

HUMAN RESOURCE MANAGEMENT | RESEARCH ARTICLE

The Influences of Competence, Work Discipline, and Compensation on Employee Performance

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ABSTRACT

The purpose of this study was to analyze the influence of competence, work discipline, and compensation on employee performance at PT X. This study uses a quantitative approach with data collection techniques through questionnaires to 40 respondents of bus employees and bus conductors at PT X. The sampling technique used is the saturated sampling technique, where all members of the population are sampled. Data is processed using Smart Partial Least Square (SmartPLS) software. The test results show a significant influence between work discipline and compensation on employee performance and competence does not have a significant effect on employee performance.

Keywords: Competence, Work Discipline, Compensation.

JEL Code: J24, J33, M12, M54

I. Introduction

Human Resource Management (HRM) is a scientific field concerned with managing employees within an organization. One of the key success factors and core elements of any organization or company is the quality of its human resources, which consist of its workforce or employees. Management is experiencing rapid development, and the need to maximize employee performance is growing. To ensure that all activities run smoothly, companies must employ qualified individuals and manage the organization effectively to enhance employee performance. Another factor that significantly influences employee performance is discipline. PT. X is a company engaged in passenger transportation and tourism bus services, operating routes throughout Java and across cities within the province (Malang, Yogyakarta, and Solo). The company places a strong emphasis on employee performance, which is closely linked to achieving its organizational goals. However, the company's revenue plan and realization for 2024 indicate a decline, leading to instability. Therefore, PT. X needs to conduct an evaluation that directly impacts employee performance to meet its targets. According to Setyo Widodo and Yandi (2022), employee performance improves when employees demonstrate self-awareness and commitment to their duties and responsibilities. Therefore, employee performance is a crucial factor in determining a company's success. High-performing employees work more efficiently and achieve maximum productivity, whereas declining performance can negatively affect the overall organization's productivity. Work discipline reflects an individual's ability to comply with rules and regulations, enabling employees to consciously adhere to established procedures. A disciplined attitude



creates more organized work and positively affects both the work environment and co-workers. At PT. However, some employees still fail to meet attendance requirements, such as missing fingerprint scans, arriving late, or requesting sudden leave.

This is particularly problematic for drivers and co-drivers, whose schedules are predetermined and whose absences can cause miscommunications. In addition to discipline, competence is an essential factor that employees must possess to perform their jobs effectively. At PT. X, competence is considered critical, especially for drivers and co-drivers, who are required to have prior driving experience. Their performance is evaluated based on how they drive and comply with traffic regulations, as passenger safety is the highest priority. Failure to maintain safety standards has serious consequences, as illustrated by a 2024 incident involving a PT. X driver caused an accident while transporting a tour group owing to negligence. According to Saptalia et al. (2022), competence is an important characteristic that enables employees to achieve superior performance at work and fulfill their role within the company. Competence includes the fundamental abilities necessary to perform assigned tasks effectively. Similarly, Lamaurin (2024) defined competence as the ability to perform a job or task based on skills and knowledge, supported by the work attitudes required by the position. Likewise, there is a problem regarding the compensation of drivers and co-drivers. Employees do not receive bonuses or meal allowances during travel or tour departure schedules and rely only on tips from customers, such as lunch money or souvenirs from tourist attractions. Furthermore, employee wage payments are often delayed because of the manual wage system. Compensation is crucial for employees because it is expected to improve their well-being and motivate them to work harder, which, in turn, enhances performance (Raytasyah & Santoso, 2023). The purpose of compensation is to support the organization in achieving its strategic goals while ensuring internal and external fairness (Lianata & Santoso, 2022). Company X is obliged to pay wages to its permanent employees routinely every week in accordance with Indonesian employment regulations, particularly the Employment Law (Law No. 13 of 2003) and Government Regulation No. 36 of 2021 concerning Wages.

These regulations require employers to pay mandatory basic wages on a daily, weekly, or monthly basis to all employees, whether permanent, contract, or daily workers, as long as they are bound by the employment relationship. In the context of modern workforce development, the quality of human resources is a crucial factor that determines an organization's sustainability and competitiveness. This is especially relevant in the land transportation sector, which bears significant responsibility for ensuring the safety, comfort, and punctuality of services to the community. A transportation company functions as a provider of mobility services and as a business entity that is heavily influenced by the quality of its employees' performance, including drivers, conductors, and support staff who work behind the scenes. Therefore, research on the factors influencing employee performance is important. PT. X, as one of the transportation service providers, faces complex operational dynamics, ranging from inconsistent employee discipline and limitations of the manual attendance system to delayed salary payments that affect job satisfaction and motivation in delivering quality services. In addition, field observations reveal reckless driver behavior, non-compliance with traffic rules, and indiscipline in following schedules, all of which can lead to customer complaints or damage the company reputation. These issues make work discipline a major concern for improving performance quality. This condition also indicates that competence, which theoretically includes knowledge, skills, and work attitudes, cannot automatically improve performance if it is not supported by a proper disciplinary supervision system and fair compensations. Research findings show that the competence of PT. X employees influence performance but not significantly, whereas work discipline and compensation have a proven significant impact. This suggests that external factors, such as regulations and financial incentives, determine short-term work behavior more strongly than internal competencies, although competencies remain essential in the long term to build competitive advantage.

Within the framework of Herzberg's Two-Factor Theory, work discipline and compensation can be categorized as hygiene factors that maintain minimum satisfaction and ensure employees remain motivated, whereas competence functions as a motivational factor only if the work environment is conducive. Another phenomenon that underlines the urgency of this study is the gap between management policies and the field

realities. Although the company has established regulations on working hours, fingerprint attendance systems, and compensation mechanisms, issues such as lateness, inconsistent attendance, and dissatisfaction due to delayed salary payments persist in the company. These conditions raise academic questions: to what extent do work discipline and compensation play a role in improving employee performance, and why is competence, which is often considered a fundamental factor, insignificant in this context? These questions are particularly relevant considering that the transportation industry has unique characteristics, including high safety risks, strict scheduling demands, and high customer expectations for reliable services. Therefore, a deep understanding of the factors that influence employee performance is vital for companies to formulate effective human resource management strategies. From a practical management perspective, the results of this study reinforce the importance of work discipline as a dominant factor in maintaining the stability of a company's operations. High discipline ensures that employees are present on time, comply with safety procedures, and provide services per established standards. Without discipline, even high competence cannot be optimally utilized. Adequate compensation also serves as a key factor in maintaining employee loyalty, as employees who feel financially secure and appreciated tend to be more responsible and committed to their work.

Therefore, this study provides a practical contribution to PT. X and similar companies by suggesting improvements to the compensation system to make it fairer, more transparent, and timely, as well as strengthening the supervision of work discipline through the use of integrated digital attendance technology. From a socio-economic perspective, this research is also relevant because public transportation plays a vital role in supporting the mobility of urban and intercity communities, and the quality of service largely depends on employee performance. When discipline and compensation are shown to have a stronger impact than competence, it indicates that the main issue is not merely technical skills but rather how companies manage daily work behavior and provide appropriate rewards to employees. Thus, this research is important for strengthening the academic foundation and holds high practical value in improving public services in the transportation sector, which ultimately impacts public satisfaction and enhances the company's image. Although work discipline has been identified as playing a significant role in improving employee performance, no prior research has specifically measured the relationship between work discipline, particularly in the context of absenteeism and punctuality, and employee performance in the transportation industry. Therefore, further research is needed to examine how employee discipline, especially among those who are frequently late, affects team performance and overall operational outcomes. This finding is consistent with the studies of Shelamita et al. (2023) and Lamaurin (2024), who demonstrated that work discipline significantly influences performance. Based on the phenomena and explanations outlined above, the author has chosen the title "The Influence of Competence, Work Discipline, and Compensation on Employee Performance at PT. X." Accordingly, this study addresses the following questions:

- a. Does Competence influence the performance of PT. X employees?
- b. Does Work Discipline influence the performance of PT. X employees?
- c. Does Compensation influence PT performance? X employees?

II. Literature Review and Hypothesis Development

2.1. Herzberg's Two-Factor Theory

Herzberg (Purba & Rangkuti, 2022) stated that in carrying out their duties, a person is influenced by two need factors: hygiene and motivation. This study uses Herzberg's two-factor theory, consisting of motivation and hygiene factors, to determine which factors influence employee performance. Hygiene factors relate to the basic human need for physical comfort. Motivation factors relate to an individual's psychological needs, namely, a sense of satisfaction and achievement in carrying out their work. The phenomenon at PT. X shows that compensation and work discipline play significant roles in improving employee performance. This

aligns with the concept of hygiene factors, where employees require certainty in terms of fair wages, work facilities, and a firm disciplinary system to prevent dissatisfaction. When hygiene aspects are met, employees are more focused on their work and motivated to improve their work results. Conversely, even though employee competency is adequate, research results prove that competence does not significantly influence performance without the support of strong hygiene factors. Thus, in the context of PT. X, Herzberg's theory explains that fulfilling hygiene factors is a top priority before motivational factors can function optimally as performance drivers. (X)

2.2. Performance Theory

According to Campbell's (1991) performance theory (Oktafia, 2024), performance can be understood as behavior related to achieving expected, established, or formal role requirements by both individuals and organizations. To achieve their goals, individuals must provide products and services that match their expertise to achieve a competitive advantage. Therefore, organizations need high-performing employees, and individual performance is important. Employee performance is influenced by many factors, including ability (competence), motivation, and the opportunity to carry out tasks. The phenomenon at PT. X demonstrates the practical application of Campbell's theory. The results show that employee competency does not significantly influence performance. This indicates that ability alone is insufficient without other supporting factors such as motivation. On the other hand, work discipline has been shown to have a significant influence because it reflects the control of employee behavior to adjust to formal work standard. Discipline ensures that individuals are present on time, follow the company rules, and comply with the applicable operational procedures. Meanwhile, compensation has also been shown to be significant in driving performance because it acts as a financial incentive that fosters extrinsic motivation. Thus, Campbell's performance theory demonstrates its relevance in the context of PT. X, where employee performance is determined not only by competence but also by motivational encouragement through compensation and opportunities manifested in the form of consistently enforced work discipline. The synergy of these three factors is important to ensure that individual roles within the organization can be carried out optimally so that company goals are achieved.

2.3. Human Resources

According to experts such as Edwin B. Flippo, human resources are the totality of individuals who work in an organization and make real contributions in the form of labor, knowledge, skills, and experience. However, according to Samsuni (2023), human resources, as one of the resources within an organization, play a crucial role in the successful achievement of organizational goals. Success or failure depends on the ability of human resources to perform their duties and functions. Humans always play an active and dominant role in every organizational activity, as they are the planners, actors, and determinants of organizational goals. HRM is the process of planning, organizing, implementing, and controlling human resources within an organization to achieve common goals effectively and efficiently. According to Hasibuan, human resource management is the science and art of managing relationships and the roles of workers so that they can work effectively and efficiently to support the achievement of company, employee, and community goals.

2.4. Employee Performance

According to Samsuni (2023), employee performance refers to the work results achieved by an individual in carrying out their duties and fulfilling their assigned responsibilities in terms of the quality and quantity of work completed. Performance is the tangible behavior displayed by each individual, reflecting the work achievements of employees in accordance with their roles within the company. Therefore, companies must have the right strategy to improve their employee performance. A company's success can be measured

by its employees' performance. Therefore, well-planned and timely actions are necessary to ensure effective employee performance improvement. According to Mathis and John H. Jackson in Estiana et al. (2023), employee performance indicators are as follows:

- a. Work Quality (Y.1) improves the organization's sustainability in achieving its stated goals.
- b. Work Quantity (Y.2) determines the organization's ability to dominate the market by improving service delivery.
- c. Cooperation (Y.3) Collaboration is essential for a company's success in achieving its stated goals.

2.5. Competence

The terms "competencies," "competence," and "competent" refer to the state of being capable and appropriate. Competency in the workplace refers to a person's suitability for their job (Setyo Widodo et al., 2022). Competence is a characteristic that employees must possess, referring to ways of behaving or thinking across a broad range of situations and enduring over time. Each employee possesses unique personal competencies that can be relied upon to achieve the company's goals. In human resource management, competency assessment and development are crucial for improving overall organizational productivity and performance (Raytasyah and Santoso, 2023). Furthermore, work competency is also defined by Clark as "Competency is the knowledge or know-how for doing an effective job." Competency is the science or know-how of performing a job effectively. The competency indicators according to Septiawan and Rahayu (2023) are as follows:

- a. Knowledge (X1.1): Information that someone owns or controls in a particular field.
- b. Skill (X1.2): the ability to do something well.
- c. Attitude (X1.3): A person's response or reaction to external stimuli or stimulation is not only about intelligence but must also have ethics that are applied in their field.

H1 : Competence does not have a significant effect on employee performance

2.6. Work Discipline

According to Pranitasari and Khotimah (2021), work discipline is a method used by managers to talk to employees so that they are willing to change their behavior, increase awareness, and a person's desire to comply with all company regulations and applicable social norms, especially regarding absence. Without good discipline, it is difficult to achieve maximum goals. Discipline is the act of willingly and consciously adhering to company regulations. With high levels of work discipline among employees, it is hoped that employee performance will also improve. Work discipline is the commitment to comply with all applicable regulations, ensuring that employees consciously implement and adhere to them. Discipline can lead to more organized work and positively impact the company's environment and co-workers. According to Pranitasari and Khotimah (2021), the indicators of work discipline are as follows:

- a. Compliance with time regulations (X2.1): This is reflected in the timely arrival, departure, and break times, which are in accordance with company regulations.
- b. Comply with company regulations (X2.2), basic rules regarding dress and behavior at work.
- c. Compliance with work-related rules of conduct (X2.3), demonstrated by performing tasks in accordance with position, duties, and responsibilities, as well as by interacting with other work units.
- d. Compliance with other regulations (X2.4), regarding what employees are and are not allowed to do within the company.

H2 : Work discipline has a significant influence on employee performance

2.7. Compensation

According to (Setyo Widodo & Yandi, 2022), compensation is everything an employee receives, both physical and nonphysical. Compensation also includes all rewards received by a driver and co-driver for their services or work results at PT. X directly and indirectly. Compensation is provided to foster effective behavior and encourage additional motivation for employees to carry out their work duties. According to Setyo Widodo and Yandi (2022), compensation can be divided into two types:

- a. Direct compensation, which is directly received by employees in the form of base salary, allowances, and incentives, is the employees' right and the company's obligation to provide.
- b. Indirect compensation, which is provided outside salary, allowances, and incentives, can take the form of facilities provided by the company for its employees, such as housing and health insurance.

The principle of compensation is fair and equitable in nature. Fair means commensurate with work performance, while equitable means meeting basic needs and the minimum wage standards set by the government, considering consistency both internally and externally within the company. According to Utomo and Santoso (2021), the compensation indicators are as follows:

- a. Wages (X3.1): Payments provided regularly by the company to employees as compensation for work performed, usually calculated over a specific period (monthly or weekly).
- b. Allowances (X3.3): Financial assistance or facilities provided by the company to employees, such as health benefits.
- c. Facilities (X3.3): According to Widodo and Yandi (2022), facilities are services provided by the company to support employees in carrying out their work or improve their welfare, such as uniforms for employees.

H3 : Compensation has a significant impact on employee performance

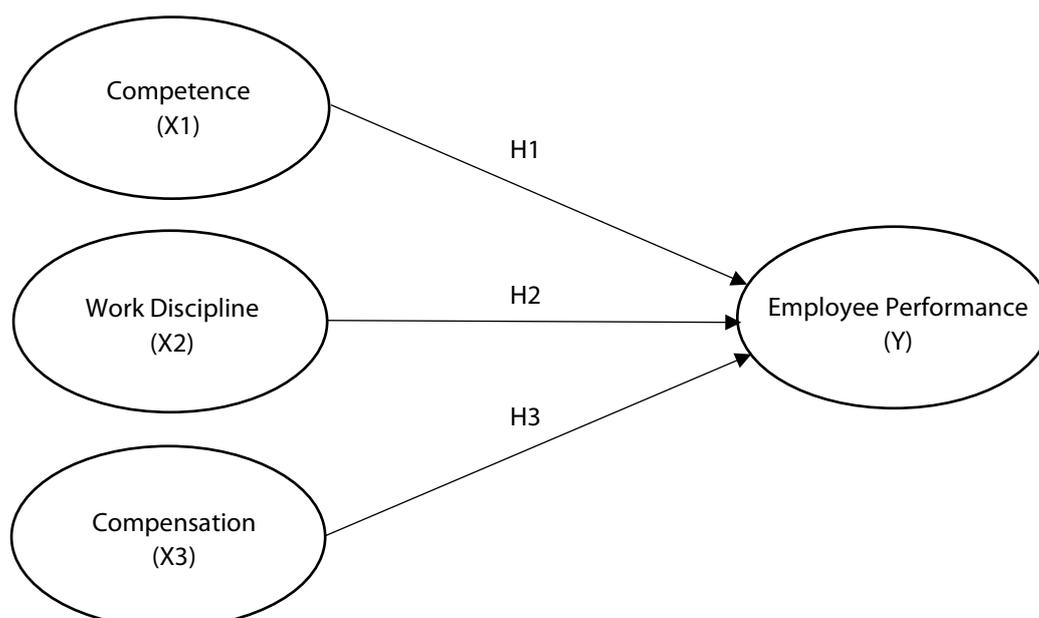


Figure 1. Conceptual Framework

III. Research Method

3.1. Object of Research

This study used a quantitative approach with descriptive methods. This approach is considered appropriate because it can explain the relationship between variables numerically using only the population and sample data. This study aims to analyze the influence of competence, work discipline, and compensation on employee performance at PT. X.

3.2. Sample

The sampling technique used in this study was non-probability sampling using a sample of 40 respondents, namely bus driver employees and bus conductors, determined using the saturated sampling method.

3.3. Data Types and Collection Techniques

The data collection method used in this study was a questionnaire distributed offline to respondents. The measurement scale used is numerical data that can be measured and calculated objectively. The variable measurement scale used in this study is an ordinal scale commonly used in questionnaires, and the Likert scale measurement technique is used to measure the attitudes and opinions of an individual or group of people regarding existing problems. Using systematically arranged statements that are directly related to the problems in this study, This study used two types of data: primary data obtained directly from respondents through offline questionnaires and interviews with the company. Secondary data were obtained internally from the company in the form of monthly or annual data report archives, records, and various sources such as the company website.

3.4. Analysis Techniques and Hypothesis Testing

Validity tests are used to determine whether statements and questions in a questionnaire need to be deleted or replaced because they are irrelevant. Validity tests are often used to measure the validity of questionnaires that have been completed by respondents. According to Cooper and Schindler (2006:53) in (Haryono, 2016), validity tests are conducted to determine the ability of a research instrument to measure what it should. A validity test can be said to be valid and significant if it has a value ≤ 0.05 and an r count $\geq r$ table. Conversely, if the value ≥ 0.05 and r count $\leq r$ table, it is said to be invalid and insignificant. Reliability tests are used to measure the consistency of a measuring instrument in measuring a concept or to measure the consistency of respondents in answering question items in a questionnaire or research instrument (Haryono, 2016). Reliability test measurements are carried out using the Cronbach Alpha Coefficient (α) and can be said to be reliable if the Cronbach Alpha (α) value is greater than or equal to 0.7.

3.5. Partial Least Square

This study employs Partial Least Squares Structural Equation Modeling (PLS-SEM) as the analysis method because it is suitable for research with a relatively small sample size (40 respondents), does not require data normality, and is effective for testing complex models with multiple constructs and indicators. PLS-SEM is also appropriate for exploratory research that aims to predict the relationships between variables and examine the significance of both direct and indirect effects. The use of SmartPLS software ensures accurate calculation of factor loadings, path coefficients, and R-squared values to assess the reliability and validity of both the measurement and structural models.

3.6. PLS Specification Model

The path analysis model for all latent variables in PLS consists of three sets of relationships.

- a. The inner model specifies the relationships between latent variables (structural model).
- b. The outer model specifies the relationships between latent variables and their indicators or manifest variables (measurement model).
- c. The weight relation estimates the case values of the latent variables.

3.7. How PLS Works

According to Supriyati (2021), the parameter estimates obtained using PLS can be grouped into three categories:

- a. Weight estimates were used to create latent variable scores.
- b. Path estimates connect latent variables and link them to their indicator blocks (loadings).
- c. Means and parameter locations (regression constant values) for the indicators and latent variables.

To obtain these three estimates, PLS uses a three-stage iteration process, with each stage producing specific estimates of the model parameters.

- a. The first stage produces weight estimates, the second stage produces estimates for the inner and outer models, and the third stage produces estimates for the means and locations (constants).
- b. In the first two stages of the iteration process, the indicators and latent variables are treated as deviations from the mean value.
- c. In the third stage, the estimation results were obtained based on the original metric data. The weight and path estimates from the second stage are then used to calculate the means and parameter locations.
- d. The first stage is considered the core of the PLS algorithm because it contains an iteration procedure that consistently produces stable weight estimates.

3.8. Measurement Scale

The variable measurement scale used in this study was an ordinal scale with the Likert scale measurement technique. An ordinal scale is commonly used in questionnaires and is the most widely applied scale in survey research. This scale shows the distance between the data points with equal weight. According to Sugiyono (2023:146), the Likert scale measures the attitudes, opinions, and perceptions of individuals or groups regarding a social phenomenon. The questionnaire used in this study was designed based on the Likert scale model, which consists of several statements, with each response assigned a weight or score. In this study, questionnaire responses were measured using an ordinal and Likert scale, as shown in the following table:

Table 1. Order of Answer Scores

Response Option	Code	Score
Strongly Disagree	SD	1
Disagree	D	2
Neutral	N	3
Agree	A	4
Strongly Agree	SA	5

3.9. Sample Size

The basis for hypothesis testing in PLS is resampling using the bootstrapping method developed by Geisser and Stone. The required sample size in PLS can be estimated using the following guidelines.

- a. Ten times the number of formative indicators (to generate reflective indicators).
- b. The number of structural paths in the inner model was ten times.
- c. Small sample sizes ranged from 30 to 50, while large samples consisted of more than 100 respondents.

3.10. Ethics Conduct

This study respects the confidentiality of the company that served as the research locus. Therefore, the company's name is not disclosed and is referred to as "PT. X" throughout the manuscript. This anonymization was carried out to comply with ethical research standards and protect the company's privacy.

IV. Result and Discussion

4.1. Outer Model

The outer model was used to evaluate the validity of the variables and the reliability of the instruments. This model explains the relationship between latent variables and their indicators, or manifest variables.

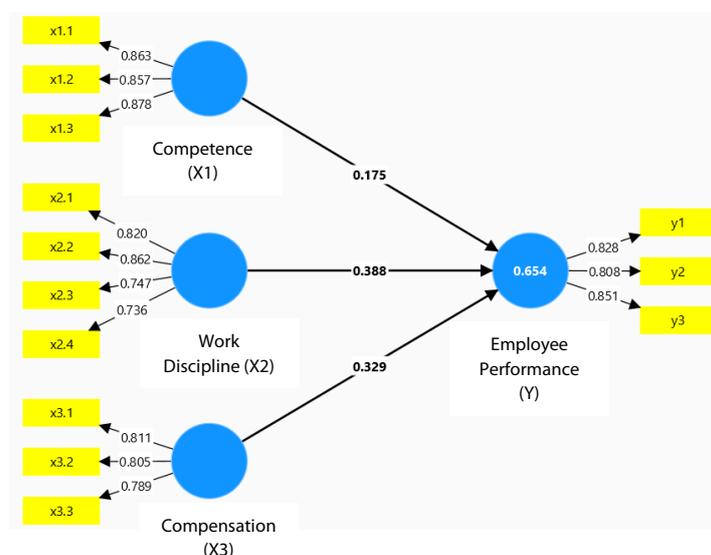


Figure 2. Outer Model with factor loading, Path Coefficient and R-Square

Based on the results of the outer loading PLS, the factor loading value of each indicator is on the line connecting the construct to its indicators. The path coefficients are located above the arrow line between the independent and dependent variables, and the R-squares are located within the circle of the intervening and dependent variables. Within each variable, there is an indicator with the highest value and influence.

4.2. Outer Loadings

The measurement model in this study uses exogenous variables with reflective indicators, including competence (X1), Work Discipline (X2), and compensation (X3), as well as the endogenous variable employee performance (Y). To measure indicator validity, one of the criteria used is the output of the outer loadings table, specifically by examining the factor-loading values. Because all indicators in this model are reflective, the table used is the Outer Loadings output.

Table 2. Outer Loadings

Indicator	Competence (X1)	Work Discipline (X2)	Compensation (X3)	Employee Performance (Y)
X1.1	0.863			
X1.2	0.857			
X1.3	0.878			
X2.1		0.820		
X2.2		0.862		
X2.3		0.747		
X2.4		0.736		
X3.1			0.811	
X3.2			0.805	
X3.3			0.789	
Y1				0.828
Y2				0.808
Y3				0.851

Based on Table 2, indicator validity was measured using factor loadings and t-statistic values. An indicator was considered valid if it had a factor loading greater than 0.70. Factor loading reflects the correlation between the indicator and its variable; the higher the value, the stronger is the indicator's validity. The results showed that none of the variable indicators had outer loading values below 0.70. Therefore, it can be concluded that all indicators met the criteria for convergent validity and were considered valid for use in this study.

4.3. Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) value describes the proportion of variance in the indicators explained by the latent variable. A convergent AVE value greater than 0.50 indicates good validity for the latent variables.

Table 3. Average Variance Extracted (AVE)

Variable	AVE
Competence (X1)	0.750
Work Discipline (X2)	0.629
Compensation (X3)	0.643
Employee Performance (Y)	0.687

Discipline (X2) is 0.629, Compensation (X3) is 0.643, and Employee Performance (Y) is 0.750, 0.629, 0.643, and 0.687. The AVE values for Employee Performance (Y) were 0.750, 0.629, 0.643, and 0.687, respectively. Discriminant validity was assessed by comparing the AVE values for each variable with their correlations.

Convergent AVE values greater than 0.50 indicate good validity of the latent variable. As shown in Table 3, the AVE values for competence (X1), Work Discipline (X2) is 0.629, Compensation (X3) is 0.643, and Employee Performance (Y) are 0.750, 0.629, 0.643, and 0.687, respectively. Therefore, it can be concluded that all four variables in this study demonstrated good validity.

4.4. Composite Reliability

Construct reliability was measured using the Composite Reliability (CR) value for each indicator. A variable is considered to meet the composite reliability requirement if it has a CR value greater than 0.70 and a Cronbach's alpha value greater than 0.70.

Table 4. Composite Reliability

Variable	Composite Reliability
Competence (X1)	0.900
Work Discipline (X2)	0.871
Compensation (X3)	0.844
Employee Performance (Y)	0.868

Based on Table 4, it can be seen that the composite reliability values for all variables are greater than 0.70. This indicates that all variables met the reliability criteria.

4.5. Inner Model

Structural model testing was performed by examining the R-squared value, which is a goodness-of-fit test. Inner model testing can be performed by examining the R-squared value of the equation between the latent variables. The R-squared value indicates how much the exogenous (independent) variables in the model can explain the endogenous (dependent) variables. An R2 value of ≥ 0.75 indicates a strong predictive ability of the model. An R2 value of 0.5 indicates moderate predictive ability of the model. An R2 value of 0.25 indicates a low predictive ability of the model (Ghozali, 2021). Based on the PLS bootstrapping results, structural model testing was performed by examining the R-squared value, which is a goodness-of-fit test for the model. Internal model testing can be observed from the R-squared value of the equation between the latent variables. The R2 value indicates the extent to which the independent or free variables can explain the dependent or bound variable in the model.

4.6. R-Square

Table 5. R-Square

Variable	R-Square
Employee Performance (Y)	0.654

Based on Table 5, the R-Square value of Employee Performance is 0.654, which indicates that the model can explain 65.4% of the variation in Employee Performance influenced by the independent variables, namely, Competence, Work Discipline, and Compensation. The remaining variation was explained by variables outside the scope of this study.

4.7. Hypothesis Testing

The significance of the path coefficients indicates the strength of the influence between the variables. Significance is determined by examining the t-statistics and p-values to assess whether the hypothesis is accepted or rejected. A hypothesis was accepted if the p-value was less than 0.05.

Table 6. Path Coefficients (Mean, STDEV, T-Values)

Path	Coefficient (O)	T-Statistics	P-Values	Result
Competence (X1) → Employee Performance (Y)	0.175	1.208	0.227	Rejected
Work Discipline (X2) → Employee Performance (Y)	0.388	2.091	0.037	Accepted
Compensation (X3) → Employee Performance (Y)	0.329	2.029	0.047	Accepted

Based on Table 6, the hypothesis-testing results are as follows:

- H1: Competence does not significantly affect Employee Performance. This hypothesis is rejected, with a path coefficient of 0.175, t-statistics value of 1.208, and p-value of 0.227 (>0.05).
- H2: Work Discipline significantly affects Employee Performance. This hypothesis was accepted, with a path coefficient of 0.388, a t-statistics value of 2.091, and a p-value of 0.037 (<0.05).
- H3: Compensation significantly affects Employee Performance. This hypothesis was accepted, with a path coefficient of 0.329, a t-statistic value of 2.029, and a p-value of 0.047 (<0.05).

4.8. Discussion

4.8.1. The Influences of Competence (X1) on Employee Performance (Y)

Based on the research conducted, the results show that employee competence, which includes knowledge, skills, and work attitudes, does not significantly affect employee performance at PT. Although there were improvements in the knowledge of vehicle inspections, driving skills, and professional attitudes, these did not directly contribute to the overall performance. However, competence remains a crucial issue, particularly for bus drivers. Many customers continue to report complaints about reckless driving and unprofessional behavior by bus conductors. This suggests that, although the statistical results show no significant effect, the reality in the field indicates otherwise. Therefore, competence remains a matter that requires serious attention from the company. The questionnaire results also revealed that most employees fell into the “adequate” category, especially in terms of driving ability and work behavior. This corresponds to the increasing number of customer complaints. To address this, companies need to conduct regular training, evaluations, and coaching to improve employee skills and attitudes. Such efforts will help ensure passenger safety and comfort while maintaining a positive corporate reputation. The findings of this study are consistent with those of Hidayat (2021), who found that competence does not significantly influence employee performance. This is because companies often fail to optimize their employees’ skills and experience.

4.8.2. The Influences of Work Discipline (X2) on Employee Performance (Y)

The results of this study indicate that work discipline significantly affects employee performance. This means that the more disciplined employees are—such as arriving on time, following dress codes, working according to procedures, and avoiding violations—the better their performance. Discipline, particularly in terms of attendance, work ethics, compliance with procedures, and adherence to company rules, plays an important role in improving employees’ performance. Therefore, companies need to strengthen the culture

of discipline by providing rewards for employees who consistently demonstrate discipline and by offering coaching or imposing sanctions for repeated violations. This will help foster a more productive and professional work environment for the future. Questionnaire responses also support this finding, as the majority of employees reported compliance with company regulations, although absenteeism and tardiness were still observed in monthly attendance records (see Table 1). Strong work discipline ensures that employees work more orderly, punctually, and professionally, which contributes to the company's goal of providing safe and comfortable transportation services to the public. These findings are consistent with those of Shelamita et al. (2023) and Lamaurin (2024), who also found that work discipline significantly influences employee performance.

4.8.3. The Effect of Compensation (X3) on Employee Performance (Y)

The results of this study indicate that the compensation received by employees directly impacts their performance. This means that when salaries are paid on time, benefits are considered adequate, and work facilities are sufficient, employees tend to be more enthusiastic and responsible in performing their tasks. Compensation significantly affects employee performance. However, to maximize its impact and maintain it in the long term, companies must align compensation with employees' actual needs. This can be achieved by providing meal allowances, improving the timeliness of salary payments, and offering additional benefits that directly support employees, such as performance incentives or monthly bonuses based on work results or target achievements. The questionnaire results also support this finding, as most respondents agreed or strongly agreed with statements regarding wages, benefits, and facilities. This demonstrates that employees are relatively satisfied with the compensation they receive. The findings of this study are consistent with those of Raytasyah and Santoso (2023) and Lianata and Santoso (2022), both of which concluded that compensation significantly influences employee performance.

V. Conclusion

Based on the results of the PLS analysis conducted on the variables of competence, work discipline, and compensation in relation to the performance of PT. X employees, the following conclusions were drawn:

- a. Competence influences but does not significantly affect performance. This implies that improvements in knowledge, skills, and work attitudes have not yet had a direct impact on employees' overall performance outcomes.
- b. Work discipline has been shown to support performance. The higher the level of discipline, such as compliance with time management, rules, and work ethics, the better the performance.
- c. Compensation also has a significant effect on performance, indicating that the provision of appropriate wages, benefits, and facilities contributes to improving employee performance.

Further research is recommended to include additional variables with relevant relationships and to expand the research object so that the findings can be more comprehensive and provide stronger strategic considerations for the company. Overall, this study illustrates that the combination of work discipline and compensation is the dominant factor influencing PT performance. X employees, whereas competence shows a weaker direct role. The R-squared value of 0.654 indicates that these three variables explain approximately 65.4% of the variation in employee performance, while the remaining variation is influenced by other factors not examined in this study, such as leadership style, organizational culture, and intrinsic motivation. These results confirm that improving employee performance is not only a matter of enhancing technical skills but also requires a disciplined work environment and a fair reward system for employees. Practical implications of this study for PT. X must strengthen its discipline program through stricter attendance systems, monitoring of working hours, and consistent enforcement of sanctions and rewards. In addition, the company must improve

its compensation system, particularly regarding timely salary payments, travel allowances, and performance-based bonuses. Both aspects have been shown to significantly contribute to the improvement of performance. Meanwhile, competence should remain a long-term focus through regular training, skills certification, and professional behavior development programs so that employee competence can evolve into a sustainable competitive advantage.

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