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The Influence of Internal Communication and Compensation on Employee Performance through Organizational Commitment

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Abstract: This study seeks to describe internal communication, remuneration, organizational commitment, and employee performance. It investigates the impact of internal communication and compensation on employee performance using organizational commitment. Employees from Jambi Province's Financial Management and Regional Revenue Agency serve as the research subjects. The research uses descriptive and verificative methods with PLS analysis. The descriptive analysis results show that internal communication is categorized as good. Compensation, organizational commitment, and performance are categorized as high. Based on the PLS analysis, the research findings are: 1) Internal communication and compensation have a positive and significant effect on organizational commitment. 2) Internal communication and compensation have a positive and significant effect on employee performance. 3) Organizational commitment has a positive and significant effect on employee performance. 4) Internal communication and compensation have a positive and significant effect on employee performance, mediated by organizational commitment, at the Financial Management and Regional Revenue Agency of Jambi Province.

Keyword: Internal Communication, Compensation, Organizational Commitment, Employee Performance.

INTRODUCTION

Human resource management is the process of planning, organizing, implementing, and managing the procurement, development, remuneration, integration, maintenance, and separation of employees in order to meet organizational goals (Mangkunegara, 2017). Human Resource Management (HRM) is the process of using human resources effectively and efficiently by planning, mobilizing, and regulating all values that become human strengths in order to achieve goals (Sedarmayanti, 2013).

Human resources (HR) are a driving element within an organization's environment. HR refers to the human workforce performing tasks within an organization, often known as labor, workers, employees, or personnel. Thus, HR can be considered an asset for every aspect of activity, especially those related to the organization's existence. The potential possessed by humans can realize the role of HR as social beings who are adaptive and transformative, allowing them to manage themselves and all available potentials in the universe to achieve well-being in a reasonable, sustainable, and continuous manner (Zahari et al., 2022).

In daily operations, HR is more understood as an inseparable part of the system in controlling an organization. HR, as the primary resource for an institution (organization), has unique characteristics that cannot be equated with other resources. Humans possess traits and a mindset (intellect), allowing them to determine what should be done and what should be avoided. These unique characteristics of humans need special attention. HR should be treated humanely, nurtured, guided, and supported to be willing and able to perform the tasks assigned by an organization without causing disruptions that could harm either the organization or the employees themselves (Zahari et al., 2022).

The quality of human resources is equally important in determining organizational performance. As a result, human resources are an asset that must be successfully and efficiently developed in order to achieve peak performance. To accomplish this, the organization, in this case, the corporation, must be able to create settings and conditions that promote and enable employees to grow their skills and expertise to the best of their abilities, particularly in performance.

The concept put forward by Fink in (Pangendaheng, 2018) states that employee performance is greatly influenced by the level of commitment possessed by the employees concerned. This is supported by research conducted by Luthans in (Suparyadi, 2015), which found a positive correlation between organizational commitment and the desired outcomes of the organization, such as high performance. Therefore, organizational commitment and employee performance need to be important considerations because they will have a positive impact on the smooth operation of the organization in achieving its goals.

The Local Government Finance Office of Jambi Province is a government institution responsible for managing regional revenue and expenditure. The Financial Management and Regional Revenue Agency is the primary entity that implements regional autonomy in managing Local Government Budget funds to meet local needs. The administration of regional finances is part of the series of activities involved in Regional Financial Management. The funding sources for regional revenue and expenditure come from the Local Government Budget.

The Local Government Finance Office of Jambi Province consists of the Regional Financial Management Agency of Jambi Province and the Technical Implementing Service Units of the regencies/municipalities in Jambi Province. However, due to the researcher's limitations in completing this study, the researcher focused on the Local Government Finance Office of Jambi Province, drawing the sample solely from the population of the Regional Financial Management Agency of Jambi Province.

This study identified several issues: between 2019 and 2023, the Local Government Finance Office of Jambi Province held 75 meetings. Meetings were not held frequently each year, with the highest number being 18 in 2023. In 2022, only 11 meetings were held. The average percentage of employees receiving full TPP (additional income) from 2019 to 2023 was 63.34% of the total staff. The highest number of employees not receiving full TPP was in 2021, with 124 employees or 77.50% of the total staff. Full attendance of employees at the Local Government Finance Office of Jambi Province, based on data from 2019 to 2023,

averaged only 36.66%. The average proportion of incomplete attendance was 63.34%. The highest number of incomplete attendance was in 2021, with 124 employees. Based on the average achievement of the number of taxpayers for motor vehicle taxes in Jambi Province from 2019 to 2023, the target was not met, with an achievement rate of only 31.85%. Similarly, the average achievement for the number of taxpayers for motor vehicle name transfer duties in Jambi Province during the same period also did not meet the target, reaching only 82%. The average achievement for the number of taxpayers for fuel taxes on motor vehicles in Jambi Province from 2019 to 2023 also failed to meet the target, achieving only 83.44%.

Based on the description of the phenomenon, the objective to be achieved in this study is to analyze the influence of internal communication and compensation on employee performance at the Jambi Provincial Government Finance Office, both directly and indirectly through organizational commitment as a mediating variable.

METHOD

This study employed both descriptive and verification methods. According to Sugiyono (2016), the verificative approach is a research method that uses statistical computations to evaluate hypotheses based on descriptive study results, yielding proof that indicates whether the hypothesis is rejected or accepted. The procedure for collecting information in this research involved distributing questionnaires to 63 employees at the Financial Management and Regional Revenue Agency of Jambi Province. The analysis tool used is PLS analysis.

RESULTS AND DISCUSSION

Description of Respondent Characteristics

The demographic description of employees at the Regional Secretariat of Merangin Regency is shown through their characteristics in Table 1 as follows:

Table 1. Respondent Characteristics

No	Respondent Characteristics	Amount	Percentage (%)
1	**Gender**		
	Man	34	53,97
	Woman	29	46,03
2	**Age Group**		
	20 – 30	1	1,59
	31 – 40	7	11,11
	41 – 50	28	33,44
	51 – 58	27	42,86
3	**Education**		
	Bachelor degree	45	71,43
	Master	18	28,57

Source: Primary Data Processing, 2024

Descriptive Aanalysis

Based on the survey conducted, the following presents the descriptive analysis results based on respondents' perceptions of the statements posed for each variable.

Table 2. Description of Research Variables

No	Variable	Score	Scale Range	Information
1	Internal Communication (X_1)	3.341	1.468,8 – 1.814,3	Good
2	Compensation (X_2)	1.805	1.285,2 – 1.587,5	Tall
3	Organizational Commitment (Y)	2.088	3121,2 – 3855,5	Tall
4	Employee Performance (Z)	3.097	3488,4 – 4309,1	Tall

Source: Primary Data Processing, 2024

Convergent Validity Testing

The results of the initial research model calculation using SmartPLS 3.0 software are shown in the following figure:

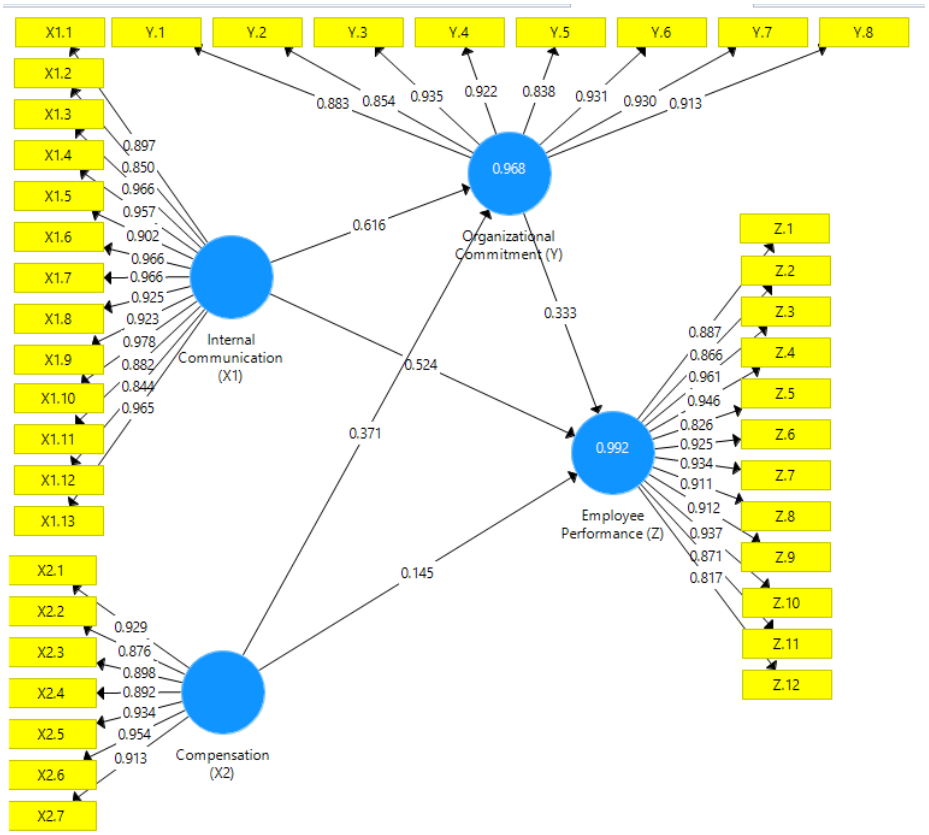


Figure 1. Results of the Initial Research Model Calculation

Outer loadings testing is done to ensure that an indicator for a construct has the highest loading factor for the construct it creates when compared to the loading factors of other constructs. Figure 1 shows that all loading factors exceed 0.70. Because all loading factors are more than 0.70, the third model is thought to be credible.

We then use the average variance extracted (AVE) to determine convergent validity at the construct level. The measuring model (outer model) considers AVE to have convergent validity if its value is larger than 0.50. The results for the AVE values are as follows.

Table. 3. Average Variance Extracted Value

Variable	AVE Value	Information
Internal Communication (X_1)	0,857	Valid
Compensation (X_2)	0,835	Valid
Organizational Commitment (Y)	0,813	Valid
Employee Performance (Z)	0,811	Valid

Source: Smartpls Version 3.0 (2024)

Table 3 demonstrates that all AVE values are greater than 0.5, implying that the AVE values for each construct or indicator in the research variables are legitimate. Based on this, it is possible to conclude that the constructs met the convergent validity criteria.

Composite reliability testing is used to establish how dependable a measurement tool is. According to Wiyono (2011), composite dependability is used to determine how trustworthy

a measuring tool is. If the loading values for all variables exceed 0.70, they are regarded dependable. Table 3 displays the composite reliability and Cronbach's Alpha scores for each variable.

Table 4. Composite Reliability

Variable	Composite Reliability	Information	Cronbach Alpa	Information
X_1	0,987	Reliable	0,986	Reliabel
X_2	0,968	Reliable	0,967	Reliabel
Y	0,968	Reliable	0,967	Reliabel
Z	0,981	Reliable	0,979	Reliabel

Source: Smartpls Version 3.0 (2024)

According to Table 4, the results of the composite reliability and Cronbach's Alpha tests demonstrate that all values suggest reliability, with composite reliability scores more than 0.70. This indicates that all variables can be deemed dependable, and the study data is trustworthy and can be used to generate high-quality results.

Inner Model Evaluation

When testing the model with PLS, the first step is to look at the R-Square for each latent dependent variable. Table 5 displays the R-Square estimation results for SmartPLS 3.0:

Table 5. R-Square Value

Variable	R-Square
Organizational Commitment (Y)	0,968
Employee Performance (Z)	0,992

Source: Smartpls Version 3.0 (2024)

Table 5 demonstrates that the R-Square value for organizational commitment is 96.8%, whereas employee performance is 99.2%. This suggests that internal communication and compensation have a substantial influence on organizational commitment. Internal communication and remuneration have a big influence on employee performance.

The inner model is evaluated using bootstrapping tests, which yield values for the coefficient of determination (R square), Q square, and hypothesis testing. The outcomes of the inner model examination are detailed below.

Hypothesis test

In PLS SEM analysis, the value of the structural model in this study can be assessed through direct effects, also known as path coefficients. Next, path coefficients between constructs are measured to evaluate the significance and strength of these relationships and to test the hypotheses.

Table 5. Result for Inner Weights

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Hypothesis
Internal Communication (X1) -> Organizational Commitment (Y)	0.616	3.891	0.000	Accepted
Compensation (X2) -> Organizational Commitment (Y)	0.371	2.331	0.020	Accepted
Internal Communication (X1) -> Employee Performance (Z)	0.524	5.178	0.000	Accepted
Compensation (X2) -> Employee Performance (Z)	0.145	2.102	0.036	Accepted
Organizational Commitment (Y) -> Employee Performance (Z)	0.333	5.026	0.000	Accepted

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Hypothesis
Internal Communication (X1) -> Organizational Commitment (Y) -> Employee Performance (Z)	0.205	3.147	0.002	Accepted
Compensation (X2) -> Organizational Commitment (Y) -> Employee Performance (Z)	0.123	2.110	0.035	Accepted

Source: Smartpls Version 3.0 (2024)

From the hypothesis testing results presented in Table 5 above, the coefficients show positive values, and the p-values obtained are < 5%. Theoretically, if p-values are < 5%, the hypothesis can be accepted (Ghozali, 2014). Based on these results, it can be concluded that internal communication and compensation have a positive and significant impact on employee performance, both directly and indirectly through organizational commitment. Further analysis of the hypothesis testing results in this study will be discussed in detail in the following discussion section.

Impact of Internal Communication on Organizational Commitment

The study's findings show that the variable of internal communication has a positive and significant effect on organizational commitment. This finding is congruent with that of Syahrir et al. (2019), who found that internal communication had a favorable and significant impact on employee organizational commitment.

The influence of internal communication on organizational commitment is due to several factors: employees receive work instructions from leaders, receive explanations about the importance of tasks to be performed, get information about regulations within the organization from leaders, receive support and motivation from leaders, provide updates on completed tasks, report problems with tasks that cannot be completed to leaders, offer suggestions for improvements based on subordinate feedback to leaders, express complaints from subordinates about themselves or their work to leaders, improve coordination among colleagues, engage in problem-solving efforts with colleagues, share information with fellow employees, work on conflict resolution with colleagues, and build relationships through joint activities. As a result, employees with high commitment work diligently at the organization, desire to stay with the organization for a long time, are willing to work beyond expectations for the organization's advancement, pay attention to the organization's welfare, adhere to organizational values, remain with the organization for extended periods, are involved in work according to their roles and responsibilities, and show loyalty and positive affection towards the organization.

Impact of Compensation on Organizational Commitment

According to the study's findings, compensation has a favorable and significant effect on organizational commitment. This finding is similar with Shalahuddin and Marpaung's (2016) findings, which show that compensation has a favorable and significant impact on organizational commitment.

The influence of compensation on organizational commitment is due to several factors: employees receive their base salary on time, receive satisfactory wages for specific programs, receive additional income allowances punctually, receive performance-based incentives, get satisfactory pension payments, have opportunities for early retirement and receive early retirement pensions if they can no longer work due to illness or disability from accidents, and receive severance pay at the end of their employment. Consequently, employees with high commitment work diligently at the organization, desire to stay for a long time, are willing to

exceed expectations to advance the organization, pay attention to the organization's welfare, adhere to organizational values, remain with the organization for extended periods, are involved in work according to their roles and responsibilities, and show loyalty and positive affection towards the organization.

Impact of Internal Communication on Employee Performance

The study's findings indicate that there is a favorable and significant association between internal communication and employee performance. This finding is congruent with a study conducted by Febrian et al. (2016), which found that internal communication had a favorable and significant impact on employee performance.

The impact of internal communication on employee performance is due to several factors: employees receive work instructions from leaders, receive explanations about the importance of tasks from leaders, get information about regulations within the organization from leaders, receive support and motivation from leaders, provide updates on completed tasks, report problems with tasks that cannot be completed to leaders, offer suggestions for improvements based on subordinate feedback to leaders, express complaints from subordinates about themselves or their work to leaders, improve coordination among colleagues, engage in problem-solving efforts with colleagues, share information with fellow employees, work on conflict resolution with colleagues, build relationships through joint activities, have technical skills relevant to their job, perform tasks without needing direct instructions from supervisors, achieve good work performance, meet work output targets as per agreements, consistently adhere to set arrival and departure times, complete tasks on time, work within a well-managed budget that supports performance, have access to fast internet to support their work, handle tasks independently, solve problems and take responsibility for their actions, actively engage in their work, and show no desire to transfer to another office.

Impact of Compensation on Employee Performance

The research results indicate that the compensation variable has a positive and significant effect on employee performance. This finding is consistent with the studies conducted by Pratama & Musadieq (2016) and Sajudinnoor (2014), which found that compensation has a positive and significant impact on employee performance.

The influence of compensation on employee performance is due to several factors: employees receive their base salary on time, get satisfactory wages for specific programs, receive additional income allowances punctually, receive performance-based incentives, get satisfactory pensions, have opportunities for early retirement and receive early retirement pensions if they can no longer work due to illness or disability from accidents, and receive severance pay at the end of their employment. Consequently, employees with good compensation have the necessary technical skills for their roles, perform tasks without needing direct supervision, achieve good work performance, meet work output targets as per agreements, adhere to set arrival and departure times, complete tasks on time, work within a well-managed budget that supports their performance, have access to fast internet to support their work, handle tasks independently, solve problems and take responsibility for their actions, actively engage in their work, and show no desire to transfer to another office.

Impact of Organizational Commitment on Employee Performance

According to the study's findings, the organizational commitment variable has a positive and significant impact on employee performance. This finding is congruent with that of Pangendaheng (2018) and Zahari et al. (2023), who both found that organizational commitment has a favorable and substantial effect on employee performance.

The impact of organizational commitment on employee performance is due to several factors: employees with high commitment work diligently for the organization, have a desire to remain with the organization for an extended period, are willing to exceed expectations to help the organization progress, pay attention to the organization's welfare, follow the organization's values, stay with the organization for a long time, are involved in work according to their roles and responsibilities, and provide loyalty and positive affection toward the organization. This leads to employees having the technical skills required for their roles, performing tasks without needing direction from supervisors, achieving good work performance, meeting work output targets as per agreements, consistently adhering to set arrival and departure times, completing tasks on time, working within a well-managed budget that supports performance, having access to fast internet, handling tasks independently, solving problems and taking responsibility for their actions, actively engaging in their work, and showing no desire to transfer to another office

Impact of Internal Communication on Employee Performance Mediated by Organizational Commitment

According to the study's findings, internal communication has a favorable and significant impact on employee performance, which is mediated by organizational commitment. This finding is congruent with the findings of Syahrir et al. (2019), who found that internal communication has a favorable and significant effect on employee performance through organizational commitment.

The impact of internal communication on employee performance, mediated by organizational commitment, is due to several factors. Effective internal communication ensures that important information and clear instructions are conveyed to all employees. This reduces confusion and improves coordination among departments, ultimately enhancing efficiency and productivity. Through consistent internal communication, the organization's values, vision, and mission can be understood and internalized by employees, which increases their sense of ownership and commitment to organizational goals. Effective communication also facilitates the quick and efficient resolution of internal conflicts. Additionally, with a smooth flow of information, decision-making becomes more accurate and timely, positively impacting overall organizational performance. When employees feel involved and well-informed, their commitment to the organization increases. Employees with high commitment tend to work harder, remain more loyal, and strive to achieve organizational goals.

Impact of Compensation on Employee Performance Mediated by Organizational Commitment

According to the study's findings, compensation has a favorable and considerable impact on employee performance, which is mediated by organizational commitment. This finding is congruent with the findings of Shalahuddin and Marpaung (2016) and Pratama and Musadieq (2016), who discovered that compensation has a favorable and significant impact on employee performance via organizational commitment.

The impact of compensation on employee performance, as mediated by organizational commitment, is attributable to the following reasons: Competitive compensation helps businesses retain talented personnel. Employees who feel valued through adequate compensation are more likely to stay and develop their careers within the organization, creating stability and continuity that support overall organizational performance. Compensation also acts as a form of recognition and reward for employee performance. Employees who feel appreciated through financial or non-financial incentives are generally

more motivated to achieve targets and contribute their best to the organization. When employees believe that the organization values their contributions through fair compensation, their commitment to the organization increases. This high level of commitment motivates employees to work harder, be more loyal, and focus on achieving organizational goals. Good compensation not only directly affects employee performance but also enhances organizational commitment. This high level of commitment drives employees to deliver their best performance, which ultimately has a significant positive impact on overall organizational performance.

CONCLUSION AND SUGGESTION

Conclusion

Based on the analysis and discussion, the conclusions are as follows:

1. Internal communication is categorized as good, while compensation, organizational commitment, and performance are categorized as high.
2. Internal communication and compensation have a positive and significant effect on organizational commitment.
3. Internal communication and compensation have a positive and significant effect on performance.
4. Organizational commitment has a positive and significant effect on employee performance.
5. Internal communication and compensation have a positive and significant effect on employee performance, mediated by organizational commitment at the BPKPD of Jambi Province.

Suggestion

Based on the research findings, the following recommendations can be made:

1. It is hoped that the leadership at the Local Government Finance Office of Jambi Province will assist employees in resolving conflicts among themselves, such as when there are employees with strained relationships with their colleagues. The leadership should help address internal issues among employees, as improved internal communication positively impacts organizational commitment and employee performance
2. Severance pay should be provided to employees at the end of their employment to encourage them to contribute their best efforts, knowing that their efforts will be valued at the end of their service.
3. Leaders should involve employees in tasks according to their roles and responsibilities and foster employee loyalty to the organization.
4. Researchers are also encouraged to include additional variables that could theoretically impact employee performance.

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