

The Impacts of Human Resource Development, Organizational Commitment, and Compensation on Employee Performance (A study conducted at Sulut Bank in North Sulawesi)

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ABSTRACT : *This research aims to investigate the impact of human resource development, organizational commitment and compensation on employee performance. The study, which was located at Sulut Bank, North Sulawesi, uses explanatory or hypothetical investigations. The samples were 125 respondents from the total of 612 employees at the company. The data collection technique utilizes the proportional area random sampling by means of distributing questionnaires to the respondents. The data were then valued, tabulated and analyzed using double linear regression statistics. The results show that: 1) the human resource development has some impacts on the employee performance, 2) the organizational commitment has some significant impacts on the employee performance, and 3) the compensation also has some significant impacts on the employee performance.*

KEYWORDS -*Human resource development, organizational commitment, compensation, employee performance, Sulut Bank*

I. INTRODUCTION

In today's business world, human resources, who are prepared to face competition, are very essential. Capable and skillful human resources are those who have knowledge and skills to give quality services to the consumers. Human resource development, equipped with sufficient funds, tools, and infrastructure, will result in desired goals. Consequently, employees must have capabilities according to their job responsibilities. However, human resources alone will not be sufficient without organizational commitment and compensation that support employees as the driving force in the business sphere. These have direct or indirect significant impacts on the development of banking business. Successful goals can also be achieved by creating good relationships between employees and their employers as well as by delivering excellent services to the consumers.

In running its business, a bank collects funds from community and distributes them back in various alternative investments. According to Law No. 10 of 1998, a bank is a business entity that gathers funds from a community in order to improve the living standards of the people in the community. On the other hand, a general bank is a bank that runs business activities conventionally, based on the principles of giving services in payment flows.

Sulut Bank (PT Bank Sulut) is a bank dedicated for the development of North Sulawesi's economy with core focus on retail banking segment. It was formerly known as regional development banks of North Sulawesi. It was founded in 1961 and is headquartered in Manado, North Sulawesi, Indonesia. It provides various banking services in Indonesia. It offers current accounts, savings deposits, and time deposits; and consumptive, working capital, investment, housing, and current account loans, as well as loans for small scale business and small scale investments. It has network of around 40 branches spanning the province of North Sulawesi and Gorontalo, East Java, and Jakarta.

Sulut Bank is one of the banks that play an important role in the region's economic development. To date, it continues to give banking services to the community of North Sulawesi and its surrounding. Sulut Bank, with its operational activities, is experienced in handling its jobs, its attention to details, accuracy, and human resources capabilities as showed in its employee performances are aimed at improving prime services to its business partners and clients so that they can use the banking services effectively in conducive atmosphere. The banking management, through its employees, runs and stabilizes various activities and all policies based on its organizational commitment to improve the service quality of Sulut Bank in North Sulawesi. Thus, an investigation needs to be conducted in order to find out comprehensively the impacts of human resources development, organizational commitment and compensation on employee performance in Sulut Bank.

Human resources development plays a vital role in relation to employee performance. This is because everything that needs to be conducted is run by the human resources in the hope to achieve optimal results according to organizational goals as collective team efforts between employees and their employers. Mathis and Jackson (2006) contend that development is an effort to improve employees' skills so that they are capable of handling various activities beyond their present capabilities.

Mowday et al. (1982) explains that work commitment is another term for organizational commitment. He further elaborates that organizational commitment is an important behavioral dimension that can be used to judge an employee's tendency to survive as a member of an organization. Organizational commitment is an employee's identification and involvement which is relatively strong towards his organization. Besides that, organizational commitment is the members' desire to maintain their membership and agree to do concerted efforts to achieve organizational objectives. The commitment includes: the pride of members, the loyalty of members, and the willingness of members to get involved in an organization (Bashaw and Grant, 1994).

Compensation also influences motivation, and motivation affects performance. Determining sufficient amount of compensation for workers needs to be carefully planned so that the workers are satisfied. Therefore, they should also be involved to help formulate the goals of compensation system (Sastrohadiwiryono, 2002). Compensation program has the potential to influence employees' work behavior, speed up their productivity, improve their performance, increase productivity, and mitigate employee rotation (Simamora, 1997).

Performance on the other hand is a result of work that can be achieved by someone or a group of people in an organization according to their competency and responsibilities in order to legally attain organizational goals, without trespassing the laws; this needs to be done ethically as well as morally (Prawirosentono, 1999). Performance is a general term used to explain the whole or partial actions or activities of an organization within a period in relation to a number of standards such as past or projected costs, based on efficiency, responsibilities or management accountability and the like (Gaol, 2014).

II. CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESIS

The research problem of this study concerns the impacts of human resource development, organizational commitment and compensation on employee performance. The participants were the employees of Sulut Bank in North Sulawesi.

Based on the previous theories and investigations, the conceptual framework of human resource development, organizational commitment, and compensation on employee performance can be explained in the following Figure 1.

Based on the research conceptual framework, the hypothesis of this study can be elaborated as follows:

The Impacts of Human Resource Development on the Employee Performance

Ruky (2004) explicates that a human resource development program is basically an effort to improve the quality and competency of human resources within an organization. The human resource development effort is aimed to realize the organizational vision in order to achieve its short and long term goals. On the other hand, to the employees, the human resource development program is a systematic learning and training process whereby they can develop their competency and work achievements and prepare themselves for future roles and responsibilities. Development is a method oriented to increase work productivity of employees in the future (Siagian, 2009).

Siregar (2009) conducted a case study about the impact of human resource development on employee performance at the Department of Transportation of Medan city. He found that there was a positive and significant impact of human resource development on the employee performance.

Maryani (2011) also did an investigation about the impact of organization culture, leadership styles and employee development on work satisfactory and employee performance. In her investigation, she revealed that employee development has some positive and significant impacts on the employee performance.

Hence, based on the previous explanations, the hypothesis of this study is as follows:

H₁: The Human Resource development has significant impacts on the employee performance.

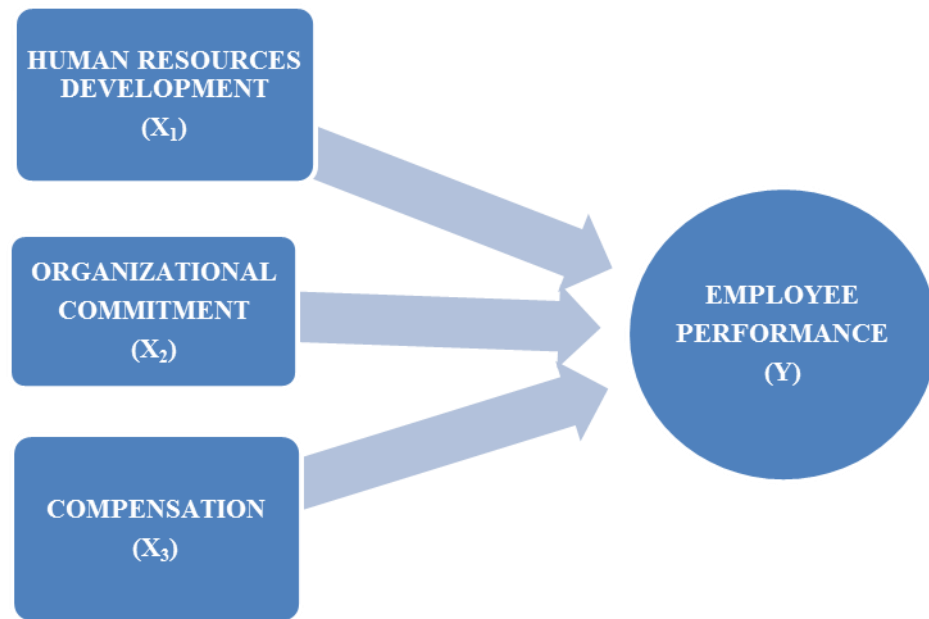


Figure 1. Research Conceptual Framework

The Impacts of Organizational Commitment to Employee Performances

Tubbs and Dahl (1991) attempted to delve into the effects of commitment on performance relationship, with an assumption that a committed worker is more prepared to achieve organizational goals than a non-committed worker. Low commitment is detrimental not only to an organization but also to the worker deciding to quit working in the organization. This is because the individual needs to start his career from scratch again in a new organization (Armansyah, 2002). A research done by Maryyan and Al-Faouri (2008) about Nurses' career commitment and job performance in a Jordanian hospital. The empirical results showed that career commitment variable, an exogenous variable, affected significantly and positively on individual professional development, an endogenous variable. Sukmawati (2013) conducted a study about the roles of organizational citizenship behavior as a mediator of work satisfactory, work environment, and organizational commitment on the employee performance. Her investigation revealed that the organizational commitment variable has positive and significant impacts on the employee performance variable. Therefore, based on the previous investigations, the next hypothesis is formulated as follows:

H₂: The organizational commitment has significant impacts on the employee performance.

The Impacts of Compensation on Employee Performance

Yoder in Hasibuan (2000) explicates that the true meaning of compensation is that it can make team members work together and come up with accomplishments. However, dissatisfaction about compensation can decrease employee performance, increase the level of absence as well as increase the rotation of employees.

Riansari (2012) conducted a study about the impact of compensation and work environment on job satisfaction and employee performance at one of government bank in Indonesia. She found out that compensation had some indirect impacts on the employee performance.

An investigation done by Chang (2008) about individual pay for performance and HR commitment practices in South Korea, showed that the payment system and the employee performance at a Korean company had very little impact to the employees' behavior. The data were collected from 37 companies and 959 employees in South Korea. The study investigated whether the payment system had some impacts on the employee performance, organizational commitment, and human resource practices. The research used hierarchical Linear Model and revealed that the payment system did not have any impact on an individual performance, but it had a positive correlation.

Juliningrum (2013) wrote an article about the impacts of compensation and culture of an organization on work motivation and employee performance. The study findings showed that there was not any positive correlation between the compensation and the employee performance.

Thus, based on the previous research, a third hypothesis can be formulated as follows:

H₃: Compensation has significant impacts on the employee performance.

III. RESEARCH METHODOLOGY

The objective of this investigation is to examine the impacts of human resource development, organizational commitment, and compensation on employee performance. Based on the research problem previously formulated and the research objective, this study uses explanatory research. The participants in the study were all the employees at Sulut Bank in North Sulawesi province. In the first batch, the data were collected from participants residing in Manado city and Minahasa regency, with 612 participants. In the data collection, the technique used was proportional area random sampling.

The primary data collection in this investigation used questionnaires, based on a five-point Likert scale model, whereby the respondents could choose from a scale of 1 to 5 in order to elicit their responses in relation to the human resource development, the organizational commitment, and the employee performance.

The collected data from the questionnaires were given values, tabulated, and then analyzed. The collected answers, which were based on fixed variable values, were then analyzed further using SPSS version 16.0 software. The data analysis was done to determine the impact using double linear regression approach.

IV. FINDINGS

Simultaneous Impact Analysis (F test)

Table 1. Analysis Result of F-Test (Anova)

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76,359	3	25,453	96,023	,000 ^a
	Residual	32,073	121	,265		
	Total	108,432	124			

- a. Predictors: (Constant), Human Resources Development, Organizational Commitment, Compensation
- b. Dependent Variable: Employee performance

A simultaneous test was done to determine whether the double linear regression model with the independent variables: Human Resources Development (X₁), Organizational Commitment (X₂), and Compensation (X₃), had an impact or could predict the dependent variable: Employee performance (Y).

It can be seen from Table 1 that the result of F-test (Anova) is F_{count} value = 96.023, whereas F_{table} value on the degrees of freedom (3.124) with α value = 0.05 is 3.07; hence, F_{count} > F_{table} or 96.023 > 3.07 with the probability level Sig. 0.000, as the probability (0.000) is far smaller than 0.05.

Therefore, based on the hypothesis testing criteria, H₀ is rejected and H_a is accepted. This means that the regression model can be used for measuring impact or estimation. The impacts of HR Development Variable (X₁), Organizational Commitment (X₂), and Compensation Variable (X₃) on Employee Performance (Y) can be seen from the determination coefficient (R square) on the following Table 2.

Table 2 Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.839 ^a	.704	.697	.515	.704	96.023	3	121	.000

- a. Predictors: (Constant), Human Resources Development, Organizational Commitment, Compensation
- b. Dependent Variable: Employee performance

As seen from the data of Table 2, the determination coefficient (R square) is 0.704. This shows that the Employee Performance (Y) is impacted as much as 70.4% by the HR Development Variable (X₁), Organizational Commitment (X₂) and Compensation Variable (X₃). The rest of the value (100% - 70.4% = 29.6%) can be due to other factors.

Partial Impact Analysis

Table 3. Regression Coefficient and its Significance

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	3,260	1,483		2,198	,030
	HR Development	,210	,058	,225	3,620	,000
	Commitment Organizational	,362	,060	,426	6,080	,000
	Compensation	,334	,069	,324	4,827	,000

a. Dependent Variable:Employee Performance

Based on the data of Table 3, the coefficient value of the Human Resources Development (X_1) is 0.210, with the constant value of 3.26. From this, a regression equation can be formulated as follows: $Y = 3.26 + 0.210X_1$. From the data of Table 3, the value of T_{count} is 3.620; with the significant level of $\alpha = 0.05$, and the degrees of freedom (df) = 123, the value of T_{table} is 1.985. Therefore, the value of $T_{count} > T_{table}$ value or $3.620 > 1.985$; with the probability value $Sig = 0.000$, which is far below 0.05, H_0 is rejected and H_a is accepted; this means that the value is significant. Thus, the Human Resources Development Variable has significant impacts on the employee performance. On the Organizational Commitment variable (X_2), the coefficient value is 0.362, with the constant value of 3.26. From this, a regression equation is as follows: $Y = 3.26 + 0.362X_2$.

It can be seen from Table 3 that the value of T_{count} is 6.080. The value of T_{table} is 1.985, with the significant level of $\alpha = 0.05$ and the degrees of freedom (df) = 123. Hence, $T_{count} > T_{table}$ or $6.080 > 1.985$; with the probability value $Sig = 0.000$, which is far below 0.05, H_0 is rejected and H_a is accepted, which means that it is significant. Therefore, the Organizational Commitment variable has significant impacts on the Employee Performance variable.

On the Compensation variable, the coefficient value is 0.334 with the constant value of 3.62; from this, the regression equation is $Y = 3.62 + 0.334X_3$.

As shown on Table 3, the value of T_{count} is 4.827. The value of the T_{table} is 1.985, with the significant level of $\alpha=0.05$ and the degrees of freedom (df)=123. Therefore, the value of $T_{count} > T_{table}$ or $4.827 > 1.985$. With the probability value $Sig = 0.000$, which is far below 0.05, H_0 is rejected and H_a is accepted, meaning it is significant. Thus, the Compensation variable has significant impacts on the Employee Performance variable. Hence, based on the calculated results, a regression equation is formulated as follows: $Y = 3.62 + 0.210X_1 + 0.362X_2 + 0.334X_3$.

All the regression coefficients have positive values, which mean that increases in all the independent variables: HR Development (X_1), Organizational Commitment (X_2), and Compensation (X_3), will result in significant impacts on the dependent variable, the Employee Performance (Y).

V. DISCUSSION

The Impact of the HR Development on the Employee Performance

Based on the T-test, the T_{count} value of HR Development variable is bigger than the T_{table} value. This indicates that the Compensation variable has significant impacts on the Employee Performance variable of Sulut Bank, North Sulawesi province. The result shows that an increase in compensation for the employees of the company will also increase the employee performance.

The result is in line with Ruky's (2004) theory, which claims that human resource development program is an effort to increase the quality and competence of human resources. Human resource development efforts are aimed to realize the vision of an organization so that it can achieve its short-term and medium-term goals. On the other hand, for employees of human resource development programs, human resource development is a systematic learning and exercise process wherein they can improve their competences and work accomplishments so that they are equipped and prepared for future roles and responsibilities. Development is a method orienting to improve the work productivity of employees in the future (Siagian, 2009). This finding supports Siregar's (2009) and Maryani's (2011) studies, which conclude that human resource development has positive and significant impacts on employee performance.

The Impact of Organizational Commitment on Employee Performance

Based on the T-test, it reveals that the T_{count} value of the Organizational Commitment variable is bigger than the T_{table} value. This indicates that the Organizational Commitment has significantly impacted the employee performance of Sulut Bank, North Sulawesi province. The result shows that high Organizational Commitment will improve the Employee Performance.

The finding is in accordance with a theory put forward by Tubbs and Dahl (1991) that attempt to find out the impact of commitment on performance, with an assumption that committed workers are more prepared to achieve organizational goals than the non-committed ones. Workers' low commitment deprive not only an organization, but also individuals who decide to quit their jobs as they have to start their work all over again in a new organization (Armansyah, 2002). This finding supports investigations conducted by Maryan and AL-Faouri (2008) and Sukmawati (2013), who claim that organizational commitment has positive impacts on employee performance.

The impact of Compensation on Employee Performance

Based on the T-test value, the T_{count} value of the Compensation variable is bigger than the T_{table} value. This indicates that the Compensation variable has significant impacts on the Employee Performance at Sulut Bank, North Sulawesi province. The result shows that Compensation improvement for the employees of Sulut Bank will also improve the Employee Performance.

The finding is similar to the opinions of some experts, who contend that compensation is a program that can potentially change employees' work behavior, improve their work productivity and performance as well as diminish their work rotation (Simamora, 1997). Hasibuan (2000) claims that an essential meaning of compensation is that it can motivate team members to work together well and achieve their goals. Dissatisfaction about compensation can decrease employee performance and increase their absence as well as work rotation (Mangkuprawira, 2003). This finding is in line with Riansari's (2012) investigation, showing that there was an indirect impact on employee performance. However, it does not support the study done by Chang (2008), who claimed that compensation system did not have an impact on individual work performance. It also does not support Juliningrum's (2013) investigation, which revealed that there was not any positive impact between compensation and employee performance.

VI. CONCLUSION AND SUGGESTIONS

Based on the results of the impacts of human resource development and organizational commitment on the employee performance, it can be concluded that: 1) The Human Resource Development variable has significant impacts on the Employee Performance. The testing results of the two variables indicate that the human resource development program through education and training done by Sulut Bank in North Sulawesi Province greatly supports the performance of the employees in the company, 2) The Organizational Commitment variable has significant impacts on the Employee Performance variable. This finding shows that improvement in Organizational Commitment will also improve the employee performance at Sulut Bank. This is revealed in the behavior and preferences indicators of the employees at the company, 3) The Compensation variable has significant impacts on the employee performance. The result shows that the higher the compensation is, the higher the employee performance will be. This can be seen from the direct and indirect compensation indicators of the employees.

For future studies, more investigations in other locations are needed to delve into the Human Resource Development, Organizational Commitment, Compensation, and Employee Performance variables. Other variables can also be added to the existing ones so that the conceptual model for future investigations will be more complex and can contribute to the knowledge enhancement as well as its practical ways. Sulut Bank is a well-known bank located in North Sulawesi province, and therefore education and trainings of the company's employees need to be continuously done and improved. Furthermore, the employee organizational commitment, through the employees' loyal attitudes to the company as well as the disbursement of decent compensation for the employees need to be maintained and improved.

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