

Analysis of Compensation and Motivation on Employee Performance Through Competence at PT PLN (Persero) UID Sumatera Utara

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Abstract

This study aimed to analyze the effect of compensation and work motivation on employee performance through competence at PT PLN (Persero) UID Sumatera Utara. This study used a quantitative approach with an associative research design. The population in this study consisted of all employees of PT PLN (Persero) UID Sumatera Utara, totaling 281 employees, while the research sample consisted of 74 respondents determined using the Slovin formula with a 10% margin of error. The sampling technique used was purposive sampling with the criteria that respondents were permanent employees, had worked for at least one year, and did not hold managerial positions. Primary data were obtained through the distribution of questionnaires using a Likert scale. The data analysis technique used was path analysis with the assistance of SPSS version 24.0. The results showed that compensation had a positive and significant effect on competence, with a beta value of 0.315 and a significance value of 0.004. Work motivation had a positive and significant effect on competence, with a beta value of 0.604 and a significance value of 0.000. Compensation, work motivation, and competence also had positive and significant effects on employee performance, with beta values of 0.285, 0.434, and 0.243, respectively. Work motivation was the most dominant variable in influencing competence and employee performance. The results of the indirect effect showed that competence had not become a dominant mediating variable because the direct effects of compensation and work motivation on employee performance were greater than their indirect effects through competence.

Keywords: Compensation, Work Motivation, Competence, Employee Performance, Path Analysis.

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3rd International Conference on the Epicentrum of Economic Global Framework (ICEEGLOF)

Theme: Navigating The Future: Business and Social Paradigms in a Transformative Era.

<https://proceeding.pancabudi.ac.id/index.php/ICEEGLOF>

Introduction

Human resources played a strategic role in supporting organizational success, particularly in companies engaged in public services and vital sectors such as electricity [1]. PT PLN (Persero) UID Sumatera Utara, as part of PT PLN (Persero), had an important responsibility in managing the distribution and service of electrical energy in the North Sumatra region [2]. In carrying out this function, organizational success was not only determined by the availability of infrastructure and technology, but also by the quality of employee performance in conducting operational, administrative, and public service processes. Good employee performance supported the accuracy of task completion, service quality, coordination effectiveness, and the sustainable achievement of organizational targets [3].

Employee performance became an important concern because it was directly related to the organization's ability to achieve its goals [4]. Based on the results of a preliminary survey conducted on 20 employees of PT PLN (Persero) UID Sumatera Utara, several aspects of performance still needed to be strengthened. A total of 65% of respondents stated that they had not fully completed their work carefully and according to standards, 55% had not been able to complete all work targets on time, and 60% had not fully carried out their duties according to their roles or taken responsibility for their work results optimally. Although the aspect of teamwork showed a positive tendency, with 60% of respondents stating that they were able to work together effectively, the aspect of initiative still needed improvement because 55% of respondents were not yet accustomed to taking independent action in solving work problems. These findings indicated that improving employee performance remained relevant to be examined through the factors that influenced it.

One factor assumed to be related to employee performance was competence [5]. Competence reflected the knowledge, skills, attitudes, and experience possessed by employees in carrying out their duties [6]. The preliminary survey results showed that 65% of respondents had not fully understood company procedures and policies, while 55% of respondents considered that employees' technical and nontechnical abilities were not yet fully adequate. In addition, 55% of respondents also considered that discipline, responsibility, and work dedication still needed to be strengthened. This condition indicated that competence had the potential to become an important variable that bridged the influence of compensation and motivation on employee performance.

Compensation also had an important relationship with competence and performance because compensation could influence perceptions of fairness, work enthusiasm, and employees' motivation to improve their abilities [7][8]. The preliminary survey results showed that 60% of respondents considered that incentive provision had not fully reflected performance achievement fairly, 55% of respondents considered that work facilities were not yet fully adequate, and 60% of respondents stated that recognition or appreciation for work achievement still needed to be improved. Although some respondents considered that basic salary and allowances were sufficiently appropriate, incentives, facilities, and recognition remained important concerns because they could influence employees' enthusiasm in increasing work contribution.

Work motivation was another important factor in encouraging employees to achieve targets, work enthusiastically, take initiative, be creative, and act responsibly [9]. The preliminary survey results showed that 60% of respondents had not fully made strong efforts to achieve work targets, 70% had not shown high enthusiasm in carrying out their duties, and 60% were not yet accustomed to taking independent action without waiting for instructions from superiors. In the aspects of creativity and responsibility, the majority of respondents also

indicated the need to strengthen better work motivation. This showed that work motivation could be an important factor in explaining variations in employee performance.

Based on the explanation above, this study was important to conduct in order to analyze the influence of compensation and work motivation on employee performance through competence at PT PLN (Persero) UID Sumatera Utara. The problem formulation in this study focused on whether compensation and work motivation had a direct effect on competence and employee performance, whether competence had a direct effect on employee performance, and whether competence was able to mediate the influence of compensation and work motivation on employee performance.

In line with the problem formulation, this study aimed to determine and analyze the direct effect of compensation and work motivation on competence and employee performance, the effect of competence on employee performance, and the indirect effect of compensation and work motivation on employee performance through competence at PT PLN (Persero) UID Sumatera Utara.

Research Methodology

This study used a quantitative approach with an associative research design [10]. The quantitative approach was used because the research data were obtained in numerical form from respondents' answers to the questionnaire, while the associative design was used to analyze the influence relationships among independent variables, an intervening variable, and a dependent variable [11]. This study aimed to determine the influence of compensation and work motivation on employee performance through competence at PT PLN (Persero) Unit Induk Distribusi Sumatera Utara.

The study was conducted at PT PLN (Persero) UID Sumatera Utara, located at Jalan K.L. Yos Sudarso No. 284, Medan, North Sumatra. The population in this study consisted of all employees of PT PLN (Persero) UID Sumatera Utara, totaling 281 employees. The sample size was determined using the Slovin formula with a 10% margin of error, resulting in a sample of 74 respondents [12]. The sampling technique used was purposive sampling, namely selecting respondents based on certain criteria [13]. The respondent criteria in this study included permanent employees of PT PLN (Persero) UID Sumatera Utara, employees who had worked for at least one year, and employees who did not hold leadership positions. These criteria were used so that respondents had sufficient work experience to provide assessments of the research variables [14].

The type of data used in this study was quantitative data, while the data source used was primary data. Primary data were obtained directly from respondents through questionnaire distribution. The research instrument was developed based on the indicators of each variable. Compensation and work motivation served as independent variables (X). Competence served as the intervening variable (Z). Employee performance served as the dependent variable (Y). All indicators were measured using a Likert scale with five answer choices, namely strongly agree, agree, neutral, disagree, and strongly disagree [15].

Table 1. Operational Definition of Variables

No	Variable	Operational Definition	Indicators	Scale
1	Compensation (X ₁)	All forms of financial rewards as well as services and tangible benefits received by employees as part of their employment relationship with the organization [16].	Basic Salary, Incentives, Allowances, Work Facilities, dan Nonfinancial Recognition [16].	<i>Likert</i>
2	Work Motivation	The provision of driving force that created work enthusiasm in individuals so that they were	Drive to Achieve Goals, Work Enthusiasm, Initiative,	

No	Variable	Operational Definition	Indicators	Scale
	(X ₂)	willing to cooperate, work effectively, and integrate all their efforts to achieve satisfaction [17].	Creativity, dan Sense of Responsibility [17].	
3	Competence (Z)	The ability to perform a job or task based on skills and knowledge, supported by experience and work attitudes required by the job [6].	Knowledge, Skills, Attitude, Experience [6]	<i>Likert</i>
4	Employee Performance (Y)	The quality and quantity of work achieved by an employee in carrying out duties according to the responsibilities assigned to them [18].	Work Quality, Work Quantity, Responsibility, Teamwork, dan Initiative [18]	<i>Likert</i>

Data collection techniques were carried out through questionnaires, observation, and interviews. The questionnaire was used as the main instrument to obtain respondents' perceptions of the research variables, while observation and interviews were used as supporting data to understand the condition of the research object.

Before being analyzed, the data were tested through validity and reliability tests to ensure the feasibility of the instrument [19]. Classical assumption testing was conducted through normality, multicollinearity, and heteroscedasticity tests [20]. The data analysis technique used was path analysis with the assistance of SPSS version 24.0 to examine direct and indirect effects among variables [21]. The coefficient of determination was used to determine the ability of the independent variables to explain variations in the dependent variable [14].

2.1 Analysis of Respondents' Answers to the Questionnaire

Based on respondent characteristics, the majority of employees who became the research sample were men, totaling 41 respondents or 55.4%, while women totaled 33 respondents or 44.6%. In terms of age, respondents were dominated by the 41 to 45 year age group, totaling 21 respondents or 28.4%, indicating that most employees were in a mature working age. The majority of respondents had a Bachelor degree as their latest education, totaling 42 respondents or 56.8%. The most dominant length of service was 16 to 20 years, totaling 22 respondents or 29.7%, and the majority of respondents were married, totaling 69 respondents or 93.2%. These results showed that respondents had sufficient education, work experience, and personal maturity to provide objective assessments of the research variables.

The distribution of responses for the compensation variable showed a positive tendency because most respondents selected agree and strongly agree for all indicators. For basic salary, respondent support ranged from 71.6% to 83.7%, indicating that basic compensation was considered sufficiently appropriate. The incentive indicator received support ranging from 78.3% to 78.4%, indicating that the incentive system was relatively accepted. Allowances received support ranging from 75.7% to 82.4%, work facilities ranged from 82.4% to 83.7%, and nonfinancial recognition ranged from 79.7% to 82.4%. Based on these results, it could be concluded that employee compensation was in a good category, particularly in terms of work facilities, although the suitability of salary with contribution still needed to be strengthened.

The distribution of responses for the work motivation variable showed a positive tendency because most respondents selected agree and strongly agree for all indicators. For the drive to achieve goals, respondent support ranged from 73.0% to 83.7%, with the highest value found in efforts to achieve work targets. The work enthusiasm indicator received support ranging from 77.0% to 81.1%, while initiative ranged from 79.7% to 82.4%, showing that employees were fairly active in taking action and proposing ideas. Creativity received 79.7% support, and the sense of responsibility ranged from 75.6% to 79.7%. Based on these

results, it could be concluded that employee work motivation was in a good category, particularly in target achievement orientation and the courage to propose new actions.

The distribution of responses for the competence variable showed a positive tendency because most respondents selected agree and strongly agree for all indicators. For the knowledge indicator, respondent support reached 77.0%, indicating that understanding of tasks and work procedures was fairly good. The skills indicator received support ranging from 74.3% to 81.0%, showing that employees were able to use technology and complete work accurately. The attitude indicator received support ranging from 81.0% to 82.5%, making it the strongest aspect. Meanwhile, experience received support ranging from 74.3% to 75.7%. Based on these results, it could be concluded that employee competence was in a good category, particularly in work attitude, although adaptation and the use of experience still needed to be strengthened.

The distribution of responses for the employee performance variable showed a positive tendency because most respondents selected agree and strongly agree for all indicators. The work quality indicator received support ranging from 78.4% to 79.7%, indicating that work results were relatively in accordance with procedures. Work quantity reached 79.7% to 82.4%, indicating that work targets were sufficiently achieved. Responsibility became the strongest aspect, with support ranging from 81.0% to 85.1%. Teamwork received support ranging from 75.6% to 75.7%, while initiative ranged from 78.3% to 82.4%. Based on these results, it could be concluded that employee performance was in a good category, particularly in responsibility and work efficiency, although teamwork still needed to be strengthened.

Results

3.1 Data Quality Test, Validity and Reliability

Table 2. Validity and Reliability Test Results

Variable	Number of Items	Range of r value	Cronbach's Alpha	Conclusion
Compensation (X_1)	10	0,550–0,918	0,951	Valid and reliable
Work Motivation (X_2)	10	0,443–0,849	0,908	Valid and reliable
Competence (Z)	8	0,543–0,709	0,858	Valid and reliable
Kinerja Karyawan (Y)	10	0,538–0,809	0,910	Valid and reliable

All items in the compensation, work motivation, competence, and employee performance variables had calculated r values above 0.30, so all statement items were declared valid [13]. The Cronbach's Alpha values were also above 0.70, and most of them even exceeded 0.90, which indicated very strong reliability. This means that the research instrument had high internal consistency and was feasible to use in accurately measuring each variable for further analysis [12].

3.2 Classical Assumption Test, Normality, Multicollinearity, and Heteroscedasticity

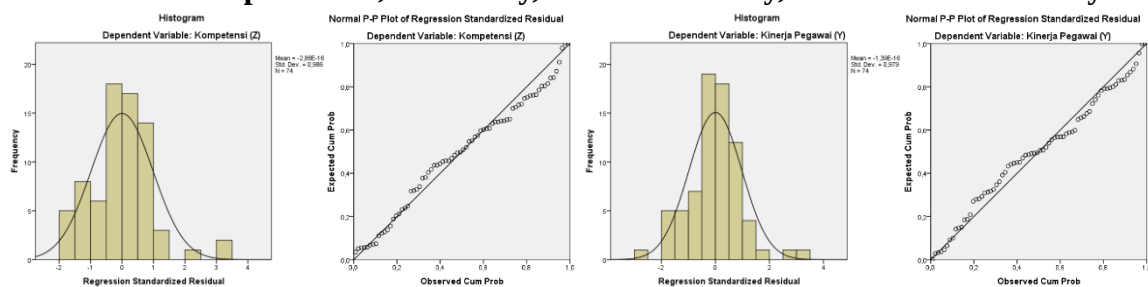


Figure 1. Histogram and P P Plot Graphs for Model I and Model II

In both Model I and Model II, the normality test through the histogram graph showed a residual distribution pattern that resembled a bell shaped curve, with data distribution that was symmetrical and centered around zero. There was no visible skewness to the left or to the right, so the residuals were visually normally distributed [14]. This finding was strengthened by the P P Plot graph, which showed that all data points followed the diagonal line. This indicated that the normality assumption in the regression model had been fulfilled in both Model I and Model II [1].

Tabel 3. Kolmogorov Smirnov Test for Normality
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual	
	Model I	Model II
N	74	74
Test Statistic	0,087	0,080
Asymp. Sig. (2-tailed)	0,200 ^{c,d}	0,200 ^{c,d}

The Asymp Sig. value generated in both Model I and Model II was 0.200, which was greater than 0.05. This confirmed that the data distribution in both Model I and Model II was normal [14].

Table 4. Multicollinearity Test and Glejser Test

Coefficients ^a								
Model		Collinearity Statistics ^a		Collinearity Statistics ^b		Uji Glejser		Conclusion
		Model I Tolerance	Model I VIF	Model II Tolerance	Model II VIF	Model I Sig.	Model II Sig.	
1	(Constant)					0,000	0,000	
	Compensation (X ₁)	0,274	3,647	0,243	4,114	0,155	0,727	Tidak Ada Masalah Multikolinearitas dan Heteroskedastisitas
	Work Motivation (X ₂)	0,274	3,647	0,186	5,367	0,517	0,326	
	Competence (Z)	-	-	0,212	4,714	-	0,070	
a. Dependent Variable: Competence (Z)						a. Dependent Variable:		
b. Dependent Variable: Kinerja Karyawan (Y)						Absolute Residual		

The multicollinearity test results showed that in both Model I and Model II, all independent variables had tolerance values above 0.10 and VIF values below 10. This indicated that there was no strong relationship among the independent variables, so the regression model did not experience multicollinearity [22].

The Glejser test results in Model I and Model II showed that the significance values generated by all variables were greater than 0.05. This indicated that the regression model had no symptoms of heteroscedasticity and had met the homoscedasticity assumption [12].

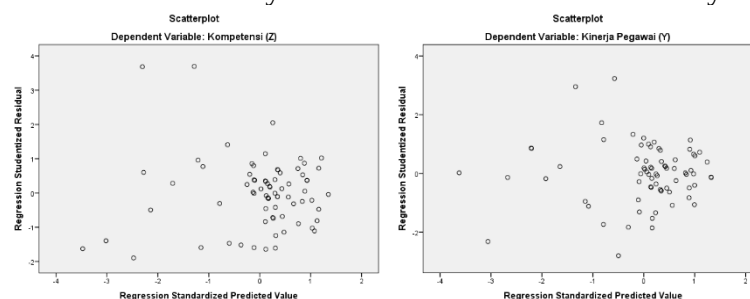


Figure 2. Scatterplot Graphs for Model I and Model II

Heteroscedasticity testing using scatterplot graphs showed that, in both Model I and Model II, the residual points on the scatterplot were randomly distributed above and below

the zero line without forming a specific pattern. This condition indicated that the residual variance was constant and that the regression model was free from heteroscedasticity symptoms [23].

3.3 Path Analysis

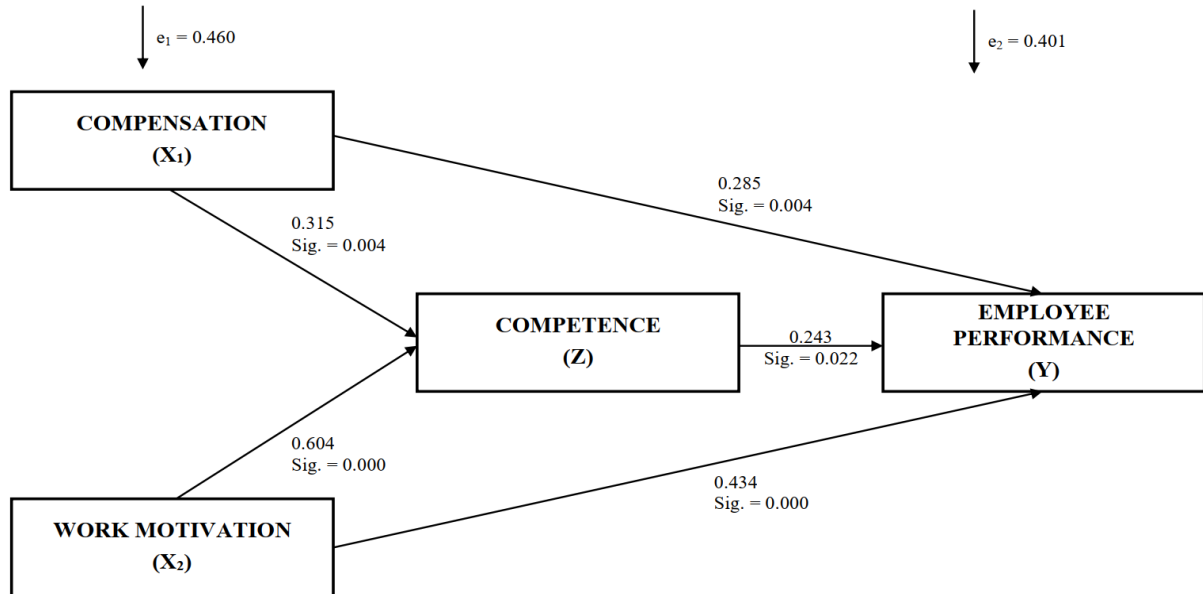


Figure 3. Path Analysis Results

The path analysis results showed that compensation and work motivation had positive and significant effects on competence. Work motivation had the strongest effect on competence, with a beta value of 0.604, compared with compensation, which had a beta value of 0.315. This means that an increase in work motivation had a greater role in shaping employee competence than compensation.

In Model II, compensation, work motivation, and competence all had positive and significant effects on employee performance. Work motivation again became the most dominant variable, with a beta value of 0.434, followed by compensation at 0.285 and competence at 0.243. This showed that employee performance was more strongly shaped by internal work drive, then supported by compensation and competence.

The indirect effect of compensation on performance through competence was 0.077, while the indirect effect of work motivation on performance through competence was 0.147. Since the indirect effect values were smaller than the direct effect values, competence had not become a dominant mediating path. Thus, compensation and work motivation more effectively influenced performance directly.

Table 5. Summary of Path Analysis Results

Path Relationship	Beta	Sig.	Description
Compensation (X1) → Competence (Z)	0,315	0,004	Positive and significant
Work Motivation (X2) → Competence (Z)	0,604	0,000	Positive and significant
Compensation (X1) → Employee Performance (Y)	0,285	0,004	Positive and significant
Work Motivation (X2) → Employee Performance (Y)	0,434	0,000	Positive and significant
Competence (Z) → Employee Performance (Y)	0,243	0,022	Positive and significant
X1 → Z → Y	0,077	-	Indirect effect
X2 → Z → Y	0,147	-	Indirect effect
Total Effect of X1 → Y	0,362	-	Direct + indirect effect
Total Effect of X2 → Y	0,581	-	Direct + indirect effect
R ² Model I	0,788	-	X1 and X2 explained Z by 78.8%
R ² Model II	0,839	-	X1, X2, and Z explained Y by 83.9%

Path Relationship	Beta	Sig.	Description
Error Model I	0,460	-	Other factors affecting Z amounted to 46.0%
Error Model II	0,401	-	Other factors affecting Y amounted to 40.1%

The indirect effect of Compensation (X1) on Employee Performance (Y) through Competence (Z) was $0.315 * 0.243 = 0.077$, while the indirect effect of Work Motivation (X2) on Employee Performance (Y) through Competence (Z) was $0.604 * 0.243 = 0.147$ [11].

The total effect of Compensation (X1) on Employee Performance (Y) was $0.285 + 0.077 = 0.362$, while the total effect of Work Motivation (X2) on Employee Performance (Y) was $0.434 + 0.147 = 0.581$ [21].

The R^2 value of Model I was 0.788, which indicated that compensation and work motivation were able to explain 78.8% of the variation in competence, while the remaining 21.2% was influenced by other factors outside the research model [12]. The error value of Model I was 0.460, which represented the residual coefficient and indicated that other variables still influenced competence [24].

In Model II, the R^2 value was 0.839, which indicated that compensation, work motivation, and competence were able to explain 83.9% of the variation in employee performance, while the remaining 16.1% was influenced by other factors [13]. The error value of Model II was 0.401, indicating that the model had a strong explanatory level because most changes in employee performance had been explained by the research variables [25].

Discussion

4.1 The Direct Effect of Compensation (X1) on Competence (Z)

The analysis results showed that compensation had a positive and significant direct effect on the competence of employees at PT PLN (Persero) UID Sumatera Utara, with a beta value of 0.315 and a significance value of 0.004. This means that the better the compensation received by employees, the stronger the tendency of employees to improve their knowledge, skills, work attitudes, and professional experience [26].

This effect occurred because compensation was not only in the form of salary, but also included incentives, allowances, work facilities, and nonfinancial recognition. When employees felt that they received fair and proper rewards, they tended to have a stronger sense of security, loyalty, and willingness to participate in self development and improve their mastery of work [27].

Within PLN, competence improvement was also supported by a corporate learning system. PLN had a Corporate University as a center for education and training, including learning collaboration and competence certification in the fields of electricity transmission and distribution. This showed that strengthening employee competence was part of the company's human resource development system.

At PT PLN (Persero) UID Sumatera Utara, the need for competence became increasingly important because the company carried out distribution services, standby personnel readiness, security at priority locations, and service infrastructure support such as SPKLU and PLN Mobile. These operational activities required employees who understood procedures, were able to work quickly, and mastered service technology.

Thus, compensation encouraged competence through increased learning motivation, a sense of being appreciated, and employee readiness to meet work demands. Good compensation became a stimulus for employees to develop their abilities, while training programs and company facility support became means through which competence improvement could occur in a real and measurable way [7].

4.2 The Direct Effect of Work Motivation (X2) on Competence (Z)

The analysis results showed that work motivation had a positive and significant direct effect on employee performance at PT PLN (Persero) UID Sumatera Utara, with a beta value of 0.434 and a significance value of 0.000. This value indicated that the higher the employees' drive to achieve targets, work enthusiastically, take initiative, be creative, and act responsibly, the higher the quality and effectiveness of the performance produced [34].

This effect could occur because work in the electricity distribution unit required quick response, accuracy, discipline, and readiness to meet customer needs. Employees with high motivation tended to be more prepared to complete work on time, maintain service quality, and take faster action when facing technical or administrative obstacles [22].

The company's efforts to support work productivity were reflected in the strengthening of digital services. PLN Mobile provided services for payment, token purchases, complaints, independent meter reading, new connections, power upgrades, and the Auto Dispatch feature to forward reports to the nearest technical officers. This digital facility helped employees work more efficiently, measurably, and responsively to customer needs.

In North Sumatra, the use of PLN Mobile also continued to be encouraged. In 2023, PLN Mobile users in North Sumatra reached around 2.5 million people, or approximately 60% of total PLN customers in the region. The socialization of this application showed an organizational drive to strengthen service effectiveness and reduce dependence on manual processes.

Work motivation became the most influential variable because motivation directly moved employees' daily work behavior [23]. Compensation and competence were indeed important, but both would be more optimal when employees had an internal drive to perform. At PT PLN (Persero) UID Sumatera Utara, public service demands, digital transformation, and the need for quick response made motivation a key factor in determining whether ability and organizational support truly became real performance.

4.3 The Direct Effect of Compensation (X1) on Employee Performance (Y)

The path analysis results showed that compensation had a positive and significant direct effect on employee performance at PT PLN (Persero) UID Sumatera Utara, with a beta value of 0.285 and a significance value of 0.004. This finding indicated that the better the compensation received by employees, the higher the tendency of employees to produce more optimal performance [31].

This effect could occur because compensation was not only understood as salary, but also included incentives, allowances, work facilities, and nonfinancial recognition. In a public service organization such as PLN UID Sumatera Utara, compensation that was perceived as fair and adequate could strengthen employees' sense of being valued, increase job satisfaction, and encourage them to work more carefully, responsibly, and with an orientation toward target achievement [32].

In practice, efforts to improve employee performance were also reflected in the company's support for operational and service continuity. PLN UID Sumatera Utara, for example, implemented layered security at priority locations during important service periods and provided 113 SPKLU units at 91 locations to support electric vehicle services in North Sumatra. These efforts showed the availability of facilities and work systems that helped employees perform service tasks more effectively.

Furthermore, PLN also developed digital services through PLN Mobile, which integrated various electricity service needs into one application, such as new connections, temporary connections, power changes, simulations, billing information, and customer service. This

digitalization could reduce manual administrative workloads, accelerate service processes, and help employees work more efficiently and measurably.

Thus, compensation affected performance because employees who received proper rewards, supporting facilities, and adequate work systems had a stronger drive to increase productivity [33]. At PT PLN (Persero) UID Sumatera Utara, this effect was reflected in the relationship among organizational recognition, facility support, digital service transformation, and the increasingly responsive demands of electricity service performance.

4.4 The Direct Effect of Competence (Z) on Employee Performance (Y)

The path analysis results showed that competence had a positive and significant direct effect on employee performance at PT PLN (Persero) UID Sumatera Utara, with a beta value of 0.243 and a significance value of 0.022. This finding indicated that improvements in employees' knowledge, skills, work attitudes, and experience encouraged improvements in work quality, work quantity, responsibility, teamwork, and work initiative [35].

This effect could occur because electricity distribution activities required employees who understood technical procedures, were able to use work equipment, and could adapt quickly to changes in service systems [2]. Competent employees tended to be more careful in completing work, more accurate in making decisions, and more capable of maintaining reliable service for customers [5].

The company's efforts to improve employee performance were closely related to competence development through a corporate learning system. PLN Corporate University received Corporate Learning Improvement Process accreditation from EFMD, which indicated the existence of corporate learning management standards to support the continuous improvement of human resource competence.

In addition to strengthening learning, employee performance was also supported by digital services through PLN Mobile. This application provided payment services, token purchases, new connections, power upgrades, independent meter reading, and complaint services with the Auto Dispatch feature that forwarded reports to the nearest technical officers. This feature required employees to have digital competence and better service responsiveness.

In the North Sumatra region, PLN UID Sumatera Utara also continued to encourage the use of PLN Mobile, with users reaching around 2.5 million in 2023 or approximately 60% of total PLN customers in North Sumatra [1]. This increase in digital services showed that employee competence was an important factor in maintaining service performance because technical ability, technological adaptation, and work responsibility greatly determined the success of company operations [36].

4.5 The Indirect Effect of Compensation (X1) on Employee Performance (Y) through Competence (Z)

The analysis results showed that the direct effect of compensation on employee performance was 0.285, which was stronger than its indirect effect through competence, which was 0.077. This finding indicated that compensation more quickly encouraged changes in employee performance at PT PLN (Persero) UID Sumatera Utara directly than through competence improvement [8].

This condition could occur because compensation had psychological and practical impacts that were relatively immediately felt by employees [31]. Salary, incentives, allowances, work facilities, and nonfinancial recognition could increase the sense of being appreciated, job satisfaction, loyalty, and employees' willingness to complete tasks better. These impacts were directly related to work quality, punctuality, responsibility, and initiative [32].

Meanwhile, the effect of compensation on performance through competence required a longer process [6]. Competence was not formed merely because employees received good compensation, but also required training, work experience, procedural habituation, technological mastery, and continuous evaluation. For this reason, the indirect path became smaller.

At PT PLN (Persero) UID Sumatera Utara, electricity distribution work required target achievement, service accuracy, and quick response to customer needs. In such work conditions, compensation could directly encourage employees to work more responsibly and productively without having to wait for competence improvement first.

Thus, compensation served as a direct stimulus for improving performance, while competence played a stronger role as a medium term reinforcement [33]. This means that proper and fair compensation could immediately encourage performance, but competence improvement remained necessary so that performance could become more stable, professional, and sustainable.

4.6 The Indirect Effect of Work Motivation (X2) on Employee Performance (Y) through Competence (Z)

The analysis results showed that the direct effect of work motivation on employee performance was 0.434, which was stronger than its indirect effect through competence, which was 0.147. This finding indicated that work motivation more quickly and more clearly encouraged employee performance improvement at PT PLN (Persero) UID Sumatera Utara without having to fully pass through competence improvement first [4].

This could occur because work motivation was directly related to employees' psychological drive in carrying out daily tasks [34]. Employees who had high work enthusiasm, target orientation, a sense of responsibility, and initiative tended to work faster, more responsibly, and were more willing to complete work according to company standards [9].

At PT PLN (Persero) UID Sumatera Utara, employee work was related to electricity distribution services that required response speed, procedural accuracy, readiness to face disturbances, and commitment to customer satisfaction. In this work situation, motivation became a factor that was directly visible through work behavior, such as willingness to complete work on time, help coworkers, and take quick action when facing obstacles.

Meanwhile, the effect of motivation through competence required a longer process [7]. Motivation could indeed encourage employees to learn and improve their abilities, but competence was formed through training, experience, technological mastery, and continuous work habituation [7]. Since this process did not occur instantly, the indirect effect became smaller.

Thus, work motivation acted as the main driver of employee performance, while competence functioned as a supporting path [5][22]. This means that motivated employees could immediately show better performance, while competence improvement strengthened performance in the long term so that it became more stable and professional [34][36].

Conclusion

The results of this study showed that compensation and work motivation had positive and significant effects on employee competence. Compensation, work motivation, and competence also had positive and significant effects on employee performance at PT PLN (Persero) UID Sumatera Utara. Work motivation became the most dominant variable in influencing both competence and employee performance because employees' internal drive directly shaped enthusiasm, initiative, responsibility, and work target achievement. The path

analysis results also showed that the direct effects of compensation and work motivation on performance were greater than their indirect effects through competence. This means that competence acted as a supporting variable but had not become a dominant mediating path.

PT PLN (Persero) UID Sumatera Utara was advised to continue strengthening employee work motivation through a more measurable reward system, appreciation for performance achievements, career development opportunities, and regular work feedback. The company also needed to improve employee competence through technical training, digital training, mentoring between senior and junior employees, and work ability evaluations based on unit needs. In addition, compensation needed to be directed not only toward financial aspects, but also toward improving work facilities, work comfort, and nonfinancial recognition. Continuous strengthening of competence and motivation would help employees work more responsively, carefully, innovatively, and responsibly in supporting the quality of electricity services.

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