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# The Effects of Training and Compensation on Work Satisfaction and Its Impact on Work Motivation (Survey on the Employees of National Private Banks of West Java Regional Office in Bandung)

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**Abstract:** Higher competition between private banks and more stringent banking regulations demand banking managements to improve employee productivity. Low employee motivation as a constraint faced is possibly the effect of low job satisfaction, and not-yet-effective training programs and compensation provided. It is important to examine the extent of the impact of training and compensation on work motivation, either directly or indirectly through job satisfaction. This study aimed at examining the influence models of training and compensation on job satisfaction and its impact on work motivation of the employees of National Private Banks of West Java Regional Office in Bandung.

The method used was an explanatory survey. The target population was 1629 employees with a sample size of 300 employees. The influence models were analyzed using Structural Equation Modeling (SEM), as the models were composed of a number of causal relationships between latent variables.

The modeling results had very high suitability in explaining the interrelationship between variables. Training and Compensation was proved to affect Job satisfaction simultaneously and partially, where the effect of Compensation was more dominant. Training, Compensation, and Job Satisfaction was proved to affect simultaneously to Work Motivation, which was partially more determined by Training. Employees with higher compensation generally had lower work motivation due to the unavailability of motives to achieve higher individual goals, such as: higher position and compensation, and shorter promotional period. This condition also applied to employees with higher job satisfaction.

**Keywords:** training, compensation, job satisfaction, work motivation

## INTRODUCTION

Work motivation is a constantly evolving concept. In human resource management, work motivation is one of the main studies that are very important in encouraging employee productivity and employee loyalty as some of the components determining the competitiveness of a company.

The result of the observation showed that in the middle of high level competition between companies, especially in banking, the limited availability of quality human resources and the lack of optimal human resource management lowered work motivation and weakened employee loyalty. The observed phenomena revealed high case of movement of employees to other banks due to the lack of encouragement to overcome challenges in the work and of desire to move forward and develop, and the less serious efforts in carrying out their duties. Meanwhile, training and compensation as the relevant instruments of human resource management strategies to address the problems had not been properly implemented.

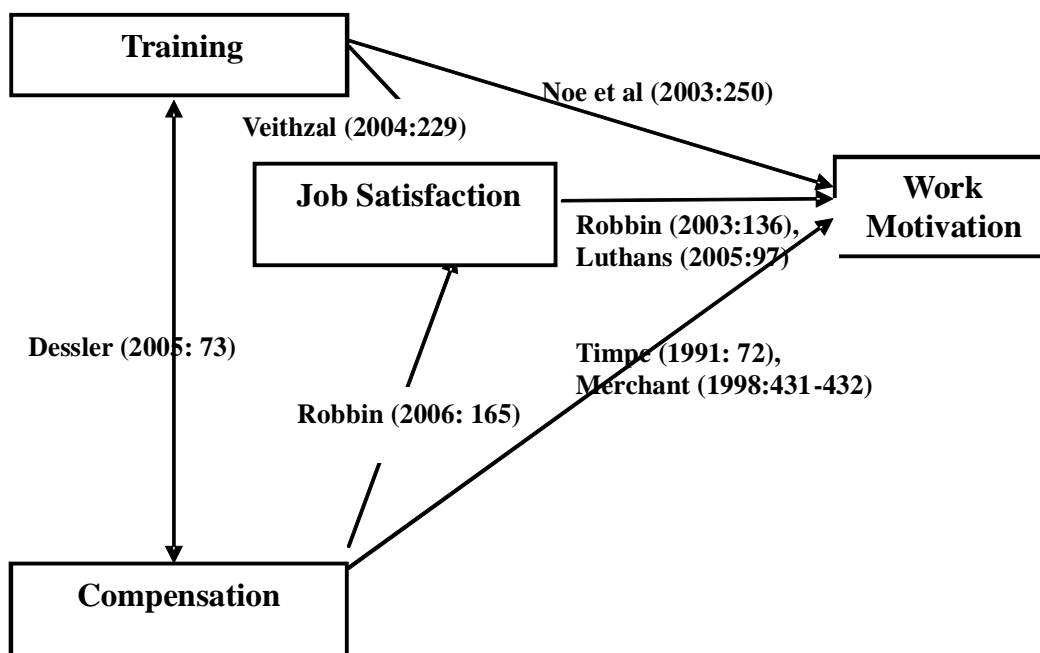
Based on the above background, the central theme studied is “to what extent are the effects of training and compensation in improving work motivation directly or indirectly through increasing Employee Job satisfaction, especially at the National Private Banks of West Java Regional Office in Bandung?” In accordance with the central theme, the problem formulation in this research is 1) How far do Training and Compensation affect Employee Job Satisfaction simultaneously and partially? and 2) How far do Training, Compensation and Job Satisfaction affect Employee Motivation simultaneously and partially?

## **FRAMEWORK**

The literature review relevant to the writing of this article is the epistemological construction of the theory of Management Science, the main field of Human Resource Management Science that becomes the grand theory. According to Mathis & Jackson (2000: 4), “Human Resource Management deals with formal design systems within an organization to determine the effectiveness and efficiency in terms of individual talents to realize the goals of an organization.” As middle range theories, it deals with human resource management that focuses on the growth and development of work motivation, as explained by Dessler (1993: 9), saying that with the higher development of science and technology, as well as that of information and communication technology, the broader extent of administrative automation in modern offices, and the increasingly widespread application of computer has resulted in the emergence of dispersonal employment relationship patterns within the organization, so that it is required an intensive relationship between managements and employees to cultivate and develop motivation. Therefore, every business organization must be able to develop an appropriate framework of how the motivating process should be applied to every individual involved. The company’s management develops the concept and implements the motivation process for all human resources within the organization in order to achieve the organizational goals through human resource mobilization, which, among other things, is determined by the accuracy in order to compile the motivation process. Meanwhile, the implementation of the concept of motivation based on training and compensation and through job satisfaction and work morale is the application conception as functional or applied theories.

In the context of the above theory, the system approach to training suggests a synchronization between training and compensation. Inclusion of compensation in well-managed training can create greater enthusiasm for training, increase participation in training, and strengthen higher commitment and expertise. The creation of these conditions allows employees to achieve satisfaction in their work and to have a high work morale, and motivates them to achieve organizational goals.

The paradigm in this study was built on several theories related to: 1) the relationship between training and compensation; 2) the effect of training and compensation on job satisfaction; and 3) the effect of training, compensation and job satisfaction on work motivation.



**Figure 1: Framework Diagram**

The above paradigm is a model of motivational development through the engineering of the training and compensation system. The synergy of the training improvement efforts in high-performing work systems through a competency-based compensation approach is a necessary prerequisite for the improvement of work motivation, either directly or indirectly, through the increase of employee job satisfaction.

## **RESEARCH METHODS**

### **Object of Research**

The objects studied were Training, Compensation, Job Satisfaction, and Work Motivation of the employees of National Private Banks of West Java Regional Office in Bandung.

### **Research Design**

This research design used quantitative approach, with survey-explanatory research method, the research method intended to test the hypothesis and to explain the causal relationship through sampling and distribution of questionnaires (Singarimbun and Sofian Efendi 1995: 1-2).

### **Population**

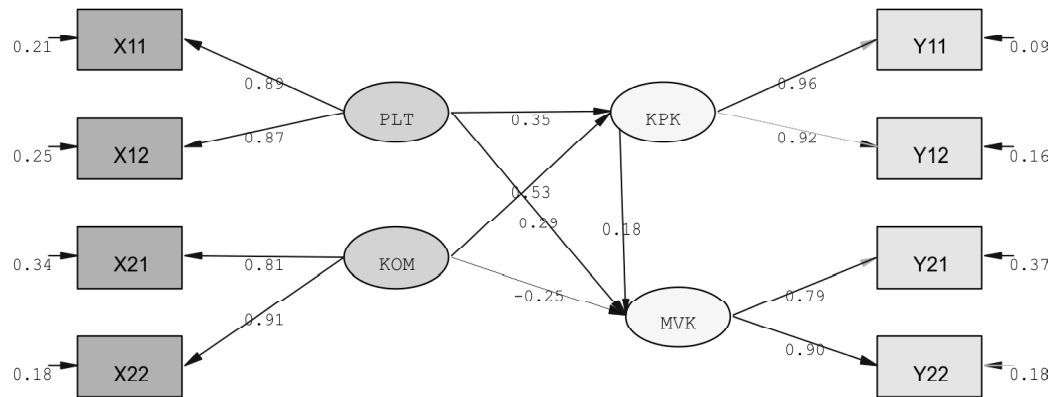
The target population was all employees of the National Private Banks of West Java Regional Office in Bandung, amounting to 1629 employees. The samples were taken through proportionate random sampling technique with the size of 300 employees determined based on power analysis technique.

### Data Analysis Design

The analysis design used Structural Equation Modeling (SEM) equipped with descriptions of various symptoms in order to describe the variables factually. SEM analysis technique was chosen with the consideration that the models tested were composed of structural models of causal relationships between latent variables, and the measurement models of the latent variables were through manifest variables.

### RESEARCH RESULT

The hypothesis testing result on the effects of Training and Compensation on Job Satisfaction and its impact on Work Motivation in summary can be seen in Figure 2 below.



Chi-Square=18.84, df=14, P-value=0.17114, RMSEA=0.034

Figure 2: Structural Equation Modeling Result

The structural equation showing the causal relationship between the latent variables of the diagram above is as follows:

$$\eta_1 = 0.35*\xi_1 + 0.53*\xi_2 + z_1, \text{ Error var.} = 0.32, R^2 = 0.68$$

$$\eta_2 = 0.29*\xi_1 - 0.25*\xi_2 + 0.18*\eta_1 + \zeta_2, \text{ Error var.} = 0.92, R^2 = 0.079$$

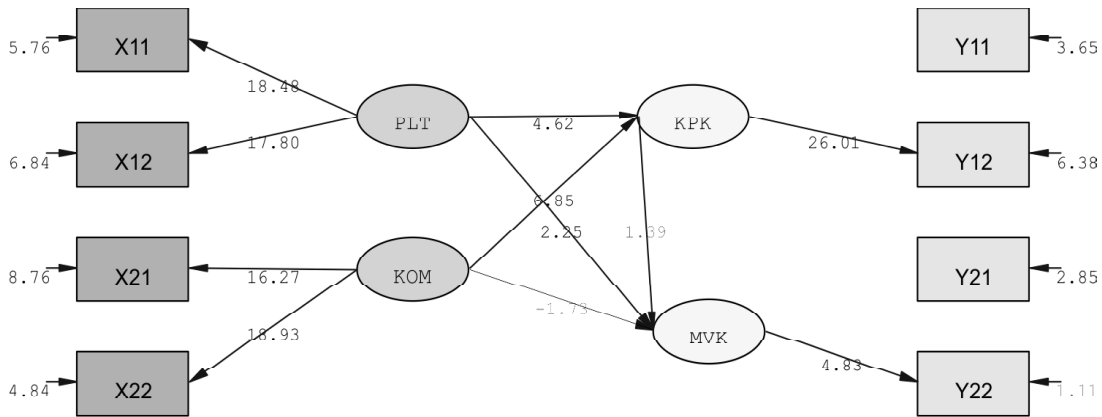
Goodness of Fit Index (GFI) = 0.95

- Where:
- $\xi_1$  : Training / PLT (1st exogenous latent variable)
  - $\xi_2$  : Compensation / KOM (2nd exogenous latent variable)
  - $\eta_1$  : Job Satisfaction / KPK (1st endogenous latent variable)
  - $\eta_2$  : Work Motivation / MVK (2nd endogenous latent variable)
  - $\zeta_i$  : Error model i [zeta i]
  - $\gamma$  : coefficient of influence of exogenous latent variables on endogenous latent variables [gamma]
  - $\beta$  : coefficient of influence of an exogenous latent variable on another endogenous latent variable [beta]
  - $\lambda$  : measurement coefficient on manifest variables for latent variables [lambda: loading factor]

- $\delta$  : measurement error on manifest variables for exogenous latent variables [delta]
- $\epsilon$  : measurement error on manifest variables for endogenous latent variables [epsilon]

The value of Goodness of Fit Index (GFI) = 0.98 on the above analysis shows that the model suitability level is very high, i.e. 98%. GFI is a model suitability measure in SEM analysis having similarities with the coefficient of determination function  $R^2$  in regression analysis. The very high GFI value as a measure of goodness of fit statistic commonly used demonstrates that the influence models studied has the ability to predict, or has forecasting ability, (Koutsoyiannis, 1977: 29-30 and Wirasmita, 2008: 4-5) which is very high in explaining the interrelated behavior between variables.

The result of significance test on the measurement models showed that all manifest variables were valid in constructing latent variables. All loading factors (l) were positive, which showed that each manifest variable was positively correlated with its latent variable, i.e., the higher the quality of a manifest variable the higher the latent variable being constructed. The results of significance tests on structural models indicated that: Training and Compensation significantly affect Job Satisfaction, while Work Motivation is only influenced by Training. The diagram of significance test result showing t-statistics for the parameters involved, both for the measurement coefficient (loading factor l) and the effect coefficient (g and b) can be seen in the following figure.



Chi-Square=18.84, df=14, P-value=0.17114, RMSEA=0.034

**Figure 3: Parameter Significance Test Result**

The above result shows that human resource management through training and compensation plays an important role in creating job satisfaction, but only effective training encourages work motivation, while compensation and job satisfaction has not been effective.

The effects of training and compensation for job satisfaction supports the theories of Veithzal (2004: 229) and Robbin (2006: 165). Veithzal (2004: 229) argued that training is an important factor in increasing job satisfaction. A. Noe (2003: 4) stated that training serves to facilitate the learning of employee competencies. Good training helps employees to do the jobs that have been assigned to them. In addition, with increased competence after training, it is expected that employees get advantages in enhancing their career that enable them to take on greater responsibilities (Werther & Davis, 1996: 282). With increased

competence, employees can also better adjust to the jobs and the situations and conditions in which they work, which makes it possible for them to get higher job satisfaction. As for compensation, Robbin (2006: 165) stated that employees with compensation in accordance with the job demands, abilities, and standards tend to be satisfied. According to Simamora (2004: 541), good design of compensation system makes it possible for companies to maintain the loyalty of their competent employees and generate high job satisfaction.

The influence of training on work motivation supports the theories of Veithzal (2004: 229) and Davis (1993: 234). As Veithzal (2004: 229) has pointed out, training is an important factor in improving employee work motivation. Davis (1993: 234) also argued that training that is integrated into career development at every level within an organization creates high work motivation.

The negative effect of compensation on work motivation shows that employees with high compensation are more likely to consider that the compensations they receive are insufficient. Merchant (1998: 431-432) stated that compensation should have a positive impact on changes in employee behavior or motivation. Timpe (1991: 72) argued that if an award is deemed inadequate then the impact on motivating will be very low, or even absent. McClelland's Theory of Needs (Robbins, 2003: 216) explains that high achievers, indicated by receiving greater compensation, generally distinguish themselves from others by their desire to get things done better. Generally, the characteristic that emerges as the access to achievement motivation is the tendency to work harder and set higher individual goals. Under the circumstances where companies cannot provide new motives for them to work harder in achieving higher goals, such as: higher positions and compensation, shorter promotional periods (due to the weak career development system for high compensation group), this group tend to have decreased motivation. As for the smaller compensation group, they find the motive to work harder in achieving higher goals, especially in situations of low employment.

The insignificant effect of job satisfaction on motivation, as well as for compensation, is also related to the lack of motive to achieve higher individual goals for employees with high work satisfaction. This can be overcome by balancing job satisfaction on motivating factors.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

1. Employees who receive better training and compensation generally have higher job satisfaction. Compared to Training, Compensation has more dominant influence on Job Satisfaction.
2. Better-trained employees generally have higher work motivation. However, employees who receive higher compensation generally have lower work motivation, and it is not always that employees with higher job satisfaction tend to have higher work motivation. This is conditioned by the unavailability of new motives for employees with higher compensation and job satisfaction to achieve other higher goals, such as: higher position and compensation, and shorter promotional period.

### **Suggestion**

1. Improve the synergy of training improvement efforts in high-performance work systems through a compensation-based approach to competence as a necessary prerequisite for increasing work motivation.

2. Perform improvement on the career development system, especially for employees with high compensation, providing new motives for employees to achieve higher goals, as well as suitability of tasks with expertise and the provision of opportunities for self-actualization.
3. It is advisable to further researchers to extend the scope of other factors, in addition to training and compensation, that theoretically allegedly influence both job satisfaction and work motivation, such as: individual internal factors, organizational factors, and external environmental factors.

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