, compensation may be financially adequate but still fail to motivate employees if they perceive inconsistencies in its distribution, transparency, or connection with performance.

This finding aligns with Yulandri and Onsardi (2020), Sasono and Razikin (2022), and Pangastuti et al. (2020), who reported positive relationships between compensation and employee performance. This is also supported by Ohunakin and Olugbade (2022), whose study found a positive relationship between employees' perceptions of compensation systems and job performance. Importantly, their findings indicate that communication satisfaction moderates the relationship between compensation and employee outcomes. This suggests that a compensation system's effectiveness may depend partly on how clearly the organization communicates its reward policies and how employees understand the basis for compensation decisions. Similarly, Tarigan et al. (2022) found that a total reward system incorporating financial and non-financial elements was associated with positive employee-related outcomes. Their findings also indicate that monetary rewards alone may not fully address employees' expectations, particularly when training, development, and a supportive work environment are considered.

Despite this positive relationship, the company's internal performance assessments show a deterioration in the proportion of employees classified as "Pass" and an increase in those classified as "Need Education" during the period examined. This pattern does not necessarily contradict the regression findings. The regression analysis examines the relationship between employees' questionnaire responses at the time of data collection, whereas the internal assessment records reflect performance classifications across different years. These measures differ in timing and may capture different things. Therefore, the positive association between compensation and performance in the survey does not establish that compensation was sufficient to prevent the earlier deterioration in performance.

Several explanations may account for this pattern, although they were not directly tested in the present study. First, employees may consider compensation adequate in monetary terms without perceiving it as equitable or closely connected to their performance and additional responsibilities. Second, performance in distribution operations may depend on factors beyond compensation, including employees' technical competence, training, workload, work procedures, supervisory support, and access to the resources required to complete tasks. Third, changes in operational demands or performance standards may affect assessment outcomes even when compensation arrangements remain unchanged. These possibilities should be treated as alternative explanations rather than established causes. Accordingly, the findings suggest that management should evaluate not only the adequacy of salaries, incentives, allowances, and facilities but also employees' perceptions of fairness, the transparency of reward allocation, and the extent to which compensation policies align with clearly communicated performance expectations.

The Effect of Work Motivation on Employee Performance

The findings also indicate a positive relationship between work motivation and employee performance. This result aligns with Farisi et al. (2020), Riyanto et al. (2021), and Purba and Sudibjo (2020), who reported a positive association between work motivation and employee performance. The finding is further supported by Wang et al. (2024), whose meta-analytic review of longitudinal studies found that work motivation predicted subsequent job performance, even

after controlling for earlier performance. Unlike evidence based solely on cross-sectional associations, their longitudinal analysis provides stronger support for the possibility that motivation precedes changes in performance. Nevertheless, their findings do not establish that motivation is the only or universally dominant determinant of performance in every organizational setting.

The present findings can also be interpreted through Self-Determination Theory, which emphasizes the psychological conditions that support employees' motivation. Gagné et al. (2022) explain how self-determination theory can inform the design of work environments that support motivation, while Good et al. (2022), through a meta-analysis focused on salesperson performance, demonstrate the importance of distinguishing intrinsic from extrinsic motivation when examining work outcomes. These perspectives suggest that motivation should not be understood solely as employees' willingness to work harder. Its relationship to performance may also depend on whether employees feel capable of completing their tasks, are meaningfully involved in their work, and receive appropriate organizational support.

This distinction matters in distribution operations, where employees may be motivated to meet organizational targets but still face practical barriers to effective performance. Willingness and effort do not necessarily translate into better work outcomes when employees lack adequate training, clear instructions, sufficient time, appropriate equipment, or effective coordination. Motivation may therefore encourage employees to direct effort toward their responsibilities, while skills, resources, and working conditions influence whether that effort produces the expected results. Because these additional factors were not included in the present regression model, their roles cannot be confirmed from the current findings.

The internal performance assessments also indicate that stronger motivation, as reported in the questionnaire, should not be assumed to eliminate the need for employee development. The increase in the "Need Education" category suggests that some employees may require additional learning or support to meet performance expectations. However, the available evidence does not establish whether this classification reflects insufficient technical skills, changes in job requirements, or other operational issues. Management should therefore avoid interpreting performance difficulties solely as a lack of employee motivation. A more appropriate response would combine motivational initiatives such as recognition, constructive feedback, and development opportunitie with an assessment of employees' competencies and the support available to them.

6. Conclusion

This study examines the relationships between compensation, work motivation, and employee performance at PT Tirta Investama Distribution Center Jatiasih. The findings indicate positive associations between compensation, work motivation, and employee performance based on questionnaire responses. However, these associations must be interpreted cautiously because the cross-sectional design does not establish causal relationships. Furthermore, the positive questionnaire findings do not fully explain the decline in historical employee performance classifications. This discrepancy suggests that perceived compensation and motivation may relate to employee performance but may not capture the broader operational conditions that influence performance outcomes. The study therefore provides context-specific evidence, not definitive proof, that compensation and work motivation independently determine employee performance.

The findings offer theoretically informed implications for human resource management. Consistent with Equity Theory and Self-Determination Theory, management should evaluate perceived reward fairness and transparency while strengthening recognition, career development, job security, and supportive working conditions. Rather than assuming that additional rewards automatically improve performance, interventions should be based on employee feedback and operational evidence. Management should also monitor measurable distribution-center outcomes, including delivery accuracy, productivity, absenteeism, and formal employee performance ratings. These indicators can help assess whether interventions produce meaningful improvements beyond employees’ reported perceptions. Future evaluations should verify the independent contributions

of compensation and work motivation through appropriate multivariate analysis and more robust research designs.

Recommendation

Management should implement a measurable six-month improvement program combining compensation-equity audits, employee motivation surveys, supervisor feedback, and targeted training. The program should begin by establishing baseline indicators for delivery accuracy, productivity, absenteeism, and employee performance ratings. Accountable managers should be assigned to each intervention, with monthly monitoring and clearly defined improvement targets. Compensation reviews should assess internal fairness and transparency, while motivational initiatives should address recognition, career development, job security, and operational working conditions. After six months, management should evaluate changes in actual performance classifications and operational indicators, rather than relying solely on employee perceptions or questionnaire-based statistical associations.

Limitations and avenues for future research

This study is limited by its single-organization setting, purposive sampling, and reliance on questionnaire data, which may introduce selection bias and common-method variance. Its cross-sectional design also limits causal interpretation and leaves potential reverse causality and omitted variables unresolved. Future research should employ longitudinal or experimental designs, compare multiple distribution centers, and incorporate supervisor-rated performance. Further studies could examine organizational justice, leadership quality, workload, and motivational mediation mechanisms to clarify how compensation and motivation relate to employee performance across organizational contexts.

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