Analysis of the Effect of Compensation and Motivation on Organizational Performance through Employee Performance (Study of Companies in SIER Industrial Area "Surabaya")

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ABSTRACT

Purpose: The purpose of this research is to know and analyze the effect Compensation and Motivation on Organizational Performance through Employee Performance, Compensation for employee performance, Motivation for employee performance, Compensation for Organizational Performance and Motivation for Organizational Performance.

Design/methodology/approach: Data collection techniques using filling out questionnaires with a quantitative methodology which is distributed to the sample population of 160 employees and processed using the Amos ver 26 application.

Findings: and the research results show that there is a significant effect of compensation on employee performance, as well as motivation has a significant effect on employee performance, and there is also a significant effect of compensation on organizational performance, as well as motivation has a significant effect on organizational performance.

Paper type: Research Paper

Keyword: *Compensation, Motivation, Employee performance, Organizational Performance*

I. INTRODUCTION

In today's globalized world, for any organization to have a competitive advantage among its competitors, there must be a robust compensation strategy in place to attract, motivate people to join the company. It should also reduce turnover intention from employees. The need for organizations to develop programs that will facilitate performance improvement systems that lead to the management and development of the best employees and thereby enhancing their competitive advantage has made the relationship between human resource management and organizational performance a prominent issue in the field of human resources. resource management across the core functional areas of human resource practice.

SIER, is an industrial area covering an area of 332 hectares on the border of Surabaya and Sidoarjo, as well as an area of 563 hectares in Pasuruan Regency. Until 2022, Danareksaholds 50% of the company's shares, while the East Java Provincial Government and Surabaya City Government each hold the remaining 25%. Surabaya Industrial Estate Rungkut, covering an area of 245 hectares, is divided into 309 locations, and has been occupied by 267 companies, namely 21 PMA companies and 246 PMDN companies, which employ 45,953 people.

Based on preliminary research data, it is known that the company's performance is still not optimal, which is suspected by the low level of employee satisfaction. This low employee satisfaction is caused by inadequate compensation and low employee motivation in the area.

It is very important for companies to make their employees feel comfortable with their work and work environment so that they can achieve the best performance for the company. Besides that, employees are also one of the important assets that must be cared for by the company. The comfort of employees at work is caused by their job satisfactionthe company itself. as explained by Kreitner & Kinicki in Sudiardhita et al. (2018) that

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productive attitudes that can support employee performance are organizational commitment, employee involvement and job satisfaction. According to Bangun in Hardiyana & Nurhadian (2016) job satisfaction can be increased by organizations by providing compensation and motivation to employees. It is known that employee performance is positively and significantly influenced by work motivation Shahzadi et al in Pangastuti et al. (2020). Jannah et al's research in Pangastuti et al. (2020) found that work motivation has a relationship with employee performance. Work motivation also has a significant effect on the performance of Ikhsan et al, in Pangastuti et al. (2020), while research.

A. Literature Review
1. Prior Research

Research conducted by Arif et al. (2019) found that compensation and discipline have a significant effect on performance. This means that there is an influence between compensation and work discipline with the Department of Highways and the Development of road and bridge technical implementation units in North Sumatra. Research conducted by Andriani & Onsardi (2020) analyzes the relationship between compensation and employee satisfaction, motivation and performance. Through this, the impact of employee compensation on the achievement of organizational goals is successful. This study highlights that effective compensation management results in a good balance between salary and employment, thereby impacting organizational effectiveness. Yoan Purnama et al (2020) this research shows that compensation has a direct and significant effect on job satisfaction. Compensation has a direct and significant effect on employee performance. Career development has a direct and significant effect on job satisfaction. Career development has a direct and significant effect on employee performance. Job satisfaction has a significant direct effect on employee performance. There is no indirect effect of compensation on employee performance through job satisfaction. There is an indirect effect of career development on employee performance through job satisfaction. Based on the results of data analysis conducted, the research can be concluded as follows: work motivation and job satisfaction have a positive and significant effect on the organizational performance of PT. Perkebunan Nusantara XIV Makassar and able to contribute to employee performance variables of 48.96%, the remaining 51, 04% is influenced by other variables not examined in this study Asmawiyah et al. (2020). In this study employee performance is significantly influenced by training, while discipline, on organizational performance while compensation and work environment have no significant effect. Employee performance is influenced simultaneously by discipline, compensation, work environment and training. Multiple Linear Regression is able to map the influence of variables on employee performance (Kristianto, 2021). compensation, work environment and training. Multiple Linear Regression is able to map the influence of variables on employee performance (Kristianto, 2021). compensation, work environment and training. Multiple Linear Regression is able to map the influence of variables on employee performance (Kristianto, 2021).

2. Theoretical Basis
a. Compensation

According to Mardiyanti et al Pangastuti et al. (2020) compensation is everything received by employees and in the form of financial or non-financial

b. Motivation

According to Hasubian in Asriani et al. (2020) motivation is a set of forces that initiate and sustain a person working in an organization so that they want to work with each other, work effectively, andintegrated with all their efforts to achieve satisfaction, humans are having their need for autonomy fulfilled (along with their need for relatedness and competence

c. Performance

Achievement or performance is as a result that has been obtained and achieved by someone from his work behavior in carrying out work activities Sutrisno in Sulaifi (2019).

3. Relations Between Variables
1. The Relationship Between Compensation Against Employee Performance Based on the results of data processing it is known that compensation and discipline have a significant effect on performance dap. This means that there is an influence between compensation and work discipline with the Highways Service and the Construction of road and bridge technical implementation units in North Sumatra (Arif et al., 2019).
   H1 : Compensation has a significant direct effect on employee performance
2. This study analyzes the relationship between compensation and employee satisfaction, motivation and performance. Through this, the impact of employee compensation on the achievement of organizational goals is successful. This study highlights that effective compensation management results in a good balance

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between salary and employment, thereby impacting organizational effectiveness Andriani & Onsardi's Image (2020).

H2 : Motivation has a significant direct effect on employee performance

3. The results of this study indicate that compensation has a direct and significant effect on job satisfaction. Compensation has a direct and significant effect on employee performance. Career development has a direct and significant effect on job satisfaction. Career development has a direct and significant effect on employee performance. Job satisfaction has a significant direct effect on employee performance. No there is an indirect effect of compensation on employee performance through job satisfaction. There is an indirect effect of career development on employee performance through job satisfaction. Yoan Purnama et al (2020)

H3: Compensation has a significant direct effect on organizational performance

4. Based on the results of the data analysis carried out, the research can be taken the conclusion is as follows: work motivation and job satisfaction have a positive and significant effect on the organizational performance of PT. Perkebunan Nusantara XIV Makassar and is able to contribute to employee performance variables of 48.96%, the remaining 51.04% is influenced by other variables not examined in this study Asmawiyah et al. (2020).

H4 : Motivation has a significant direct effect on organizational performance

5. In this study, employee performance is significantly influenced by training, while discipline, on organizational performance while compensation and work environment have no significant effect. Employee performance is influenced simultaneously by discipline, compensation, work environment and training. Multiple Linear Regression is able to map the influence of variables on employee performance Kristianto (2021).

H5: Employee performance has a significant direct effect on performance organization

6. The results of the study show that compensation and work motivation affect employee job satisfaction. Compensation does not directly affect company performance through employee performance. While work motivation and job satisfaction have a significant effect on employee performance. Compensation and work motivation indirectly through job satisfaction has a significant effect on company performance through employee performance Mundakir & Zainuri (2018)

H6: Compensation has an indirect effect on organizational performance through employee performance

7. There is a strong influence between giving motivation to organizational performance through employee performance. The motivation given is in the form of self-actualization, self-esteem, social belonging, a sense of security and physiological needs. This can be seen from the results of calculating the correlation coefficient using SPSS calculations showing a result of 0.961 and this value is in the very strong category (Kurniasari, 2018).

H7: Motivation has an indirect effect on organizational performance through employee performance

4. Conceptual Framework

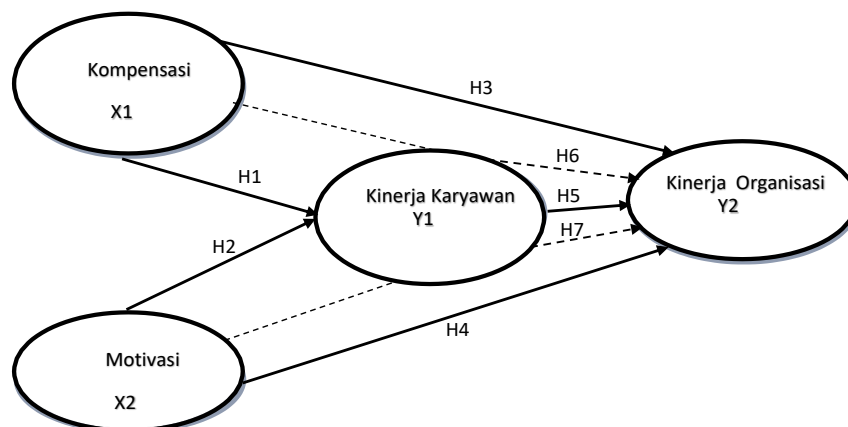*Figure 1. Research Conceptual Framework*

5. Hypothesis

H1 : Compensation has a significant effect on employee performance
H2 : Motivation has a significant effect on employee performance

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H3 : Compensation has a significant effect on organizational performance
H4 : Motivation has a significant effect on organizational performance
H5 : employee performance affects organizational performance
H6: Compensation has an indirect effect on organizational performance through performance employee
H7: Motivation has an indirect effect on organizational performance through performance employee.

II. METHODS

This research was conducted in the SIER Surabaya Industrial Area. The approach in this study used a quantitative approach. The type of data used by researchers is quantitative data. There is 1 (one) type of data source used in this study, namely primary data. The total population in this study was 160 employees, the sample in this study used a saturated sample. The data collection technique used by researchers is a questionnaire (questionnaire) with a Likert scale of 1-5. The data analysis technique in this study used Structural Equation Modeling (SEM). The analytical method used in this study is Confirmatory Factor Analysis. hypothesis testing. Hypothesis testing is done by looking at the probability value. Where the analysis is done using Amos Ver. 26.

III. RESULTS AND DISCUSSION

A. Characteristics of Respondents
1. Demographic Characteristics Based on Gender
Characteristics of respondents based on gender are as follows:

Table 1 Respondents by Gender

		frequency	percent	Valid Percent	Cumulative Percent
			Gender		
Valid	*Man*	*81*	*50.6*	*50.6*	*50.6*
	Woman	*79*	*49.4*	*49.4*	*100.0*
	Total	*160*	*100.0*	*100.0*	

Source: Processed primary data (2023)

Based on Table 1 above, it shows that the sex of the respondents in the SIER Surabaya industrial area was mostly male, namely 81 respondents with a percentage of 50.6%. Whereas for respondents who were female, there were 79 respondents with a percentage of 49.4%, based on the characteristics of the respondents above, it shows that the majority the respondents are male.

2. Demographic Characteristics Based on Age
The characteristics of respondents based on age or age can be shown in the following table:

Table 2 Respondents by Age

		frequency	percent	Valid Percent	Cumulative Percent
			Age		
Valid	*20 - 30 years*	*30*	*18.8*	*18.8*	*18.8*

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	frequency	percent	Valid Percent	Cumulative Percent
31 - 40 years	39	24.4	24.4	43.1
41 - 50 years	64	40.0	40.0	83.1
Over 50 years	27	16.9	16.9	100.0
Total	160	100.0	100.0	

Source: Processed primary data (2023)

Based on Table 2 above, it shows that respondents who are in the SIER Surabaya industrial area are aged 20-30 years, namely 30 respondents or 18.8%, for respondents aged 31-40 years, namely 39 respondents or 24.4%, for respondents aged 41-50 years, namely 64 respondents or 40%, for respondents aged over 50 years amounted to 27 respondents or 16.9%. The characteristics of the respondents above show that most of the respondents aged between 41-50 years who work as managers in the SIER Surabaya industrial area are higher because more experts are needed who are active and tenacious at work and have competency experience that can be developed by companies in the industrial area. SEER Surabaya.

3. Demographic Characteristics Based on Education
Characteristics of respondents based on recent education can be shown in the following table:

Table 3 Respondents Based on Last Education

		frequency	percent	Valid Percent	Cumulative Percent
			Education		
Valid	Senior High School	61	38.1	38.1	38.1
	S1	99	61.9	61.9	100.0
	Total	160	100.0	100.0	

Source: Processed primary data (2023)

Based on Table 3 above, it can be concluded that there were 61 respondents in the SIER Surabaya industrial area who had the last education level from SMA or 38.1% and respondents who had the last education level S1 were 99 respondents or 61.9%. From these results the majority of respondents in the SIER industrial area have the last education level S1 (Strata - 1).

4. Description of Respondents Based on Length of Service
The characteristics of respondents based on length of service can be shown in the following table:

Table 4 Respondents Based on Years of Service

		frequency	percent	Valid Percent	Cumulative Percent
			Years of service		
Valid	Less Than 10 Years	112	70.0	70.0	70.0

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10 -20 years	*42*	*26.3*	*26.3*	*96.3*
21 - 30 years	*5*	*3.1*	*3.1*	*99.4*
Over 30 years	*1*	*0.6*	*0.6*	*100.0*
Total	*160*	*100.0*	*100.0*	

Based on Table 4 above, it can be concluded that respondents who are in the SIER Surabaya industrial area who have worked for less than 10 years are 112 respondents or 70%, for respondents who have worked between 10-20 years are 42 respondents or 26, 3%, for respondents who have worked between 21-30 years as many as 5 people or by 3.1% and for respondents who have worked over 30 years as many as 1 person or by 0.6%. From these results it can be seen that the majority of respondents in the SEER industrial area have worked for less than 10 years.

B. Confirmatory Factor Analysis of Exogenous Constructs
Latent variables or exogenous constructs consist of 2 latent variables and consist of 9 dimensions. The results of data processing for confirmatory factor analysis of exogenous constructs are as follows:
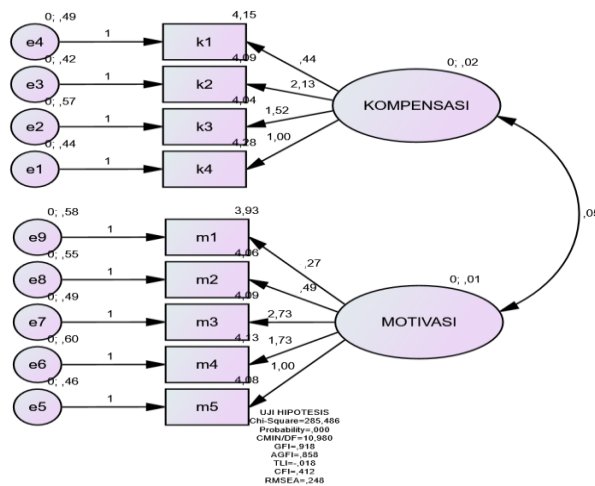

Figure 2 Confirmatory factor analysis – Exogenous constructs

Source: Processed primary data (2023)

The summary of the feasibility test of the confirmatory factor analysis model of the exogenous construct is as follows:

Table 5 Confirmatory Factor Analysis Exogenous Constructs

Goodness of Fit Index	*Cut-off Value*	*Analysis Results*	*Model Evaluation*
Chi – Square (df = 26)	*≤38,885*	*28,48*	*Good*
probability	*≥ 0.05*	*0.080*	*Good*

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GFI	*≥ 0.90*	*0.918*	*Good*
RMSEA	*≤0.08*	*0.248*	*Not good*
AGFI	*≥ 0.90*	*0.900*	*Good*
TLI	*≥ 0.95*	*0.981*	*Good*
CFI	*≥ 0.95*	*0.981*	*Good*

Source: Processed primary data (2023)

The results of the analysis of data processing show that all the constructs used to form a research model, in the process of confirmatory factor analysis have met the goodness of fit criteria that have been set. The probability value in this analysis shows a value above the significance limit, which is equal to 0.080 (p> 0.05), this value indicates that there is no difference between the sample covariance matrix and the estimated population covariance matrix.

Table 6 Confirmatory Factor Analysis Exogenous Constructs

			Estimates	*SE*	*CR*	*P*	*Label*
k4	*<---*	*X1*	*1,000*				
k3	*<---*	*X1*	*1.519*	*,517*	*2,940*	*,003*	*par_1*
k2	*<---*	*X1*	*2,130*	*,660*	*3,230*	*,001*	*par_2*
k1	*<---*	*X1*	*,437*	*,233*	*1,970*	*,006*	*par_3*
m5	*<---*	*X2*	*1,000*				
m4	*<---*	*X2*	*1,725*	*,720*	*2,396*	*,017*	*par_4*
m3	*<---*	*X2*	*2,726*	*,955*	*2,854*	*,004*	*par_5*
m2	*<---*	*X2*	*,488*	*,265*	*1,841*	*,006*	*par_6*
m1	*<---*	*X2*	*,473*	*,233*	*1,970*	*,006*	*par_7*

Source: Processed primary data (2023)

From the data processing above it can also be seen that each indicator or dimension forming each latent variable shows good results, namely a CR value above 1.96. All probability values for each indicator are smaller than 0.05. With these results, it can be said that the construct indicators forming latent variables have shown to be strong indicators in measuring latent variables. Furthermore, based on this conformational factor analysis, this research model can be used for further analysis without modification or adjustments.

C. Analysis of Endogenous Construct Confirmatory Factors
The latent variables or endogenous constructs consist of 2 latent variables with 8 dimensions. The results of data processing for endogenous construct confirmatory factor analysis are as follows:
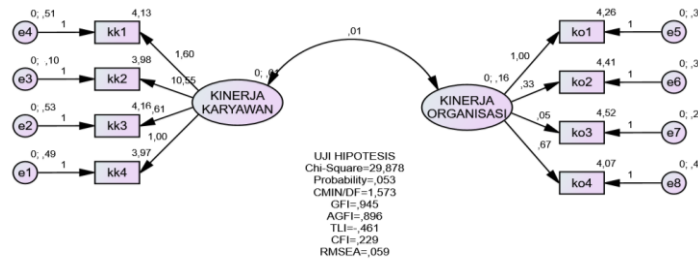
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Figure 3 Confirmatory for analysis – endogenous constructs

Source: Processed primary data (2023)

The summary of the feasibility test of the confirmatory factor analysis model of the endogenous construct is as follows:

Table 7 Confirmatory Factor Analysis Endogenous Constructs

Goodness of Fit Index	Cut-off Value	Analysis Results	Model Evaluation
Chi–Square (df = 19)	≤30,143	29,878	Good
probability	≥ 0.05	0.053	Good
RMSEA	≤ 0.08	0.059	Good
GFI	≥ 0.90	0.918	Good
AGFI	≥ 0.90	0.899	marginal
TLI	≥ 0.95	0.961	Good
CFI	≥ 0.95	0.922	marginal

Source: Processed primary data (2023)

The results of the confirmatory factor analysis show that the model is acceptable (table 5.11). in processing the data it can be seen that all the constructs used to form a research model, in the confirmatory factor analysis process have met the goodness of fit criteria that have been set. The probability value in this analysis shows a value above the significance limit, which is equal to 0.053 or above 0.05, this value indicates that there is no difference between the sample covariance matrix and the estimated population covariance matrix.

The model suitability measurement index includes GFI 0.918 fulfilling the value criteria, according to Ferdinand's statement (2014: 258), if four criteria are met then further analysis can be continued.

The results of testing the loading factor values for each indicator are as follows.

Table 8 Confirmatory Factor Analysis Endogenous Constructs

			Estimates	SE	CR	P
kk4	<---	Y1	1			

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kk3	<---	Y1	0.614	0.843	2,729	0.046
kk2	<---	Y1	10.553	26.206	2,403	0.006
kk1	<---	Y1	1,598	1.324	1.207	0.022
ko1	<---	Y2	1			
ko2	<---	Y2	0.33	0.261	1,264	0.02
ko3	<---	Y2	0.051	0.167	2,304	0.007
ko4	<---	Y2	0.665	0.495	1.345	0.017

Source: Processed primary data (2023)

From the data processing above it can also be seen that each indicator or dimension forming each latent variable shows good results, namely the CR value above 1.96 is identical to the t-count in the regression analysis. All probability values for each indicator are smaller than 0.05. With these results, it can be said that the construct indicators forming latent variables have shown to be strong indicators in measuring latent variables. Furthermore, based on this confirmatory factor analysis, this research model can be used for further analysis without modification or adjustments.

D. Full Model Analysis – Structural Equation Model

Analysis of the results of data processing at the full model SEM stage is carried out by conducting suitability tests and statistical tests. The results of data processing for the full SEM model analysis are shown in Figure 4.
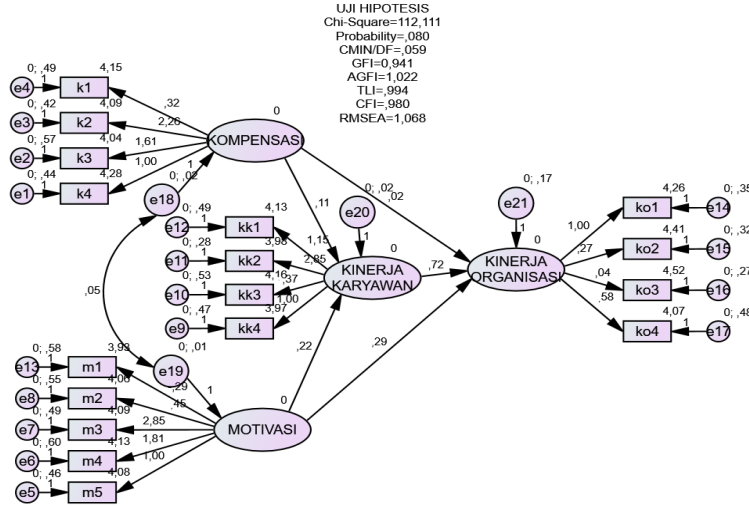

Figure 4 Full Model Test Results – Structural Equation Model (SEM)

Source: Processed primary data (2023)

Testing the feasibility of the model shows that this model fits the data or is fit for the dataused in the study is as shown in the following table:

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Table 9 Structural Equation Model (SEM)

Goodness of Fit Index	Cut-off Value	Analysis Results	Model Evaluation
Chi–Square (df = 19)	≤138,811	112,111	Good
probability	≥ 0.05	0.080	Good
RMSEA	≤ 0.08	0.059	Good
GFI	≥ 0.90	0.941	Good
AGFI	≥ 0.90	1.022	Good
TLI	≥ 0.95	0.994	Good
CFI	≥ 0.95	0.980	Good

Source: Processed primary data (2023)

E. Direct Effects and Indirect Effects

The values listed in the table are the direct effect values of the relationship between variables. From the table, there are variables that have a direct correlation value that is greater than the indirect correlation value.

The main value that will be used to determine the acceptance factor in this model is the direct effect (*direct effect*), because this value describes the range of the relationship of a variable directly.

The magnitude of the influence of each latent variable directly (*direct effect*)or indirectly (indirect effect) is explained as follows:

Table 10 Direct Effects

No	Variable	Immediate Effect
1	Compensation (X1) on Employee Performance (Y1)	0.106
2	Motivation (X2) on Employee Performance (Y1)	0.466
3	Compensation (X1) on Organizational Performance (Y2)	1.164
4	Motivation (X2) on organizational performance (Y2)	1.165
5	Employee Performance (Y1) to Organizational Performance (Y2)	0.135

Source: Processed primary data (2023)

1. The effect of compensation on employee performance has a value of 0.106 > 0.88, so there is a positive influence between the two variables. If the standard deviation of Compensation occurs an increase of 1 unit ie 0.106, then employee performance will increase by 0.106.
2. The influence of motivation on employee performance With a value of 0.466> 0.88, then there is a positive influence between the two variables. If the standard deviation of motivation increases by 1 unit, namely 0.466, thenemployee performance will increase by 0.466.

3. The effect of compensation on organizational performance has a value of 1.164> 0.88, if the standard deviation is frommotivation increases by 1 unit, namely 1.164 units, then employee performance will increase by 1.164.
4. The effect of motivation on organizational performance has a value of 1.165> 0.88. If the standard deviation of motivation increases by 1 unit, namely 1.164 units, then employee performance will increase by 1.164.
5. The effect of employee performance on organizational performance has a value of 0.135 > 0.88 If the standard deviation of motivation increases by 1 unit, namely 0.135 units, then organizational performance will increase by 0.135.

Table 11 Indirect Effects (InDirect Effects)

No	Variable	Indirect Effects
1	Compensation (X1) on Employee Performance (Y1)	0.157
2	Motivation (X2) on Employee Performance (Y1)	0.022
3	Compensation (X1) on Organizational Performance (Y2)	0
4	Motivation (X2) on organizational performance (Y2)	0
5	Employee Performance (Y1) to Organizational Performance (Y2)	0

Source: Processed primary data (2023)

1. The effect of compensation on employee performance has a value of 0.157<0.88 then there is a positive effect between the two variables. If the standard deviation of Compensation increases by 1 unit, namely 0.157 units, then employee performance will increase by 0.157
2. The influence of motivation on employee performance with a value of 0.022< 0.88 then there is a positive influence between the two variables. If the standard deviation of motivation increases by 1 unit, namely 0.022 units, then employee performance will increase by 0.022.
3. The effect of compensation on organizational performance has a value of 0has a meaning if the compensation is increased by one unit then there is no increase in organizational performance.
4. The effect of motivation on organizational performance has a value of 0. thenhas meaning if motivation is increased by one unit then there is no increase in organizational performance.
5. The effect of employee performance on organizational performance has a value of 0,it means that if employee performance is increased by one unit then there is no increase in organizational performance.

F. Hypothesis Testing
The results of SEM analysis as a step for testing the hypothesis are as followsfollowing:

Table 12 Hypothesis Testing

			Estimates	SE	CR	P	Label
Y1	<---	X1	0.553	26.206	2,403	0.006	significant
Y1	<---	X2	0.614	0.843	0.729	0.466	Not significant
Y2	<---	X1	0.33	0.261	1,964	0.02	significant

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Y2	*<---*	*X2*	*0.051*	*0.167*	*2,304*	*0.007*	*significant*
Y2	*<---*	*Y1*	*0.665*	*0.495*	*2,345*	*0.017*	*significant*

Source: Processed primary data (2023)

1. Hypothesis Testing 1
   The parameter estimation of the relationship between compensation and employee performance is 0.553. Testing the relationship between the two variables shows a CR value = 1.403 with a probability = 0.066 (p <0.05). So it can be concluded that compensation has a significant effect on employee performance.
2. Hypothesis Testing 2
   The parameter estimation of the relationship between evaluated motivation and employee performance is 0.614. Testing the relationship between the two variables shows a CR value = 0.729 with a probability = 0.046 (p > 0.05). So, it can be concluded that hypothesis 2 has no significant effect on employee performance, this is because employee motivation is already high. Where companies through HRD programmatically provide training on motivation and monitor employee performance achievements.
3. Hypothesis Testing 3
   The parameter estimation of the relationship between compensation and organizational performance is 0.330. Testing the relationship between the two variables shows a CR value = 1.964 with a probability = 0.020 (p <0.05). So, it can be concluded that compensation has a significant effect on organizational performance, the higher the compensation given, the higher the organizational performance of employees towards the organization.
4. Hypothesis Testing 4
   The parameter estimation of the relationship between motivation and organizational performance is 0.051. Testing the relationship between the two variables shows the value of CR = 2.304with probability = 0.007 (p < 0.05). So, it can be concluded that motivation has a significant effect on organizational performance, so that the higher the employee's motivation, the higher the employee's organizational performance will be for the organization.
5. HypothesisTesting 5
   The parameter estimation of the relationship between employee performance and organizational performance is 0.665. Testing the relationship between the two variables. it shows the value of CR = 2.345 with probability = 0.017 (p > 0.05). So, it can be concluded regarding hypothesis 5 which states that employee performance has a significant effect on organizational performance.
6. Hypothesis Testing 6
   Based on the hypothesis test X1 on Y1, then followed by testing the hypothesis X1 on Y2, it was found that the compensation variable (X1) through employee performance (Y1) does not significantly affect organizational performance variable (Y2), so that compensation has a significant effect on organizational performance through employee performance.
7. Hypothesis testing 7
   Based on the test of hypothesis X2 on Y1, then followed by testing the hypothesis Y1 on Y2, it was found that the motivational variable (X2) through employee performance (Y1) has a significant effect on organizational performance variable (Y2), although the motivational variable does not have a direct effect on organizational performance, so that motivation positive effect on organizational performance through employee performance.

IV. CONCLUSION

This research was conducted by developing a model to analyze the effect of compensation and motivation on organizational performance through employee performance in the SIER Surabaya industrial area. This chapter presents an overview of the results found by the researcher, followed by a discussion of the conclusions about whether the hypothesis is accepted or rejected, as well as various theoretical and managerial implications that arise in this study. Finally, the limitations of the research and the future research agenda that can be carried out as a continuation of this research will be presented.

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A. Conclusion of Research Hypothesis Testing

After conducting research that tested the five hypotheses proposed in the previous discussion, the conclusions of the study are as follows:

a. Influence between Compensation and Employee Performance
The hypothesis testing carried out showed that there was a significant influence between compensation and employee performance with a Critical Ratio (CR) of 2.403 with a P (Probability) of 0.006 (p <0.05).

b. Influence between Motivation and Employee Performance
The hypothesis testing performed showed that there was no significant effect between motivation and employee performance with a Critical Ratio (CR) of 0.729 with a P (Probability) of 0.466 (p > 0.05).

c. Influence between Compensation and Organizational Performance
The hypothesis testing performed showed that there was a significant influence between compensation and organizational performance with a Critical Ratio (CR) of 1.964 with a P (Probability) of 0.020 (p <0.05).

d. Influence between Motivation and Organizational Performance
The hypothesis testing performed showed that there was a significant influence between motivation and organizational performance with a Critical Ratio (CR) of 2.304 with a P (Probability) of 0.007 (p <0.05).

e. Influence between Employee Performance and Organizational Performance
The hypothesis testing carried out showed that there was a significant influence between employee performance and organizational performance with a Critical Ratio (CR) of 2.345 with a P (Probability) of 0.017 (p <0.05).

B. Suggestion

Based on the results of this study, the compensation variable has a significant positive effect on employee performance, but the motivational variable shows no significant positive effect on employee performance. Meanwhile, compensation and motivation variables show a significant positive influence on organizational performance. So, several things that can be done by company leaders in the SIER Surabaya industrial area in connection with efforts to improve employee performance include:

a. The results of data processing show that the compensation indicator is the greatest is the employee does not want to change jobs, while the most indicator. Small is that employees can meet their physical needs. It shows that employees are satisfied with their superiors. Therefore, it needs to be created working climate conducive relationship between employees and superiors so that each individual can work as well as possible.

b. The results of data processing also show that the performance of employees gives significant influence on organizational performance. That matter indicates that outsourced employees have high commitment company, the company should employ permanent employees on important production parts so as not to affect performance company as a whole. Outsourced employees are only placed on parts that do not affect the production process so as not to cause high risk to the continuity of the company.

c. From the proposed model, compensation and motivation have a more positive effect significantly to employee performance compared to organizational performance. So, leaders can focus on compensation and work motivation if they want improve employee performance because it will be very difficult to improve commitment considering the status of outsourced employees.

C. Research Limitations

From the results of the discussion of this thesis, several limitations of the research can be conveyed as follows:

1. From the results of data processing carried out with SEM, there are 2 criteria inmodels that are in the marginal assessment are GFI (0.876) and AGFI (0.833).
2. There is a time limit due to the tight working hours of the manager as a resourceinformation from companies in the SIER Surabaya Industrial Area so that the data obtained is not optimal.
3. There is a limited number of respondents which only amounted to 160 people.

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