Analyzing The Effects of Compensation, Recognition, Work Environment, and Employee Engagement On Employee Performance: A Case Study of Small-Sized Food and Beverage Company in Jakarta (Cv Payu Rasa Indonesia)

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Abstract.

Employee performance plays a pivotal role in determining the operational success and competitiveness of a company. At CV Payu Rasa Indonesia, sustaining high employee performance requires understanding the key factors that influence it, including compensation, work environment, recognition, and employee engagement. This study aims to examine the positive and significant effects of these four strategic areas on employee performance. A quantitative explanatory approach was employed, using a survey distributed to 100 employees selected through purposive sampling. The data were collected using a Google Form questionnaire based on a five-point Likert scale. The collected data underwent validity and reliability testing, classical assumption tests, and multiple linear regression analysis. The study is grounded in motivational and organizational behavior theories, which posit that employees' performance outcomes are shaped by both tangible rewards and psychological engagement factors. The results reveal that compensation, work environment, recognition, and employee engagement each have a positive and significant effect on employee performance, both partially and simultaneously. The regression model yields an R^2 value of 0.759, indicating that the four variables collectively explain 75.9% of the variation in employee performance. Among these, compensation emerges as the most influential factor. These findings highlight the importance for the company to provide fair and competitive compensation, ensure a conducive work environment, implement structured recognition programs, and strengthen employee engagement to drive sustained performance improvements.

Keywords: *Compensation; Work Environment; Recognition; Employee Engagement and Employee Performance.*

I. INTRODUCTION

CV Payu Rasa Indonesia, a growing player in the country's competitive food and beverage (F&B) industry, operates two restaurant brands in Jakarta supported by a team of 45 employees. Despite its innovative culinary concepts and market potential, the company faces persistent challenges that threaten operational stability and long-term growth. Among the most pressing issues is low employee engagement, which has created a less cohesive working environment, particularly between kitchen and service staff. Employee disengagement characterized by a lack of emotional connection to one's role and perceived contribution to organizational success can diminish motivation, proactivity, and performance, ultimately reducing service quality and customer satisfaction (Byrne, 2014; Zhafira et al., 2025).Another major concern is the company's high employee turnover rate, which exceeded 50% in the past year. This level of attrition disrupts operational continuity and imposes additional burdens on existing staff. The constant onboarding of new employees not only delays consistency in food preparation and presentation but also contributes to recurring customer complaints. Even senior employees, who are tasked with training newcomers, have struggled to maintain operational standards, leading to extended adaptation periods and heightened workloads. Such conditions further reduce morale and efficiency, creating a negative cycle that affects both employee well-being and customer experiences.From the lens of Herzberg's Two-Factor Theory (1959) these challenges may be linked to deficiencies in both motivational and hygiene factors.

Motivational factors such as recognition, responsibility, and opportunities for growth appear insufficient, reducing intrinsic satisfaction. Meanwhile, weaknesses in hygiene factors, including compensation systems, working conditions, and clear operational policies, can foster dissatisfaction and encourage turnover if not properly addressed (Alamsyah & Ardiana, 2025). This combination creates an environment where employees are neither fully motivated nor adequately supported, exacerbating retention and performance issues.The absence of effective strategies to address low engagement and high turnover

carries significant financial and competitive risks. Frequent recruitment and training consume resources that could otherwise be directed toward business development. Inconsistent service delivery and fluctuating food quality directly affect customer loyalty, limiting sales growth and market share expansion. For CV Payu Rasa Indonesia, overcoming these challenges requires a holistic human resource management approach that balances competitive compensation and recognition systems with a supportive work environment that fosters trust, career development, and a shared sense of purpose. Addressing these issues is essential to sustaining operational excellence and maintaining a strong competitive position in Indonesia's dynamic F&B industry. Based on the business issues identified, this study seeks to answer the following research questions to determine the factors affecting employee performance at CV Payu Rasa Indonesia:

1. How does compensation affect employee performance at CV Payu Rasa Indonesia?
2. How does the work environment affect employee performance at CV Payu Rasa Indonesia?
3. How do recognition affect employee performance at CV Payu Rasa Indonesia?
4. How does employee engagement affect employee performance at CV Payu Rasa Indonesia?

II. LITERATURE REVIEW
Theoritical Foundation
Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory explains that job satisfaction and dissatisfaction are influenced by two separate sets of factors: motivators (intrinsic) and hygiene factors (extrinsic) (Herzberg, 1959; Ibrahim et al., 2023). Motivators include achievement, recognition, responsibility, and career growth, which directly increase satisfaction and performance. Hygiene factors include salary, policies, working conditions, and interpersonal relationships, which do not directly motivate but prevent dissatisfaction when adequately addressed. Effective management must ensure hygiene factors are fulfilled while also enhancing motivators to improve engagement and productivity.

Hygiene Factors Compensation

Compensation is the financial reward given to employees for their contributions toward achieving organizational goals (Susilo et al., 2024). Compensation has two key indicators: (1) *Normative compensation* refers to basic financial entitlements such as salary, wages, and religious holiday allowances (THR) provided under company policy and labor regulations; (2) *Policy compensation* refers to additional benefits such as professional allowances, meal and transportation allowances, bonuses, paid leave, production incentives, and vacation benefits. Adequate compensation improves employees' financial security, satisfaction, and loyalty.

Hygiene Factors Work Environment

The work environment refers to the physical and social conditions that influence employee comfort, health, and productivity (Miftahudin, 2024). The work environment has five key indicators (Septiani, 2022): (1) *Lighting* is adequate illumination that reduces eye strain and improves focus; (2) *Air quality and temperature* are comfortable and support concentration; (3) *Noise levels* are low enough to minimize distraction; (4) *Cleanliness and hygiene* ensure a tidy and comfortable workplace; (5) *Job safety* guarantees equipment safety, ergonomic design, and risk prevention. A supportive work environment prevents dissatisfaction and enables consistent performance.

Motivator Factors Recognition

Recognition is the acknowledgment and appreciation of employees' contributions, achievements, and dedication (Mawarni et al., 2024; Sari & Ubaidilah, 2024). Recognition has four key indicators: (1) *Personal dimension* values employees as unique individuals; (2) *Achievement dimension* acknowledges goal completion and success; (3) *Work performance dimension* appreciates the quality, diligence, and approach to task execution; (4) *Job dedication dimension* recognizes loyalty and extra effort. Proper recognition strengthens morale and motivates sustained high performance.

Employee Engagement Theory

Employee engagement reflects employees' emotional attachment, commitment, and enthusiasm toward their work and organization (Susilo et al., 2024). Employee engagement has three key indicators: (1) *Vigor* is high energy and mental resilience; (2) *Dedication* is a strong sense of purpose, pride, and

enthusiasm; (3) *Absorption* is deep focus and immersion in work to the point of difficulty disengaging. High engagement drives discretionary effort and superior performance.

Employee Performance

Employee performance is the extent to which individuals meet job requirements and contribute to organizational goals (Susilo et al., 2024). Employee performance has five key indicators: (1) *Quality of work* is accuracy, thoroughness, and adherence to standards; (2) *Communication* is the ability to share information effectively and support teamwork; (3) *Promptness* is completing tasks on time; (4) *Capability* is having the knowledge, skills, and competencies required for the job; (5) *Initiative* is taking proactive actions, solving problems, and offering innovative ideas. Strong performance improves organizational competitiveness and growth.

Previous Research

Sari and Ubaidillah (2024) found that training, self-efficacy, and recognition simultaneously influenced the performance of 108 production employees at CV Prima Sealindo Engineering by 93%, with recognition emerging as the most dominant factor, underscoring the role of non-financial motivators in manufacturing contexts. Similarly, Susilo et al. (2024) reported that compensation and employee engagement both significantly improved the performance of 391 employees at PT Perkebunan Nusantara IV, confirming the dual importance of adequate financial rewards and strong emotional commitment to the organization. In the service sector, Narwoto and Bala (2025) showed that employee engagement, work discipline, and motivation together explained 89% of performance variation among 31 staff members at BRI Unit Giriwoyo, with engagement as the strongest determinant, reflecting its link to initiative, diligence, and dedication. Collectively, these studies reinforce that compensation, recognition, and engagement are critical drivers of performance across industries, yet few have examined them in an integrated model alongside work environment factors particularly in Indonesia's food and beverage sector. The present study addresses this gap by testing the combined effects of compensation, rewards and recognition, work environment, and employee engagement on employee performance at CV Payu Rasa Indonesia, thereby extending empirical insights to the restaurant industry and offering practical recommendations for small to medium-sized businesses.

Relationship among Variables and Hypotheses

Literature indicates that compensation functions as a hygiene factor in Herzberg's Two-Factor Theory, preventing dissatisfaction and supporting stable employee performance through fair and adequate financial rewards (Herzberg, 1959; Susilo et al., 2024). The work environment provides the physical and social conditions necessary for comfort, safety, and effective interaction, which facilitate optimal work outcomes (Miftahudin, 2024; Septiani, 2022). Recognition, as a motivator factor, enhances satisfaction and intrinsic motivation by acknowledging employees' contributions and achievements, thereby improving performance (Mawarni et al., 2024; Sari & Ubaidilah, 2024). Employee engagement, based on Employee Engagement Theory, reflects the psychological states of vigor, dedication, and absorption that drive discretionary effort and result in superior job performance (Susilo et al., 2024). Integrating these empirical insights into the study's conceptual framework, the following hypotheses are proposed:

1. H1   Compensation has a significant positive effect on employee performance at CV Payu Rasa Indonesia
2. H2   Work environment has a significant positive effect on employee performance at CV Payu Rasa Indonesia
3. H3   Recognition has a significant positive effect on employee performance at CV Payu Rasa Indonesia
4. H4   Employee engagement has a significant positive effect on employee performance at CV Payu Rasa Indonesia
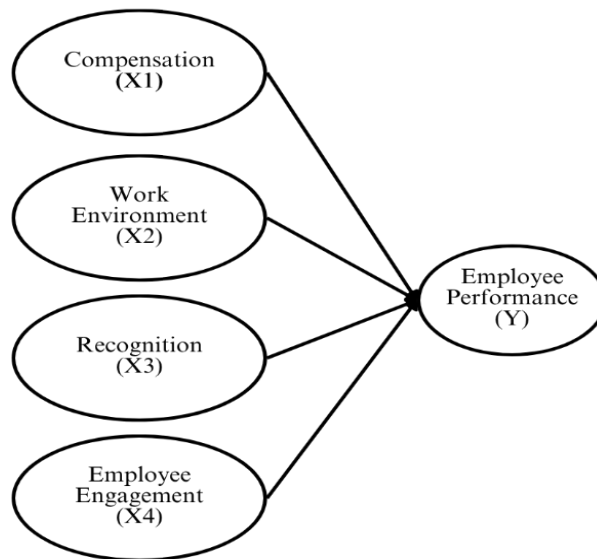
Conceptual Framework

Fig 1. Conceptual Framework

The conceptual framework of this study illustrates the relationship between four independent variables compensation (X1), work environment (X2), recognition (X3), and employee engagement (X4) and the dependent variable, employee performance (Y), at CV Payu Rasa Indonesia.

III. METHODS

This study employs a quantitative correlational approach to analyze the effects of compensation, work environment, recognition, and employee engagement on employee performance at CV Payu Rasa Indonesia. The population includes employees from CV Payu Rasa Indonesia as well as Nalar Live and Druma, selected for their similar operational characteristics, compensation structures, and working-hour arrangements. Due to the small size of CV Payu Rasa Indonesia's workforce which is 45 employees, these additional restaurants were included to meet the minimum sample size requirement for statistical analysis. The sampling technique used is non-probability purposive sampling, with the following criteria:

1. Currently employed at CV Payu Rasa Indonesia, Nalar Live, or Druma.
2. Works under similar compensation and operational arrangements as CV Payu Rasa Indonesia.
3. Has at least three months of work experience in the current workplace.

Referring to Fraenkel and Wallen (2000), a minimum of 100 respondents is required for adequate statistical power in quantitative correlational research. This study collected data from 45 employees of CV Payu Rasa Indonesia and 55 employees from Nalar Live and Druma, resulting in exactly 100 respondents. The research uses primary data obtained through structured questionnaires containing 40 statements measured with a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire items were adapted from validated instruments in prior studies (Susilo et al., 2024; Septiani, 2022; Mawarni et al., 2024).

Data Analysis Methods

Data were processed using SPSS 25, with the following stages:

1. **Validity Test**

Pearson correlation was used to assess item validity. Items were declared valid if the calculated r-value $\geq$ r-table and significance value < 0.05

2. **Reliability Test**

Cronbach's Alpha was used to measure internal consistency, with a threshold of > 0.60 indicating acceptable reliability

3. **Classical Assumption Tests**
    a) **Multicollinearity Test**

    No multicollinearity if VIF < 10 and Tolerance > 0.10

b) **Normality Test**

Residuals are normally distributed if the significance value in the Kolmogorov-Smirnov test > 0.05

c) **Heteroscedasticity Test**

No heteroscedasticity if scatterplot residuals are randomly distributed without a clear pattern

4. **Multiple Linear Regression**

Used to examine the influence of X1 (Compensation), X2 (Work Environment), X3 (Recognition), and X4 (Employee Engagement) on Y (Employee Performance) with the equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

5. **Hypothesis Testing**:

a) *t-test* for partial effects, significant if p-value < 0.05.

b) *F-test* for simultaneous effects, significant if p-value < 0.05.

6. **Correlation Coefficient (R) and Coefficient of Determination (R²)**

R measures the strength of the relationship between independent and dependent variables, while R^2 indicates the proportion of variance in Employee Performance explained by the four independent variables.

This methodological process ensures that the data meet statistical assumptions and that the hypothesis testing results are valid, reliable, and interpretable for addressing the research objectives.

IV. RESULT AND DISCUSSION

Data Analysis

Data analysis was conducted in stages to ensure that the research instrument was valid, regression assumptions were met, and hypotheses were statistically tested. The process began with describing the respondent profile, followed by validity–reliability testing, preliminary classical assumption tests, and hypothesis testing using multiple linear regression. All data were processed using SPSS 25 at a 5% significance level.

Table 1. Descriptive Analysis of Respondent Demographics

Characteristic	Category	Frequency	%
Gender	Male	69	69%
	Female	31	31%
Age	< 20 years	8	8.0%
	20–25 years	36	36.0%
	26–30 years	24	24.0%
	31–35 years	18	18.0%
	> 35 years	14	14.0%
Education Level	Junior High School / Equivalent	12	12.0%
	Senior High School / Vocational / Equivalent	46	46.0%
	Diploma (D1/D2/D3)	20	20.0%
	Bachelor's Degree	22	22.0%
Length of Employment	6–12 months	24	24.0%
	1–2 years	38	38.0%
	3–5 years	26	26.0%
	> 5 years	12	12.0%
Daily Working Hours	6–8 hours	0	0%
	> 8 hours	76	76.0%
Monthly Salary	< Rp 2,000,000	24	24.0%
	Rp 2,000,000 – Rp 3,000,000	5	5%
	Rp 3,000,001 – Rp 4,000,000	31	31%
	Rp 4,000,001 – Rp 5,000,000	28	28%
	Rp 5,000,001 – Rp 6,000,000	16	16%
	> Rp 6,000,001	11	11%
Current Residence	Jakarta	9	9%
	Bodetabek Area	46	46%
	Outside Jabodetabek	12	12%

The majority of respondents were male (69%) and mostly aged 20–25 years (36.0%), indicating that young adult employees dominate the workforce. In terms of education level, the majority had completed Senior High School/Vocational education (46.0%), followed by Bachelor's degrees (22.0%) and Diploma qualifications (20.0%). Regarding length of employment, most respondents had worked for 1–2 years (38.0%), reflecting a relatively stable tenure profile. All respondents reported working more than 8 hours per day (76.0%). In terms of monthly salary, most respondents earned between Rp 3,000,001 – Rp 5,000,000 (59.0%), placing them in the middle-income category. Geographically, respondents were mainly concentrated in the Bodetabek area (46.0%), followed by Jakarta (9.0%) and outside Jabodetabek (12.0%)..

Validity and Reliability Test

Table 2. Validity and Reliability Test Results

Variable	r-count Range vs r-table	Cronbach's α	Decision
Compensation (7 items)	0.729–0.845 > r-table	0.910 ≥ 0.70	Valid & Reliable
Work Environment (7 items)	0.782–0.840 > r-table	0.911 ≥ 0.70	Valid & Reliable
Recognition (8 items)	0.767–0.861 > r-table	0.921 ≥ 0.70	Valid & Reliable
Employee Engagement (7 items)	0.795–0.840 > r-table	0.919 ≥ 0.70	Valid & Reliable
Employee Performance (10 items)	0.575–0.716 > r-table	0.840 ≥ 0.70	Valid & Reliable

All questionnaire items have r-count values greater than the r-table and significance levels below 0.05, while all Cronbach's α values exceed 0.70, ranging from 0.965 to 0.973. Therefore, the instrument meets the criteria for accuracy and internal consistency, making it suitable for further statistical analysis.

Multicollinearity Test

The multicollinearity test aims to identify whether a high correlation exists among the independent variables in the regression model, which could distort coefficient estimation. Multicollinearity is considered absent if Tolerance > 0.10 and VIF < 10.

Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF
Compensation (X1)	0.781	1.280
Work Environment (X2)	0.750	1.334
Recognition (X3)	0.763	1.311
Employee Engagement (X4)	0.725	1.379

All questionnaire items show r-count values greater than the r-table with significance levels below 0.05, indicating that all indicators are valid. In addition, the Cronbach's Alpha values for all variables exceed 0.70, ranging from 0.840 to 0.921, confirming that the measurement instruments demonstrate adequate internal consistency and are therefore reliable for further statistical analysis.

Normality Test

The normality test was conducted to assess whether the residuals of the regression model are normally distributed. Two methods were applied: the Normal P–P Plot of Standardized Residuals and the One-Sample Kolmogorov–Smirnov (K–S) Test.
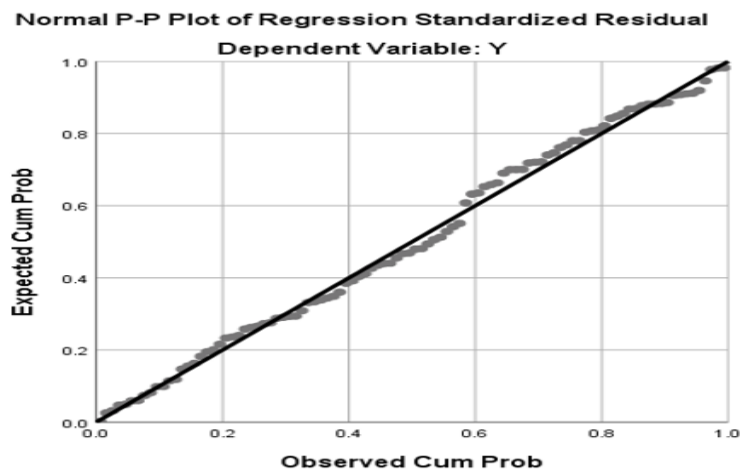

Fig 2. Normal P–P Plot of Standardized Residuals

The Normal P–P Plot shows that the data points follow the diagonal reference line closely, indicating that the residuals are approximately normally distributed without significant deviation.

Table 4. One-Sample Kolmogorov–Smirnov Test Results

Statistic	Value
N	100
Mean of Residuals	0.0000000
Standard Deviation of Residuals	2.29450900
Most Extreme Differences (Absolute)	0.054
K–S Test Statistic	0.054
Asymp. Sig. (2-tailed)	0.200

The K–S test result shows a significance value of 0.200 (> 0.05), meaning there is no statistically significant deviation from normality. Based on both the P–P Plot and the K–S test, the residuals satisfy the normality assumption, allowing the use of parametric statistical analyses such as regression.

Heteroskedasticity Test

The heteroskedasticity test examines whether the residuals in the regression model have constant variance (homoskedasticity) or varying variance (heteroskedasticity). Detection was conducted using a scatterplot between the standardized predicted values (X-axis) and the studentized residuals (Y-axis).
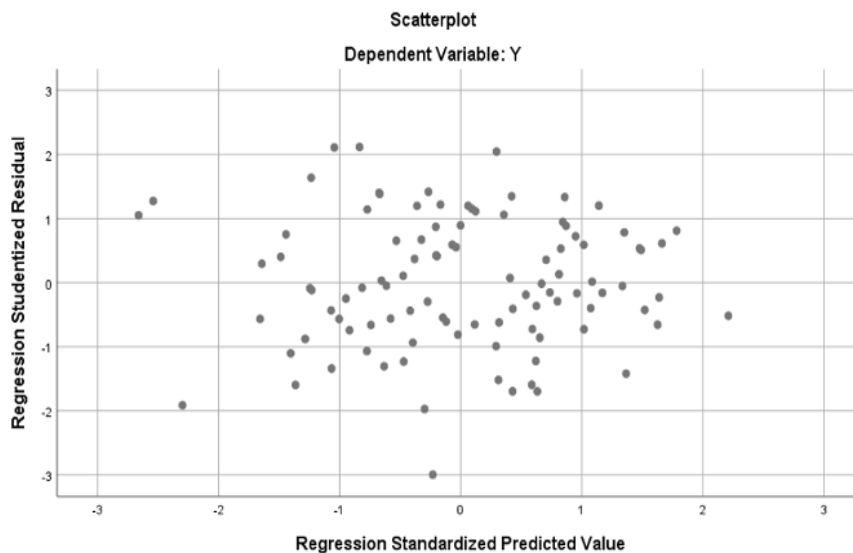

Fig 3. Heteroskedasticity Test Result (Scatterplot)

The scatterplot shows that data points are randomly dispersed around the zero line without forming any clear pattern such as funnels, curves, or clusters. This indicates that the variance of the residuals is relatively constant across predicted values, meaning no heteroskedasticity is present. Thus, the homoskedasticity assumption is met, and the regression model is appropriate for further analysis.

F-Test

The F-test is used to determine whether all independent variables simultaneously have a significant effect on the dependent variable. The criteria for significance are Sig. < 0.05 and F-statistic $>$ F-table (df1 = 4, df2 = 95, F-table ≈ 2.47).

Table 5. F-Test Result

Model	F	Sig.
Regression	96.307	0.000

The significance value of $0.000 < 0.05$ and the calculated F-statistic of $96.307 > 2.47$ indicate that Compensation (X1), Work Environment (X2), Recognition (X3), and Employee Engagement (X4) jointly have a statistically significant effect on Employee Performance (Y). Therefore, the regression model is valid for further interpretation.

Multiple Regression Test

Multiple regression analysis is used to determine the effect of each independent variable on the dependent variable.

Table 6. Multiple Regression Result

Variable	Coefficient B
Constant	10.765
Compensation (X1)	0.425
Work Environment (X2)	0.251
Recognition (X3)	0.285
Employee Engagement (X4)	0.127

$$Y = 10.765 + 0.425 X_1 + 0.251 X_2 + 0.285 X_3 + 0.127 X_4$$

All coefficients are positive, indicating that improvements in any of the four factors are associated with increases in Employee Performance.

T-test

The t-test determines whether each independent variable significantly affects the dependent variable individually. The decision criteria are:

- Sig. (p-value) < 0.05 → significant effect

- t-statistic > t-table (df = 95, α = 0.05 → t-table ≈ 1.985)

Table 7. t-test results

Variable	t-Statistic	Sig.
Compensation (X1)	8.709	0.000
Work Environment (X2)	5.320	0.000
Recognition (X3)	6.895	0.000
Employee Engagement (X4)	2.669	0.009

- H1 accepted because the t-statistic for Compensation (8.709) is greater than the t-table value (1.985) and the p-value (0.000) is less than 0.05. This indicates that Compensation positively and significantly affects Employee Performance.

- H2 accepted because the t-statistic for Work Environment (5.320) exceeds the t-table value (1.985) and the p-value (0.000) is less than 0.05. This means that a better Work Environment positively and significantly affects Employee Performance.

- H3 accepted because the t-statistic for Recognition (6.895) is higher than the t-table value (1.985) and the p-value (0.000) is less than 0.05. This shows that Recognition positively and significantly affects Employee Performance.

- H4 accepted because the t-statistic for Employee Engagement (2.669) is greater than the t-table value (1.985) and the p-value (0.007) is less than 0.05. This suggests that Employee Engagement positively and significantly affects Employee Performance.

Thus all four independent variables have a significant positive partial effect on Employee Performance.

Correlation Coefficient Test (R)

The correlation coefficient measures the strength and direction of the relationship between all independent variables and the dependent variable.

Table 8. Correlation Coefficient

R Value	Interpretation
0.896	Strong positive correlation

An R value of 0.896 indicates a strong and positive correlation (Sugiyono, 2017), meaning that increases in Compensation, Work Environment, Recognition, and Employee Engagement are associated with higher Employee Performance.

Coefficient of Determination Test (R²)

The coefficient of determination shows the proportion of variance in Employee Performance explained by the independent variables.

Table 9. Coefficient of Determination

Statistic	Value
R Square	0.802

An R² value of 0.501 means that 50.1% of the variation in Employee Performance is explained by the four independent variables, while the remaining 49.9% is influenced by other factors not included in the model, such as leadership style, career development opportunities, organizational culture, and external economic conditions.

Discussion

Effect of Compensation on Employee Performance at CV Payu Rasa Indonesia

The analysis shows that compensation has a positive and significant effect on employee performance, meaning that higher perceived fairness and competitiveness of compensation lead to better employee outcomes. This finding aligns with Reddy (2020), who emphasized that fair and competitive pay packages enhance satisfaction, motivation, and commitment. Kadir et al. (2019) and Prasetyo et al. (2021) also highlighted that structured salary schemes, benefits, and performance-based bonuses directly improve discipline, engagement, and work quality. For CV Payu Rasa Indonesia, transparent pay policies, timely bonus distribution, and allowances such as meals and transportation are essential for maintaining morale and reducing turnover. Therefore, the first hypothesis (H1) is accepted both empirically and theoretically.

Effect of Work Environment on Employee Performance at CV Payu Rasa Indonesia

The study finds that the work environment has a positive and significant effect on employee performance. A safe, comfortable, and well-equipped workplace encourages discipline, focus, and collaboration, ultimately improving productivity. This is in line with Putri et al. (2019) and Hafeez et al. (2019) who stressed that a conducive environment supports health, reduces stress, and facilitates performance, and with Sugiarti (2022) and Iis et al. (2022) who found that physical and social conditions at work enhance motivation and output. At CV Payu Rasa Indonesia, adequate lighting, ventilation, cleanliness, and a supportive social atmosphere foster teamwork and efficiency. Thus the second hypothesis (H2) is supported by both statistical results and existing literature.

Effect of Recognition on Employee Performance at CV Payu Rasa Indonesia

Recognition is found to positively and significantly influence employee performance, indicating that appreciation whether formal or informal reinforces desired behaviors and boosts motivation. This is consistent with Kariuki and Kiiru (2021) and Chantal et al. (2022), who noted that recognition programs strengthen commitment, creativity, and productivity. At CV Payu Rasa Indonesia, practices such as monthly best-employee awards, certificates, and verbal acknowledgments foster a culture of appreciation and healthy competition. Such recognition enhances loyalty, teamwork, and willingness to go beyond formal responsibilities. Therefore the third hypothesis (H3) is accepted, supported by empirical findings and theoretical perspectives.

Effect of Employee Engagement on Employee Performance at CV Payu Rasa Indonesia

The results indicate that employee engagement has a positive and significant impact on employee performance. Engaged employees are more proactive, resilient, and committed, leading to higher work quality and innovation. These findings are in line with Hermawan et al. (2020), Hendrik et al. (2021), Sendawula et al. (2018), and Carter et al. (2018), who found engagement to be a key driver of sustained performance, as well as Nguyen et al. (2019) and Kim and Kim (2021), who linked engagement with well-being and adaptability. At CV Payu Rasa Indonesia, engagement is fostered through open communication, career development opportunities,and team-building initiatives, which strengthen belonging and alignment with company goals. Thus, the fourth hypothesis (H4) is accepted both statistically and theoretically.

Business Solution

The multiple linear regression analysis reveals varying degrees of influence that each independent variable exerts on employee performance at CV Payu Rasa Indonesia. The regression coefficients and t-test results confirm that all four variables which is Compensation (X1), Work Environment (X2), Employee Engagement (X3), and Recognition (X4) positively and significantly affect employee performance ($p < 0.05$)

- Compensation (B = 0.425, t = 8.709, p = 0.000) exerts the strongest influence.
- Recognition (B = 0.285, t = 6.895, p = 0.000) ranks second.
- Work Environment (B = 0.251, t = 5.320, p = 0.000) is third.

- Employee Engagement (B = 0.127, t = 2.669, p = 0.000) while having the smallest effect, still contributes significantly.

This ranking provides a data-driven hierarchy for strategic intervention, guiding the company to first address compensation policies, followed by work environment enhancements, employee engagement programs, and recognition systems.

Table 10. Implementation Plan

Strategic Area	Key Actions	PIC	Timeline
Recognition	1. Link rewards to performance KPIs 2. Provide timely and specific recognition 3. Acknowledge skill development and certifications 4. Promote team-based recognition 5. Reward innovation and proactive contributions	HR Manager, Supervisors & General Manager	Q2–Q4 2026
Work Environment	1. Improve air quality and ventilation 2. Enhance ergonomic workspaces 3. Implement noise reduction measures 4. Strengthen safety and cleanliness protocols 5. Introduce wellness-oriented facilities	Facility Manager & HR	Q2–Q4 2026
Compensation	1. Review & benchmark salary structure 2. Adjust salaries to reduce wage compression 3. Apply annual inflation-based increases 4. Design KPI-based incentive schemes 5. Optimize allowance packages 6. Communicate compensation policies transparently	HR & Finance Manager	Q1–Q4 2026
Employee Engagement	1. Redesign roles for enrichment and clarity 2. Strengthen purpose-driven communication 3. Implement wellbeing and energy programs 4. Integrate recognition into engagement efforts 5. Enhance task enjoyment and autonomy	HR Manager & Department Heads	Q3–Q4 2026

Based on the implementation plan, the prioritization of improvement initiatives is structured according to the strategic areas that directly influence employee performance. Recognition is positioned as the primary priority, which emphasizes performance-linked awards, timely and specific acknowledgment, recognition of skill development, and appreciation of teamwork and innovation. This approach is expected to reinforce positive work behavior and sustain employee motivation. The work environment represents the second priority area, with initiatives centered on improving air quality and ventilation, enhancing ergonomic workspaces, reducing noise levels, and strengthening safety, cleanliness, and wellness-oriented facilities to support employee comfort, health, and productivity. Compensation for the third priority area, focusing on reviewing and benchmarking the salary structure, reducing wage compression, applying inflation-based salary adjustments, and strengthening KPI-based incentive schemes. These actions are supported by the optimization of allowance packages and transparent communication of compensation policies to enhance perceptions of fairness and motivation. Finally employee engagement is addressed through job enrichment and role clarity, purpose-driven communication, wellbeing initiatives, and increased autonomy and task enjoyment. The structured implementation of these initiatives is expected to improve motivation, retention, and productivity, while supporting the organization's long-term performance sustainability.

V. CONCLUSION AND RECOMMENDATION
Conclusion

Based on the findings of this study on the effect of Compensation, Work Environment, Recognition, and Employee Engagement on Employee Performance at CV Payu Rasa Indonesia, the following conclusions can be drawn:

1. Compensation has a positive and significant effect on Employee Performance
2. Recognition has a positive and significant effect on Employee Performance

3. Work Environment has a positive and significant effect on Employee Performance

4. Employee Engagement has a positive and significant effect on Employee Performance

Recommendation

Based on the study findings, the following recommendations are proposed to strengthen human resource strategies and enhance employee performance at CV Payu Rasa Indonesia:

1. Conduct regular market-based salary benchmarking and adjust compensation in line with inflation and industry standards. Introduce transparent performance-linked bonuses tied to measurable KPIs to boost motivation and retention.

2. Upgrade ventilation systems, invest in ergonomic furniture, and implement noise-control measures to improve employee comfort, reduce fatigue, and sustain concentration levels throughout the workday.

3. Develop a structured recognition program that combines timely verbal acknowledgment, formal awards, and career advancement opportunities. Recognition should be specific, measurable, and directly linked to individual and team achievements.

4. Foster a stronger sense of purpose by aligning daily tasks with organizational goals, providing greater decision-making autonomy, and enhancing two-way communication between management and employees.

5. Combine competitive pay structures with engagement-enhancing policies to maximize both financial and psychological drivers of performance, ensuring a balanced approach to motivation.

6. Train managers in transformational and participative leadership styles to improve recognition practices, inspire higher engagement, and cultivate a positive organizational culture.

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