

# Investigating the Effect of Promotion and Incentives on Employee Performance

Novita Wahyu Setyawati, Nur Komariah

Universitas Bhayangkara Jakarta Raya, Bekasi, Indonesia

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## Abstract:

Promotion is one part of the placement program implemented by the company. Employee placement is done to make adjustments to the company's needs to get the right person in the right position. This study aims to investigate the effect of promotion and incentives on employee performance. 35 samples from PT Sejahtera Buana Trada Lippo Cikarang – Indonesia is determined using the saturated sampling method. Data is analyzed by applying multiple linear regression analysis. The results show that both partially and simultaneously, promotion and incentives have a positive and significant effect on employee performance. The coefficient of determination shows that 33.1% of employee performance is affected by promotion and incentives. Based on the results of the study, managerial implications can be developed (1) to improve employee performance, the company should provide promotion for outstanding employees and loyalty to the company; (2) incentives should be given to employees who are disciplined and loyal to the work and company; and (3) employee performance should be improved especially in the services and good cooperation by all parties.

**Keywords:** Promotion, incentives, employee performance

## 1. INTRODUCTION

Promotion is one part of the placement program implemented by the company. Employee placement is done to make adjustments to the company's needs to get the right person in the right position (Karachiwalla & Park, 2017). In addition, incentives also are used to support employees performance. Although the motivation of employees to work varies from one another, incentives in the form of money or goods become appropriate rewards (Itri, Bruno, Lalwani, Munden, & Tappouni, 2019; Odolinski, 2019; Sulistiyani, Udin, & Rahardja, 2018).

PT Sejahtera Buana Trada Lippo Cikarang – Indonesia is the company engaged in the automotive brand. It is the subsidiary of PT Suzuki Indomobil Sales. The problem at PT Sejahtera Buana Trada is the impression of promotion is based on kinship or

closeness. The lack of consistency in promotion assessment makes the uncertainty of employees career. In addition, the distribution of incentives is felt to require transparency. Employees do not know the model of calculation and the number of the employee's rights is not clearly known. This case automatically needs improvement, because if it is allowed to drag on, it will perform a negative effect on overall employee performance.

## 2. LITERATURE REVIEW

### 2.1 Employee Performance

Wibowo (2018) argues that performance is an implementation of the prepared plan. Implementation of performance is carried out by employees who have ability, competence, motivation, and interests. How an organization respects and treats its employees will

influence its attitudes and behavior to carry out performance.

According to Mulyadi (2007) quoted by Suparno (2015), performance is the success of personnel, teams, or organizational units in realizing previously strategic goals with expected behavior. The indicators of employee performance according to Masud (2004) in Tampi (2014) are as follows:

1. *Quality*, the quality of work is measured by employee perceptions of work quality produced and task's perfection of the skills and abilities of employees.
2. *Quantity*, is the amount generated expressed in terms of units number and cycles of activities completed.
3. *Timeliness*, an activity level is completed at the beginning of the stated time, seen in terms of coordination with the output results and maximizing the time available for other activities.
4. *Effectiveness*, is the level of using organizational resources (i.e., energy, money, technology, raw materials) in order to increase the yield of each unit.
5. *Independence*, is the level of an employee to be able to carry out his/her work function.

## 2.2 Incentive

Marwansyah (2016) notes that managers and HR departments can use incentives and profit sharing as a tool to motivate employees to realize organizational goals. According to Priansa (2014), the success of an organization in achieving its intended goals depends on the employees within the organization. Providing incentives is one way to improve the quality of work among employees. Employees will work more vigorously and enthusiastically if the organization pays attention to and fulfills the needs of employees, both material and non-material needs.

According to Simamora in Kadarisman (2014), incentive is compensation programs that link pay with productivity. The fundamental purpose of incentives is to increase the productivity of employees in order to achieve a competitive advantage. Incentive programs pay an individual or group for what exactly they produce. Giving incentives has certain objectives (Selim, Koçtürk, & Eryiğit, 2014):

1. To give awards to employees.
2. To give responsibility and encouragement to employees.
3. To guarantee that employees will exert their efforts to achieve the goals.
4. To measure employees business through their performance.
5. To increase work productivity of individuals and groups.

According to Priansa (2014), incentives generally consist of two different types (1) material incentives, which provided by organizations need to consider working time, performance, and combination of working time and performance; and (2) Non-Material Incentives, can be provided in various forms including official title award, provision of remuneration, awarding an award certificate, providing the right to use something organizational attributes and facilities, giving praise or thank you formally or informally.

### **Indicators in providing incentives according to Hasibuan (2012) namely:**

1. *Facilities*, such as company cars, club membership, special parking lots.
2. *Duration of work or seniority*, the amount of incentives is determined on the basis of the length of time an employee carries out or completes a job. The basis of his/her thinking is senior employees, indicating the high loyalty of the employees concerned to the organization.

3. *Needs*, this method shows that incentives for employees are based on the level of urgency of decent living needs of employees. This means that incentives provided are reasonable if they can be used to fulfill some basic needs.
4. *Justice and eligibility*, in the incentive system it is not necessary to be equally level indiscriminately, but must be related to the relationship between sacrifice (Input) and (Output), the higher the sacrifice the higher the expected incentives, so that what must be assessed is the sacrifice needed by a position.
5. *Job evaluation* is an attempt to determine and compare the value of a particular position with other positions in the organization. This also means determining the relative value or price of a position in order to compile a ranking in determining incentives.

### 2.3 Promotion

According to Hasibuan (2012), promotion is a movement that enlarges the authority and responsibility of employees to higher positions within the organization. Flippo asserts that promotion involves a change from one job to another job that is better in terms of status and responsiveness. The ordinary job change is increased pay and privileges, but not always.

Setiawan (2013) in Nugraha (2016) said that promotion carried out by company management to provide an important role for employee, even every employee makes promotion to be a goal that is always expected. According to Nanang (2019), employee views promotion as the most interesting compared to other compensation because promotion is permanent and valid for a long time period. Based on the notion of promotion according to experts, the researchers concluded that promotion is the transfer of employees to occupy higher positions in the organizational structure, accompanied by increasing rights and obligations. Promotions given do not always include

the addition of rights and obligations simultaneously, sometimes promotions give additional obligations not accompanied by additional rights.

Hasibuan (2012) mentioned several indicators to measure promotion process as follows: honesty, discipline, work achievement, cooperation, loyalty, leadership, communicative, and education. According to Siagian (2009) in Nanang (2019), promotion includes:

1. *Experience*, having more experience with higher abilities.
2. *The level of education*, companies require employees education to be promoted in certain positions, with higher education expected to have better thinking.
3. *Loyalty*, employees can be expected to have a greater responsibility.
4. *Honesty*, for promotion of certain positions, the issue of honesty may be an important condition.
5. *Responsibility*, company needs a fairly large of responsibility so that the problem becomes the main requirement for promotion.
6. *The ability to get along*, for example, the position of a salesman is very important to determine the ability to get along.
7. *Work performance*, generally every company includes conditions for promotion.
8. *Initiatives and creatives*, for certain positions the level of initiative and creativity are sometimes used for promotion requirements.

### 3. RESEARCHMETHODS

This study is descriptive research, using a quantitative approach. Researchers use validity and reliability tests to ensure that the measuring instruments have valid and reliable criteria. Data is obtained through questionnaires distributing to employees of PT Sejahtera Buana Trada Lippo Cikarang – Indonesia.

Data collection is processed and analyzed using Statistical Product and Service Solution (SPSS) software version 25.

**3.1 Respondent**

The population of this study is all employees of PT Sejahtera Buana Trada Lippo Cikarang – Indonesia, specifically 35 sales division. The sampling method uses a saturated sampling technique. Saturated sampling is a sample that represents the population, which is usually done if the population is considered small or less than 100.

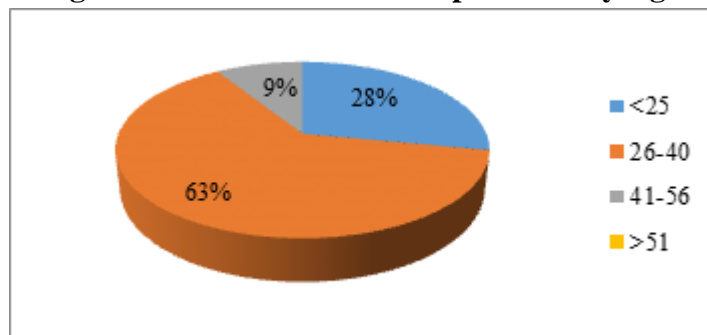
**3.2 Data Analysis**

Data analysis of this study is carried out descriptively to describe various characteristics of data. In the analysis of data, it includes validity and reliability testing, classic assumption test, T-test (partial) and F-test (simultaneous), multiple linear regression

analysis, hypothesis testing, and coefficient of determination testing.

**4. RESULTS AND DISCUSSION**

**Figure 1 Characteristic of Respondents by Age**



Based on Figure 1, it can be seen that the age of 26-40 years has work experience. The existence of employees at that age is expected to have a positive effect on improving employees performance.

**Figure 2 Characteristics of Respondents by Education Level**

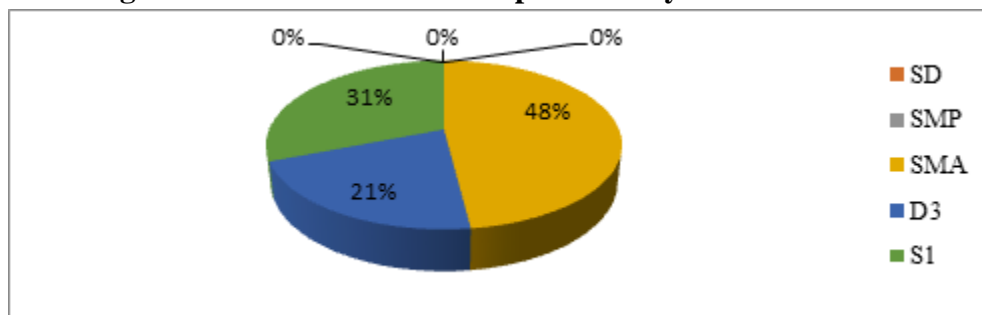


Figure 2 shows that the educational level of Trada Lippo Cikarang – Indonesia is a high school employees (sales division) in PT Sejahtera Buana graduate of 48%.

**Figure 3 Characteristics of Respondents Based on Working Period**

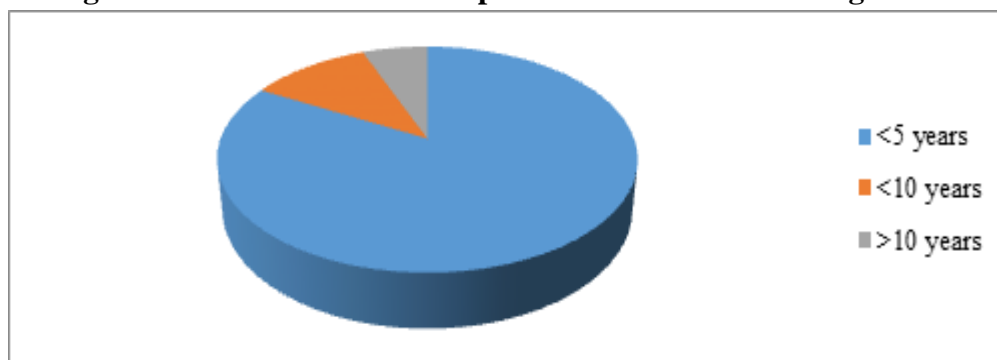


Figure 3 shows that employees working period is less than 5 years.

#### 4.1 Validity Test

Based on the test results, promotion is measured using 16 statements, incentives using 10 items, and

employee performance using 10 items. All variables have a greater value than r table of 0.3338. It can be concluded that these items are declared valid.

**Table 1 Reliability Test**

| Variable    | Cronbach's Alpha | N of Items |
|-------------|------------------|------------|
| Promotion   | .818             | 16         |
| Incentives  | .650             | 10         |
| Performance | .739             | 10         |

Table 1 shows that Cronbach's alpha value of promotion, incentives, and performance is 0.818, 0.650, and 0.739. According to the criteria, these

values are greater than 0.60. It can be assumed that the distributed questionnaire has a good level of reliability.

**Table 2 Normality Test**

|                          |                | Promotion | Incentive | Performance |
|--------------------------|----------------|-----------|-----------|-------------|
| N                        |                | 35        | 35        | 35          |
| Normal Parameters        | Mean           | 67.91     | 38.97     | 42.74       |
|                          | Std. Deviation | 4.961     | 4.004     | 2.790       |
| Most Extreme Differences | Absolute       | .234      | .139      | .134        |
|                          | Positive       | .096      | .139      | .134        |
|                          | Negative       | -.234     | -.111     | -.102       |
| Kolmogorov-Smirnov Z     |                | 1.386     | .821      | .792        |
| Asymp. Sig. (2-tailed)   |                | .043      | .511      | .557        |

Normality test of performance, promotion, and incentive show that Asymp Sig is 0.557, 0.043, and 0.511. Because the Kolmogorov-Smirnov significance value is greater than the level of test ( $0.557 > 0.05$ ;

$0.043 > 0.05$ ; and  $0.511 > 0.05$ ), it is concluded that performance, promotion, and incentive are normally distributed.

**Table 3 Analysis of Multicollinearity**

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig. | Collinearity Statistics |     |
|-------|------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-----|
|       |            | B                           | Std. Error | Beta                      |       |      | Tolerance               | VIF |
| 1     | (Constant) | 20.347                      | 5.976      |                           | 3.404 | .002 |                         |     |

|                                    |           |      |      |      |       |      |      |       |
|------------------------------------|-----------|------|------|------|-------|------|------|-------|
|                                    | Promotion | .175 | .087 | .311 | 2.019 | .032 | .888 | 1.126 |
|                                    | Insentive | .270 | .107 | .388 | 2.521 | .000 | .888 | 1.126 |
| a. Dependent Variable: Performance |           |      |      |      |       |      |      |       |

Based on the results of the multicollinearity test obtained by promotion is 1.126 and incentives is 1.126. Because the VIF value is lower than the requirements (<10), it can be concluded that multiple linear regression analysis does not have a multicollinearity problem.

#### 4.2 Multiple Linear Regression Analysis

Based on the calculation of multiple linear regression analysis, the following results are obtained:

**Table 4 Analysis of Multiple Linear Regression**

| Model                              |            | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. | Collinearity Statistics |       |
|------------------------------------|------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
|                                    |            | B                           | Std. Error | Beta                      |       |      | Tolerance               | VIF   |
| 1                                  | (Constant) | 20.347                      | 5.976      |                           | 3.404 | .002 |                         |       |
|                                    | Promotion  | .175                        | .087       | .311                      | 2.019 | .032 | .888                    | 1.126 |
|                                    | Insentive  | .270                        | .107       | .388                      | 2.521 | .000 | .888                    | 1.126 |
| a. Dependent Variable: Performance |            |                             |            |                           |       |      |                         |       |

The SPSS output shows the regression equation is  $Y = 20.34 + 0.175 X_1 + 0.270 X_2$ . The model shows that:

1. Constants = 20.34

If promotion and incentives are assumed to keep, employee performance will decrease by 20.34

2. Promotion coefficient

The promotion coefficient is 0.175, stating that every increase the score for motivation will be followed by employee performance of 0.175

3. Incentive coefficient

The coefficient value of incentives shows a number of 0.270, stating that if an increase of 1 score to 0.270 will be followed by an increase in employee performance of 0.270

**Table 5 Coefficient of Determination ( $R^2$ )**

| Model                               | R                 | R Square | Adjusted Square | R Standard Error | Durbin-Watson |
|-------------------------------------|-------------------|----------|-----------------|------------------|---------------|
| 1                                   | .572 <sup>a</sup> | .327     | .285            | 2.359            | 1.909         |
| a. Predictors: Incentive, Promotion |                   |          |                 |                  |               |
| b. Dependent Variable: Performance  |                   |          |                 |                  |               |



**Table 6 T-Test**

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. | Collinearity Statistics |       |
|-------|------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
|       |            | B                           | Std. Error | Beta                      |       |      | Tolerance               | VIF   |
| 1     | (Constant) | 20.347                      | 5.976      |                           | 3.404 | .002 |                         |       |
|       | Promotion  | .175                        | .087       | .311                      | 2.019 | .032 | .888                    | 1.126 |
|       | Insentive  | .270                        | .107       | .388                      | 2.521 | .000 | .888                    | 1.126 |

a. Dependent Variable: Performance

From the results of testing hypotheses in a persistent t-test, promotion is obtained by the value of t count of 2.103, while the t table is 0.050. It can be concluded that promotion has a positive and significant effect on

employee performance. The results also show that the value of t count is 2.182 while the t table is 0.050. It can be concluded that incentives have a positive and significant effect on employee performance.

**Table 7 F Test**

| Model |            | Sum of Squares | df | Mean Square | F     | Sig.              |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1     | Regression | 86.669         | 2  | 43.334      | 7.790 | .002 <sup>a</sup> |
|       | Residual   | 178.017        | 32 | 5.563       |       |                   |
|       | Total      | 264.686        | 34 |             |       |                   |

a. Predictors: Insentive, Promotion

b. Dependent Variable: Performance

Based on the results of simultaneous tests, promotion and incentive obtained f count = 6.996 and f table 77.850. F count 6.996 > f table 77.850 indicates that promotion and incentives simultaneously have a direct effect on employee performance.

Promotion is a gift of driving force that creates a employees passion for work so they work together, effectively and integrate to achieve the desired satisfaction. From the results of testing hypothesis partially, promotion is obtained by the t-count value of 2.019 while the t table is 2.039. It can be concluded that promotion has a positive and significant effect on employee performance. This finding is supported by the previous studies (Haryono, Supardi, & Udin, 2020;

Ronen & Zuroff, 2017; Sadegh, 2019; Yamin, Sakawati, & Putri, 2019).

Incentive is the process of improving individual work capabilities in order to achieve the desired work. From the results of testing hypotheses partially, incentive obtained the t-count value of 2.521 while the t table is 2.039. It can be concluded that incentive has a positive and significant effect on employee performance. This result is supported by the previous studies (Almahdi, 2017; Cao, Lemmon, Pan, Qian, & Tian, 2019; Coccia, 2019; Itri et al., 2019; Rawabdeh, Nawafleh, Alsari, & Melhem, 2019; Udin, Handayani, & Yuniawan, 2018).

Performance is the quality and quantity of work achieved by employee in carrying out his/her duties and responsibilities. Based on the results of data analysis, it concludes that promotion and incentive simultaneously affect employee performance. This can be seen in the results of the F test value is  $21.929 > F$  table 2.00 with a significant value of 0.05. Because F test has a significantly value is smaller than  $\alpha$  (0.05), it indicates that employee performance can be explained by promotion and incentive.

## 5. CONCLUSION

This study concludes that promotion and incentives have a positive and significant effect on employee performance. This indicates that better promotion and incentives are given to employees, the employee performance will be increased. Based on the results of the study, managerial implications can be developed (1) to improve employee performance, the company should provide promotion for outstanding employees and loyalty to the company; (2) incentives should be given to employees who are disciplined and loyal to the work and company; and (3) employee performance should be improved especially in the services and good cooperation by all parties.

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