SCBTII Proceeding

The 8th International Conference on Sustainable Collaboration in Business, Technology, Information and Innovation

"Synergizing Digital-Based Technology, Accounting, and Management in Developing Business Sustainability and Economic Growth in Emerging Markets"

Prama Grand Preanger Bandung Indonesia
July 20th 2017

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Preface

This publication contains the papers that were presented at the 8th Sustainable Collaboration in Business, Technology, Information and Innovation 2017 (SCBTII 2017) held on July 20th, 2017 in Prama Grand Preanger Hotel Bandung. This seminar was organized as the series of the 4th anniversary of Universitas Telkom. Being a world-class university as the vision of Universitas Telkom brings consequences, one of them is to responsible for publishing research paper.

During the early stages, SCBTII 2017 has drawn a great deal of attention. At the time, the ball room packed to its full capacity of 150 people, while 70 other people had gathered in a separate room to follow parallel sessions. Those present belonged to the circles of academics and economic society from Indonesia and abroad.

The present collection contains the papers of the seminar organized to offer a suitable context. The authors were invited for their up-to-date knowledge of the field. These contributions mainly centered around Strategy, Entrepreneurship, Economics; Digital-Based Management, and also, Accounting, Finance and Corporate Governance.

This encapsulates the presentation and the discussions that accompanied it. It owed much of its success to the active participation of speakers and participants. I also have to express a word of thanks to my colleagues at the Universitas Telkom, Ikatan Sarjana Ekonomi Indonesia and Ikatan Akuntan Indonesia who helped to organize the seminar and also to Universitas Galuh and Politeknik Negeri Bandung for your cooperation in SCBTII 2017.

Farida Titik K
Bandung, July 20th 2017

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The 8th International Conference on Sustainable Collaboration in Business, Technology, Information and Innovation

Seminar and Conference Background

The novel digital technologies are transforming all industries and the way companies operate across all vertical markets. They create new business opportunities for digital entrepreneurs both on the supply-side and the demand-side. The advent of digital era has produced several successes and failures stories in the business world. Both of them provide lessons about adaptation in digitalize world. Some companies were failed to grasp the opportunities of digital business models.

Digital technology offers business three key benefits. Firstly, digital technology facilitates faster and more efficient working. Second, digital technology help businesses to more flexibility adapt to change. Finally, digital technology can be used to create new forms of knowledge and intelligence to benefit humankind.

By empowering business leaders with tools and methods to analyze data and make informed decisions in data-rich environments. This seminar will review accounting and management issues related to synergizing Digital-Based Technology in business and government.

The conference will involve the participation of internal and external stakeholders, such as: employees, managers, the board of directors, investors, consumers, regulators, researchers and practitioners around the world (professionals, directors and entrepreneurs of any sector and department who want to adapt the latest trends in digital era). It will encourage debates and address issues across local, national, and global context based on the theme: “Synergizing Digital-Based Technology, Accounting and Management in Developing Business Sustainability and Economic Growth in Emerging Markets”.

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"Synergizing Digital-Based Technology, Accounting, and Management in Developing Business Sustainability and Economic Growth in Emerging Markets"

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SCBTII

INCENTIVE SYSTEM IMPACT ON INDIVIDUAL PERFORMANCE THROUGH MOTIVATION IN A CORPORATE UNIVERSITY IN INDONESIA

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Abstract

During the year of 2009 to 2014, the performance of a Corporate University in Indonesia stays in stagnancy at moderate level. The stagnancy is showed by the result of employee's satisfaction survey which rates at 61.2% and employee's performance at 60.43%. This figure shows the contradiction of the incentive purposes that expected to stimulate the performance of the employees.

The aim of this research is to measure the effect of incentive system towards employee's motivation, the effect of motivation towards employee's performance, and the effect of incentive system directly towards employees' performance in a Corporate University. The data process uses SPSS 20 and analyse it by using multiple regression. The sample of this study is 149 out of 224 population. The data is collected by using questionnaire which consists of 55 items including statements of incentive system, motivation, and individual performance.

The result of this study shows that incentive system has positive and significant impacts towards employees motivation. Employees motivation positively and significantly impacts on employees performance. While incentive system has no significant impact directly towards employees performance in a Corporate University in Indonesia.

Therefore, a corporate university should consider incentive system as a motivator factor in influencing employees performance. The management of corporate university should create attractive incentive system that will motivate employees. It is suggested that a Corporate University evaluating the current incentive system. The incentive system not only focus on financial incentive but also taking into account non financial benefits.

Keywords: incentive system, motivation, individual performance

1. Introduction

The rapid development of knowledge, technology, and information as well as business consequently leads to tight competition among business actors motivated by the desire to be the paramount in the business sector. Yet, stepping at the top of business sector is not an easy task to do since the entire business actors share similar desire so that each of business actor perquisites to formulate the accurate business planning and conduct high level of performance, otherwise the company will only fall to failure. Thus, each company should formulate the accurate planning and strategies to compete with its counterparts.

As one of the most important component of the company, human resource is always treated in a number of ways to ensure its performance consistency, such as applying the incentive system (reward) so that the work satisfaction is fulfilled. Thus, incentive is expected to stimulate or motivate the employee to do the work perfectly.

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According to 2013's result engagement driver, the aspect of employee's work satisfaction of the corporate university is considered as less satisfying as indicated by a number of aspects such as : compensation and benefit, performance management and training and development. The issue continues in 2014, despite a number of improvement, the concerned aspects had not improved significantly and thus the rate of employee's work satisfaction is on the rate 61.2% or categorized as Low Satisfaction Index.

The Corporate University has applied incentive system based on the unit and individual performance. Yet, since its application in 2007 and revised twice, the system's effectiveness has not been evaluated.

Thus, this research analyzes the effect of incentive system towards employees performance through motivation in a Corporate University in Indonesia.

1.1 **Research Purposes**

1. Analyzing descriptively the system of incentives in a Corporate University in Indonesia.
2. Analyzing descritively the employees motivation in a Corporate University in Indonesia.
3. Analyzing descriptively the performance of employees in a Corporate University in Indonesia.
4. Analyzing the impact of incentive system on motivation in a Corporate University in Indonesia
5. Analyzing the impact of motivation on employees performance in a Corporate University in Indonesia
6. Analyzing the impact of incentive directly to employees performance in a Corporate University in Indonesia

2. Theoretical Background

Cascio (1995:377), *"... an incentive are reward variables, granted to individuals on groups, that recognize difference in achieving result. They are designed to stimulate or motivate greater employee effort on productivity"*. The passage implies that Cascio views incentive as reward variable granted to certain performance achievement of assigned performance standard and given as a form of motivation to its productivity. Cascio (2013:441), "…*Properly designed incentive programs work because they arre based on two well-accepted psychological principles;(increased motivation improves performance and (2) recognition is a major factor in motivation.* Cascio stated requirements of effective incentive systems include (1) Be simple. The rules of the system should be brief, clear, and understandable, (2) Be spesific, (3) Be attainable. Every employee should have a reasonable chance to gain something, (4) Be measurable.

Moreover, Robbins and Counter (1999) also state that work motivation is the willingness to put high effort in achieving organizational purposes conditioned by effort capacity to fulfill certain needs of individual. Further, Robbins and Judge (2013) re-explains their definition of motivation as a set of processes which covers individual's intensity, purpose, and tenacity in putting the effort for certain goal. Flippo (2003) also explains similar explanation of motivation as the essence of individual or company's conducts in achieving the purpose and interest. As stated by Werther Jr. (2006: 408) that the incentives is applied to motivate employees to achieve the organizational goals. "….*An organization's success requires an effective strategy that is attained by achieving the underlying goals and objectives. Managers and hr departements can use incentives and gainsharing as tools to motivate employees to attain organizational goals and objectives because these are compensation approaches that reward specified outcomes. Incentive systems link compensation and performance by rewarding performance instead of seniority or hours worked. Although incentives may be given to a group, they often reward individual behavior*

Bernardin & Russel (2009) define performance as the record of outcomes product on a specified job function or activity during a specified time period. In line with Bernardin and Russel, Mangkunegara (2009) states that human resource's performance is originated from the terms 'job performance' or 'actual performance', while Armstrong and Baron in Wibowo (2009) state that the term 'performance' is not merely defined in term of result or achievement, but also includes the process of which the employee conducts the works.

Gungor in his journal (2011) states that financial reward affects employee's performance is positive way, while his second hypothesis is aimed at measuring the effect of motivation as an intrinsic and extrinsic mediation variable affecting the performance of the employee. The last hypothesis is concerned with relationship of reward management towards motivation and proved by the positive relationship between reward system and extrinsic motivation. Extrinsic motivation is explained by financial reward variable while the intrinsic motivation is explained by non-financial reward variable. The result of this research shows that intrinsic motivation does not

affected by monetary compensation design but promotion chance

In this study, the researcher assign incentive system as independent variable, motivation as intervening variable and individual performance as dependent variable.

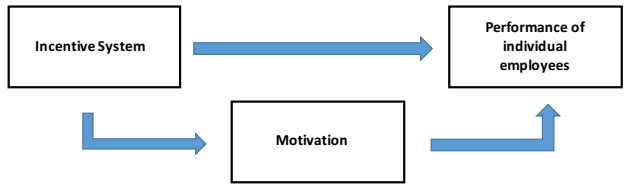

Figure 1. Research Framework

3. Research Methodology

The data collection methods in this study uses two sources of data, i.e. the primary and secondary data. Primary data obtained directly from respondents by distributing the questionnaires to the sample. The population in this study are the entire employees of the Corporate University. Total number population of the corporate university is 224 employees. By implementing Slovin's formula at 5% error rate, the total sample of the research is 144 people. Then, the sampling technique used in this study is proportionate random sampling technique, because the population is not homogeneous and proportionally stratifed, so that the probability sampling technique was suitable to be implemented in this study.

A survey method was employed to gather data from respondents, the 175 Corporate University's employees. The 149 valid collected data, out of 152 collected data, was analyzed using a descriptive and quantitative investigation approach.

The secondary data are data which had been compiled by other parties outside the researcher. In this research, the secondary data were taken from employee database, employee's satisfaction report, related literatures, company profile of the Corporate University, employee's performance evaluation report, and other necessary documents.

4. Operationalization of Variables

The operational variables of the research are classified into three clusters: independent variable, intervening variable, and dependent variable. Those variables refer to several related literatures and scientific journal.

Tabel 1. Operationalization of variables

Variable Type	Variable	Dimension
Independent	System Incentive	Simple
		Spesific
		Attainable
		Measurable
Intervening	Motivation	Achievement motivation
		Affiliation motivation
		Competence Motivation
		Power Motivation
Dependent	Performance	Quality of Work
		Level of Attendance
		Time Management

There are 55 items in the questionnaire, and before it is circulated to the respondents, their validity is put into test using three types of validity testing, namely face validity, content validity, and construct validity, further to test the construct validity of a research instrument, Four experts were involved in the assessment of the measurement model, which included two practicioners and two academics**,** the researcher conduct a test based on the formulation of Pearson product moment correlation. The result of validity test shows that the value of r count of each indicator, incentive system, motivation, and individual performance is greater than the value of r tables, thus it is declared that all the research questions are valid and can be used as measurement tool.

The reliability test was conducted to determine whether the indicator or questionnaire of the research was appropriate to be an instrument of variable measured. The reliability of an indicator or questionnaire could be determined from the value of cronbach's alfa (α), i.e. if the value of cronbach' alfa (α) is bigger than (>) 0.60, then the indicator is considered as reliable. The overall result of the reliability test shows that all variables have cronbach' alfa value value more than 0.6, which mean all variables are reliable.

Hypothesis

The hypotheses of the research were:

H1 :Incentive system significantly influence the employee's work motivation of the Corporate University.

H2 :Motivation significantly influence the achievement of individual performance of employee the Corporate University.

H3 : Incentive system significantly influence individual performance of employees the Corporate University.

5. Findings and Discussion

Based on the result of the descriptive analysis of the research, the incentive system (X) which is consisted of four dimensions namely simple, specific, attainable, and measureable reaches the percentage of 79.29% or categorized as fair. It means that the employees of the Corporate University perceive that the implementation of incentive system has not yet fully appropriate. The variable of motivation (Z) consists of four dimensions namely achievement motivation, affiliation motivation, competence motivation, and power motivation. The percentage of motivation variable is 85.98% or categorized as very high. It means that the corporate university employees are highly motivated. The variable of individual performance which consists of three dimensions namely quality of work, level of attendance, and time management and reaches the percentage of 82.53% or categorized as high. It shows that the employees of the Corporate University have high performance level.

5.1. Test model of incentive system towards motivation

The following table shows the result test of causal relationship between incentive system and motivation. Based on table 2, it shows that significant value of incentive system toward motivation is less than 0.05. It indicates that incentive system has significant influence toward motivation. In conclusion, H1 is supported

Table 2. The influence of Incentive System towards motivation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	38,458	4,986		7,712	,000
	Incentive_system	,715	,108	,479	6,612	,000

a. Dependent Variable: Motivation

The standardized coefficients value of incentive system is 0.479. This means that incentive system can improve motivation level of employees at 0.479 times.

This proven of hypothesis is in line with the research result conducted by Gungor (2011) At Global Bank which states that, "Reward management system applications are positively related to motivation". Moreover, Cascio (1995) also says that incentive is a reward variable granted to certain individual of a group, in which the individual is distinguished by the differences in work achievement. Based on these results, incentive systems can used to improve the level of employees motivation.

5.2. Test model of Incentive and Motivation toward employees performance

Multiple regression analysis is used to examine the influence of more than one independent variable toward the dependent variable. In this research, the researcher analyzes the effect of incentive system on motivation and the effect both incentive system and motivation towards the performance of employees in the Corporate University.

Table 3. The incentive system and motivation impact on employees performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	20.881	3.872		5.392	.000
	Incentive system	.039	.081	.030	.479	.633
	Motivation	.624	.054	.728	11.549	.000

a. Dependent Variable: Employees Performance

The result of multiple regression in table 3 shows that the value of the constants (a) = 20.881. Based on the coefficient regression values, it concluded that:

1) The standardized coefficient between incentive system and individual performance is amounted to 0.030 (positive). The amount of $T_{calculate}$ is 0.479 while t_{table} is 1.655. This means that $t_{calculate}$ less than t_{table} . It indicates that Ho is supported and Ha is rejected. It concludes that there is a positive influence from incentive system to employees performance but there is no significant effect.

   This result in line with the research result conducted by Indrawati, et al (2015) which states that the incentive system shows little and insignificant effect towards employees' performance of retail banking. For most employees at XYZ Bank, the system of incentives provided by the company has no direct influence on the work achievement as expected by the company, but it has indirect effect towards employees' performance mediated by motivation.

2) The standardized coefficient between motivation and individual performance is amounted to 0.728 (positive), and reveals liner relationship. $t_{calculate}$ = 11.549 while t_{table} = 1.655, so Ho is rejected and Ha is supported which means that significant effect occurred. Thus, motivation affects individual performance positively and significantly.

   Based on the calculation analysis as shown in table 3, motivation affects positively and significantly towards the performance of individual employees at the Corporate University, amounted to 72.8%. Then, it can be interpreted that the achievement of individual performance of employees at the Corporate University is 72.8% affected by motivation, so that any increase / improvement of employees motivation will increase the achievement of individual performance of employees, amounted to 72.8%.

   Thus, it indicates the the hypothesis that there is a positive and significant influence of motivation towards performance of employees is proven. This hypothesis is in line with the research conducted Gungor (2011) at Global Banks which states that, "Motivation is Significantly and positively related to employee performance". In addition, Robbins and Coulter (2012) also state that motivation is high willingness to make efforts to achieve organizational objectives which are conditioned by the effort's ability to meet the needs of a particular individual. This means that motivation affects positively and significantly towards the performance of individual employees at the Corporate University.

5.3. Regression Model

Based on the the calculation as explained before by using regression analysis, the following figure shows interrelation among variable consist of incentive system, motivation and employees performance. This study proved that incentive system has no significant influence to employees performance. Incentive system can influence employee performance through motivation. Therefore, motivation can be considered as intervening variable.

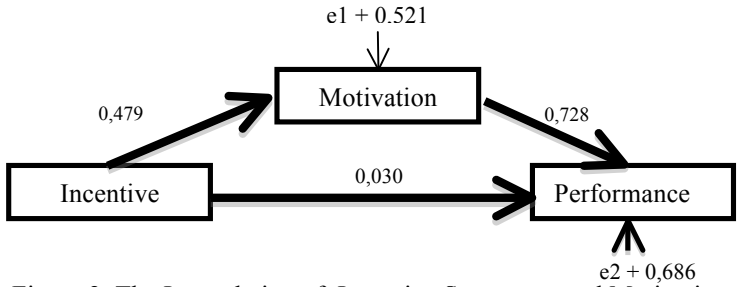

Figure 2. The Interrelation of Incentive System toward Motivation and Performance

The size of error value of each variable's influence towards dependent variable is obtained using the following formulation:

$Pe_1 = \sqrt{1 - 0{,}479^2} = 0{,}521$

$Pe_2 = \sqrt{1 - 0{,}728^2} = 0{,}686$

In trimming theory, the research validity model testing is observed using the calculation of total coefficient of determination, with the following formula:

$R^2_m = 1 - P^2_{e1} P^2_{e2} \ldots P^2_{ep}$

$= 1 - (0{,}521)^2 (0{,}686)^2$

$= 1 - (0{,}271) (0{,}471)$

$= 0{,}872 = 87{,}2\%$

The value of coefficient of determination is amounted to 87.2%, which means that 87.2% of the information of the data is able to be explained by the model while the rest 12.8% is explained by other variables outside the model and a subject of error.

Figure 2 shows that the direct influence of incentive system towards performance is amounted to 0.030 while the influence through motivation is (0.479 x 0.728) = 0. 348. The result shows that indirect influence trough motivation is bigger than direct influence towards performance. Thus, it shows that variable of motivation is a intervening variable between incentive system and performance.

Based on the calculation of the analysis and discussion as presented in the preceding section, the regression coefficient is positive but not significant which indicates the direction of direct relationship, so that any incentive improvement system will not improve individual employee performance significantly. This means that the incentive system has no significant effect on the performance of individual employees at Corporate University.

In line with the results of the last two years employee satisfaction survey (2014 and 2015), employees feel that the monthly take home pay is good enough to meet the basic needs of the family, the aspect of the work environment is perceived to provide a sense of security & comfort, as well as the interpersonal relationship aspect which is in line with Maslow's theory, that the employee is at level 3, so giving the kind of financial incentive will have an insignificant effect on the performance of individual employees.

In addition, based on observations in the field, the direct incentives impact on Corporate University performance is relatively small because, in general, employees feel that they will automatically receive an incentive for their performance, although that will be received differently according to their respective performance, this is because of the threshold / minimum threshold of incentives each employee will receive based on the performance. According to field observations and interviews with SM General Support CorpU, this is also made possible by a positive sign of the implementation of culture in Corporate University that has become a positive habit that the presence / absence of incentives or recognition of the company is not an important matter, so that employee work motivation remains high and result on the relatively high employee performance.

The results of this intervening test indicate that motivation becomes a variable that mediates between incentive system to performance or an intervening variable between incentive system to performance.

The Influence of Variables The incentive system directly to the achievement of individual employee performance of Corporate University is very small and insignificant, the influence is much lower than the effect

that arises through motivation. Thus, positive or negative changes from the quality of this incentive system affect the positive or negative changes in employee motivation and employee motivation changes have a strong influence on the high low achievement of employee performance at Corporate University.

Conclusion

It is concluded that: (1) incentive system affect the motivation of the Corporate University employees significantly, (2) employees' motivation affects the individual performance achievement of employees of the Corporate University significantly, and (3) incentive system affect the individual performance of employees of the Corporate University insignificantly. Moreover, the result of intervening test shows that the indirect influence of incentive system towards individual performance through motivation is bigger than direct influence of incentive system towards performance. Thus, motivation is the mediating variable between incentive system and performance, or, in other words, is the intervening variable between incentive system and performance.

Recommendations

The incentive system does not significantly affects the individual performance of the Corporate University, The incentives system at Corporate University has a direct influence on the performance of individual employees which is relatively low, so that it is highly recommended that management should review this incentive system or replace with non-financial incentive system, in the form of other benefits such as assistance for vehicle facilities, holiday subsidies and others. It is suggested that Head Office grants SGM Corporate University Center the authority to provide non-financial incentive forms according to local conditions.

And that future researchers are advised to conduct deeper research / analysis of the factors affecting the individual's performance at the Corporate University.

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