Compensation Relates to Key Performance Indicators (KPI)

(Case Study of Garment Factory PT. XYZ Warehouse Department Section)

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Abstract. With this kind of qualitative research, this study seeks to ascertain the relationship between pay and key performance indicators (KPI). The study's research subject is the Garment Factory Case Study PT. XYZ Warehouse Department Section, which employs a saturated sampling technique to determine the sample size if every member of the population is taken as a sample. This section has 53 employees. 53 employees make up the sample. With the aid of the SPSS version 25 application, multiple linear regression analysis was employed throughout data analysis testing. The results of this study are being processed and will be continued until completion.

Keywords: Key performance indicators · compensation

1 Introduction

The business is a group of people working together to accomplish a common objective. In general, the corporation wants to make money and work to keep itself around for the long run. An organization's efforts to offer its stakeholders high- quality goods and services will determine its long-term success. Although preserving a competitive advantage can be learned, many organizations still struggle with or lack the knowledge necessary to sustain high and effective performance. This is due to a number of issues, such as the organization's vision and organizational strategy not being supported by systems and processes within the organization, which results in an incorrect or irrelevant emphasis and performance evaluation. (Kaliprasad, 2006).

Statements concerning a quantifiable position or situation are known as key performance indicators (KPIs). Derived from the company's goal, describing how the mission will help attain the vision. Afterward, each department added to it. By establishing a threshold value (threshold) to distinguish between the target value and the actual value, you can offer a work system from the mission and then the aim (result) of the task. Therefore, it is hoped that since employees are required to meet goals, the business won't pay them in vain and that they will always be aware of their roles and responsibilities. Businesses are able to create rewards and penalties because to KPIs.Do of this, businesses must focus on the correct management of their current resources in order to be (Fig. 1).

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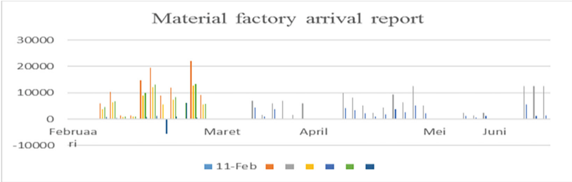

Fig. 1. Material Factory arrival report. Processed Secondary Data Sources in 2022

If few orders enter the garment factory, this will have an impact on the company's finances, causing it to be unstable, so compensation payments are unstable, and employee performance is also reduced. Based on the graph above, it can be inferred that this affects the company's finances because if few orders enter the garment factory, this will have an impact on the company's finances, which will cause it to be unstable.

2 Literatur Review

Compensations

Everyone strives to make money so they can meet their necessities. To achieve that, everyone works to ensure that their efforts are rewarded in kind. In order to receive pay for their hard work and responsibility in doing their jobs as required, employees must work diligently and responsibly. Offering pay is one strategy used by management to boost output, creativity, performance at work, employee motivation, and performance. Employees are rewarded with compensation for their accomplishments in doing their responsibilities (Kadar Nurjaman, 2014).

Employees are rewarded with compensation for their accomplishments while performing their responsibilities. Financial compensation and non- financial compensation are the two types of remuneration. Salaries, bonuses, and incentives serve as indicators of financial compensation, but the supply of specific amenities, such as pensions, serves as an indicator of non-financial compensation (Veithzal Rivai, 2011).

Compensation Goals According to Malayu S.P. Hasibuan (2011), the purpose of providing compensation (remuneration) includes:

a. Cooperation Bonds With the provision of compensation, a formal cooperation bond is established between the employer and the employee.
b. Job Contentment Employees will be able to satisfy their egoistic, social status, and bodily requirements with compensation, resulting in job happiness.
c. Successful Procurement The organization will find it simpler to hire qualified staff if the compensation scheme is designed to be sufficiently generous.
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e. Successful Procurement The organization will find it simpler to hire qualified staff if the compensation scheme is designed to be sufficiently generous.

Direct and indirect financial compensation are two categories of compensation, according Hartatik (2014: 251).

a. Direct monetary remuneration, such as wages and prices for services rendered by one person to another.
b. Salary, compensation in the form of money that employees receive as a result of their employment and contribution to the accomplishment of corporate goals.
c. Bonus or THR A one-time sum of money given to an employee that is not included in their base pay.
d. Incentives, cash payments made to staff members whose performance exceeds predetermined benchmarks.

Factors for Compensation Indicator

Simamora (2006: 445) claims that compensation is a general phrase that refers to financial benefits that individuals obtain as a result of their work relationship with a company. Due to the organization's financial outlays, compensation is typically pecuniary. These financial outlays might be either immediate (a short- term debt) or postponed (liability of the company at a later date). An example of an immediate payment is a worker's weekly or monthly compensation. Deferred payments are visible in pensions, profit sharing, and bonuses. The language used in compensation is:

a. Wages

Typically, wages are correlated with hourly pay rates (the longer the hours worked, the higher the pay). Wages are defined as the rights of workers or laborers who are received and expressed in the form of money as compensation from employers or employers to workers or laborers who are determined and paid in accordance with an employment agreement, agreement, or legislation, including benefits for workers or laborers and their families for a job or service that has been performed, in accordance with Article 1 Paragraph 30 of the Labor Law. The most common pay base for production and maintenance staff is wages.

b. Salary

Salary typically refers to hourly, daily, weekly, monthly, or annual pay rates (regardless of the length of hours worked).

c. An inducement

Incentives are extra payments made on top of or in addition to the organization's salary or salaries. Programs for incentives are designed to offer extra compensation depending on productivity, sales, profitability, or cost- cutting initiatives. The main goals of incentive programs are to promote and honor staff productivity and economical operation.

Individual incentive programs, which offer remuneration based on sales, productivity, or cost savings that can be directly attributable to individuals employees, are one of two types of incentive programs. Additionally, there are group incentive programs that pay employees in groups (by department, division, or work group) when they surpass benchmarks for profitability, productivity, or cost savings.

d. Rewards Benefits might include things like health and life insurance, paid time off from work, retirement programs, and other perks connected to employment.
e. Facilities

Favors or benefits that employees receive, such as a corporate automobile, club membership, designated parking area, or access to business aircraft, are examples of amenities. Particularly for highly compensated executives, facilities can represent a sizeable portion of remuneration.

KPI Definition (Key Performance Indicators)

Key Performance Indicator (KPI) is a quantitative performance metric that is pre-approved by management and reflects the key elements that contribute to a company's success. Almost every business has objectives that need to be met. This is related to the fact that KPIs are a reflection of the company's targets and the advancement of objectives. To put it another way, we can see our progress and how "near" we are to achieving our objective.

Statements concerning a quantifiable position or situation are known as key performance indicators (KPIs). Derived from the company's goal, describing how the mission will help attain the vision. Afterward, each department added to it. You can then provide a work scheme based on the mission.

Key Performance Indicators or key performance indicators are metrics that show how well we've done at achieving the goals we've set for our work. Some requirements for key performance indicators include that they must be calculable or measurable, that they refer to our work output as well as key performance indicators, and that they must show clear, specific, and measurable performance indicators. Measures of success also need to be stated explicitly and in detail so that it is clear what is being measured. Key performance indicators' advantages include: The KPI system's use for managing employee performance offers the following advantages to the business:

a. The key performance indicator approach makes it possible to evaluate each employee's performance in a way that is more objective and quantifiable, hence lowering the subjectivity that frequently arises during the employee performance appraisal process.
b. Each employee learns more about the work outcomes anticipated of him by selecting the appropriate key performance indicators. Employees will be encouraged to work harder to meet the predetermined performance goals as a result.
c. The employee performance development process can be carried out in a more transparent and organized manner by defining objective and quantifiable key performance indicators.
d. Employee rewards and punishments can also be based on the outcomes of objective and quantifiable key performance indicator ratings. Therefore, workers who

Previous Research

The goal of prior research is to gather comparisons and references while avoiding preconceptions that it will be similar to the current research. Therefore, the researcher includes past research in this literature review, as well as its findings. Research conducted by Diana Nur Fajriana indicates (Diana Nur Fajriana.) This study confirms that all of the study's assumptions, namely that employee KPI levels serve as a mediator between compensation, motivation, and organizational commitment and their effects on corporate performance. According to Yocki Pramudya Ananda's research (Ananda

2020), organizational culture, professionalism, and salary all have an impact on performance. According to Michelle Admadja's research findings (Admadja 2018), internal business process research employing the key performance indicator balanced scorecard discovered various.

The study's findings (Purnawati, Heryanda, and Rahmawati 2020) demonstrate that pay and experience at work have an impact on performance, as well as that pay has an impact on experience at work and performance has an impact on pay. The research's findings (Susanto 2016) indicate that organizational culture has a positive but not statistically significant impact on employee performance, compensation has a positive but not statistically significant impact on employee performance, organizational commitment has a positive and statistically significant impact on organizational culture, and organizational commitment has a positive and statistically significant impact on employee performance.

According to the study's findings (Purnawati, Heryanda, and Rahmawati 2020), pay affects performance, pay affects work experience, pay effects performance, and work experience influences performance. According to research (Susanto 2016), organizational culture has a positive but insignificant impact on employee performance, compensation has a positive but insignificant impact on employee performance, organizational commitment has a positive but significant impact on organizational culture, and organizational commitment has a positive and significant impact on employee performance.

Framework

Human resources can be interpreted as humans who are able to work to produce goods and services that can meet the needs of the general public (Kusumasmoro and Se 2016). Every human resource (employee) in an organization must be managed properly. Remuneration or remuneration is given by the company to employees for the employee's contribution to the company and for the employee's employment. Remuneration provided to employees is also often referred to as compensation. Therefore the provision of compensation is quite important for employees. There are several compensation terminologies in the form of:

a. Wages
b. Incentive
c. Allowances

Employee performance that is in accordance with company expectations must be matched with the compensation that the firm offers to its staff. The KPI level represents what must be accomplished in terms of internal business processes. KPI level includes attention to details, correctness and quality of work, volume and productivity of work, teamwork, responsibility and work loyalty, diligence and work discipline, ethics and communication, knowledge and work mastery, planning and organization, and initiative and innovation (Parmenter, 2007).

Key Performance Indicator (KPI) is a quantitative performance metric that is pre-approved by management and reflects the key elements that contribute to a company's success. Almost every business has a vision for it self.

Table 1. Questionnaire assessment 1.1

value weight	Respondent's answer
5	Strongly agree
4	agree
3	Simply Agree
2	Don't agree
1	Strongly Disagree

Source Ghozali (2011).

Hypothesis

According to the study's objectives, the variables that will be examined include the independent (independent) variable of compensation (variable x) and the dependent (dependent) variable of key performance indicators (variable Y). For this reason, the authors can state the following hypothesis based on the previously established framework:

H(1): Salary and key performance indicators may be connected (KPI).

H(2): There may be a connection between incentives and key performance indicators (KPI).

H(3): The allowance could be influenced by key performance indicators (KPI).

H(4): There may be a connection between remuneration and key performance indicators (KPI).

3 Methodology

Types of Research

Quantitative data, expressed in numbers or scores and evaluated with the SPSS application, is the form of data used in this study with the research object being the Case Study of the Garment Factory PT. XYZ Warehouse Department Section. Both primary and secondary data are employed as data sources. Husein (2008) defined primary data as information gathered from the initial source, which can be an individual or information gathered from the first source at the site or research object. The main data used in this study came from a questionnaire that was given to participants.

While secondary data is information acquired from other sources, often in the form of theories that are supported by the findings of earlier studies in the literature. The factors included in the study include.

Population

The population is a broad category made up of things or subjects that the researcher has chosen to study in order to draw generalizations about them. The topic chosen for data gathering is referred to as the population. Employees of the PT. XYZ clothing factory made up the study's population, numbering 2587 in all (two thousand five hundred and eighty seven) (Table 1)

Sample

The sample represents a representation of the population's size and makeup. The population of this study could not have been studied in its whole due to time constraints and financial constraints, hence the most representative sample of the population was chosen for this study. Random sampling, often known as random with, was the sample technique employed.

Data Gathering Techniques

The following techniques are used for data and information collecting in order to gather the required data and information:

1. Library Research
   For this type of research, books and prior studies that have a connection to the issue being studied are read and reviewed in a library or through literary studies. In order to justify the findings in this study, as much theory as feasible is sought after in this literature review.
2. Field Research
   A questionnaire is a method of gathering data in which a list of questions is given to respondents who have been identified as sources of information in the study being done.

A. Test Approach

Scale Measurement Method

Data for this study were gathered using a questionnaire as a research tool. The research instrument is used to carry out measurements with the goal of producing accurate quantitative data that is expressed in the form of numbers, so it must first be processed using a Likert measurement scale before testing. The instrument is used to measure the variables studied. A Likert scale can be used to gauge a person's or a group's attitudes, views, and perceptions of social issues. The value weight used in each question is (Table 2):

Based on the results of calculating the class interval length, the assessment criteria are obtained in below

B. Testing for validity and reliability

Validity Check

According to Nugroho (2012), the ability of a measuring instrument or researcher's instrument to measure something that is to be obtained through instrumental use is

Table 2. Likert scale

Skala	Interpretasi
1,00 – 1,80	Very not good
1,81 – 2,60	Not good
2,61 – 3,40	Netral
3,41 – 4,20	Good
4,21 – 5,00	Very good

Source Ghozali (2011)

known as validity. According to Ghozali (2011), the validity test is used to determine the reliability and validity of a questionnaire. If the coefficient is equal to or greater than 0.3, instrument items are deemed legitimate; otherwise, they are deemed invalid. The "product moment" correlation technique is used to calculate the correlation coefficient between each total score, which is then used to test the validity (Table 3):

$$= \frac{N\left(\sum xy\right) - \left(\sum x \sum y\right)}{\sqrt{\left(N\sum x^2\right) - \left(\sum x\right)^2 - \left(N\sum y^2\right) - \left(\sum x\right)^2}}$$

Description:
r = validity coefficient sought
X = score obtained from the subject in each item
Y = total score obtained from the subject of all items
$\sum$x = sum of scores in the X distribution
$\sum$y = Sum of squares on each Y
N = Number of respondents.

C. Test for realibility

According to Arikunto (2006), a reliable instrument is one that is good enough to be employed as a tool for data gathering. The purpose of the reliability test was to evaluate how well the measurement outcomes of the test items held true when two or more measurements of the same symptoms were taken using the same measuring tool. The outcomes of a reliability test demonstrate how much a measuring device can be depended upon or trusted after passing a validity test and being deemed valid.

Using the Cronbach method, this study's dependability was evaluated. This method is used to assess the validity of instruments that produce scores on a scale in accordance with (Gozali, 2011). Following is the Cronbach method formula:

$$\mathrm{r_{hitung}} = \frac{\mathrm{k}}{\mathrm{k}-1}\left(1 - \frac{\sum \mathrm{S_i^2}}{\mathrm{S_i^2}}\right)$$

Description
$\mathrm{r_{hitung}}$ = instrument reliability
k= number of questions
$\sum \mathrm{S_i^2}$ = Total variance of the items
$\mathrm{S_i^2}$ = total variance

D. Traditional Assumption Test

Table 3. Validity Test criteria

Corrected Item Total Corelation	description
$\geq$ 0,3	Valid
< 0.3	Invalid

To fulfill the BLUE (Best Linear Unbiased Estimator) feature and the statistical condition for the use of multiple regression analysis, namely a linear, unbiased, consistent regression coefficient, a traditional assumption test is first conducted before testing the hypothesis (even though the sample is enlarged). The estimations will remain close to the parameter values up to infinity), and effective (have minimum variance). The potential for departure from the classical assumption must be avoided by the multiple regression technique that can be utilized in this test. If the regression equation meets the regression assumptions, it can be said to be useful for explaining the functional relationships between sets of dependent variables. in chronological order

E. Equations

Test for Normality

According to Ghozali (2011), this normality test was carried out to determine whether or not the independent and dependent variables in the regression model have a normal distribution. A properly distributed regression model is a decent regression model. There are two techniques to determine whether the data used in this study are normally distributed:

a. Histogram graphs and normal probability plot graphs can be used for graph analysis, basic retrieval, or to determine whether the data is normally distributed or not.
b. The decision criteria are visible from the slope level for histogram graphs. For the normal probability plot, however, the graph will display a normal distribution if the data spreads out around the diagonal line and moves in the same direction as the diagonal line.

F. Multicollinearity Test, Second.

The multicollinearity test, according to Ghozali (2011), is used to determine whether there is a connection or correlation between the independent (independent) variables incorporated into the model construction. The relationship between the independent factors and the dependent variable is disrupted if there is a significant correlation between the independent variables. The expression of the relationship between independent variables is multicollinearity. A decent regression model should be free of multicollinearity and the correlation between the independent variables. These variables are not orthogonal if there are independent variables that are correlated. Orthogonal variables are independent variables with correlation coefficients between them of zero. The level of VIF (Variance Inflation) can be used to detect the existence or absence of multicollinearity.

G. Test for Heteroscedasticity.

Ghozali (2011), (2011), The goal of the heteroscedasticity test is to determine whether there is an inequality in variance between the residuals of different observations in a regression model. It is known as homoscedasticity if the residual variance between one observation and the next does not change, and it is known as heteroscedasticity if it does. A decent regression model has the same variance in the residuals from one observation to the next, has homoscedasticity or does not have heteroscedasticity. The Y axis in this study represents the anticipated Y, while the X axis represents the residual. To test for homoscedasticity, scatterplot regression patterns were used (Y predicted – Y actually). To determine whether something is present or not, use the scatterplots regression approach.

Testing Hypotheses

1. Limited test (t test)

The t test is used to partially test the hypothesis in order to demonstrate the unique effects of each independent variable on the dependent variable. To determine how much influence each independent variable has on the dependent variable, the t test measures the regression coefficient of each independent variable. The following formula will yield the t-count value:

$$t = \frac{r\sqrt{(n-2)}}{\sqrt{1-r^2}}$$

t = t count which is then compared to t table
r = partial coefficient found
n = Number of samples

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