



# The Influence of Communication, Compensation, and Good Corporate Governance on Employee Performance

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## ARTICLE INFO

### Article history:

Received 15 January 2024

Accepted 30 March 2024

Publish 30 April 2024

### Keywords:

Communication, compensation, good governance, and employee performance

## ABSTRACT

This study aims to examine the influence of communication, compensation, and Good Corporate Governance on employee performance. The research involved 197 respondents selected using the Probability Sampling technique with the simple random sampling method. The analysis results show that the communication variable (X1) has a positive and significant influence on employee performance (Y) partially, with a significance value of 0.02. Conversely, the compensation variable (X2) does not affect employee performance (Y), with a significance value of 0.27. Meanwhile, the Good Corporate Governance variable (X3) has a positive and significant influence on employee performance (Y) partially, with a significance value of 0.00. This research can be a useful reference for other parties interested in conducting similar research in the future. The information and findings from this research can be a basis for further research and can be used as a guide in developing employee performance.

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<http://dx.doi.org/10.1016/ger.2023.01.012>

## Introduction

The development of technology and science has changed the role of human resources (HR) from just a production factor to a company asset that must be managed and developed sustainably. In the era of globalization, humans are the center of organizational activities, responsible for company activities, so that attention to HR management becomes a top priority (Sembiring, 2015).

Employee performance is a work result that is closely related to organizational strategy, customer satisfaction, and economic contribution. Employee performance reflects the ability to complete tasks according to company standards, which is influenced by motivation, work environment, and organizational support (Simamora & Sambas, 2023). Performance indicators include quality, quantity, timeliness and work skills (Taufik et al., 2021).

Communication plays an important role in achieving performance. Good communication relationships between leaders and employees can increase productivity, reduce misunderstandings, and support company operational efficiency (Susiana & Suhardi, 2021). In an organizational context, communication functions to convey information, build relationships, and facilitate the exchange of ideas (Dinda et al., 2021).

Compensation is also an important factor that influences employee motivation and performance. Compensation includes financial aspects, such as salary and bonuses, as well as non-financial aspects, such as benefits and a comfortable working environment. Effective compensation management supports employee job satisfaction and productivity (Rofianti & Dewi, 2021).

Good Corporate Governance (GCG), is a principle that encourages and helps companies find a balance between financial feasibility and the expectations of stakeholders and shareholders to take the right actions. The term GCG includes four main principles that need to be implemented by companies in order to gain public trust and expand acceptance in society. The four pillars of these principles are transparency, accountability, responsibility and justice. The fifth pillar is independence (Pohan et al., 2022). Good Corporate Governance is a concept proposed to improve company performance through supervision and monitoring of management, as well as ensuring management accountability to stakeholders in accordance with the applicable regulatory framework. When this concept is implemented effectively, it is hoped that economic growth will continue to increase, along with improved transparency in company management, which will ultimately provide benefits for many parties (Kurniawan & Izzaty, 2019).

**Table 1.**  
*Results of the Mini Research Questionnaire*

Research Questions	Decrease in Employee STS	TS	S	SS
There has never been any miscommunication with superiors/colleagues.	50%	16,7%	20%	13,3%
The amount of wages/salary that I receive is appropriate and there are no deductions for allowances, etc.	46,7%	20%	16,7%	16,7%
Get a bonus/reward if your work meets targets.	43,3%	16,7%	16,7%	23,3%
Employees work freely without pressure from any party.	46,7%	10%	26,7%	16,7%
The head of the department discloses financial and non-financial information to employees in a timely manner.	43,3%	20%	23,3%	13,3%
Employee job description according to educational background.	36,7%	23,3%	30%	10%
The head of the department pays attention to the interests of all employees based on the principles of	50%	23,3%	6,7%	20%

equality and fairness.

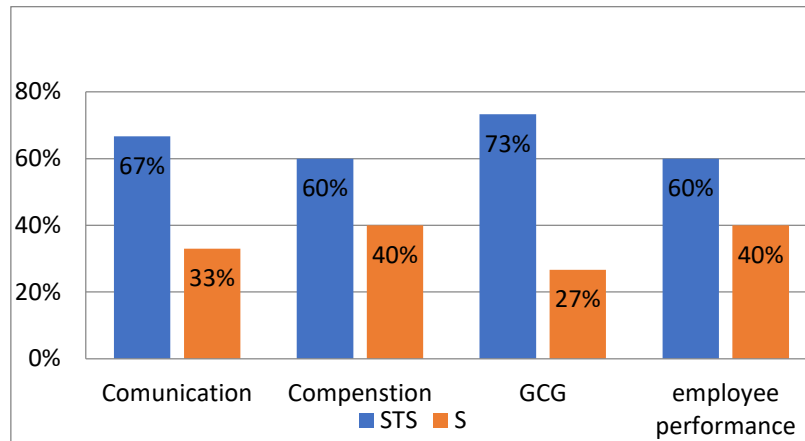
Employees do not postpone work, even if the work is considered light. 50% 10% 26,7% 13,3%

Performance standards and compensation used are in accordance with the analysis of training needs. 36,7% 20% 16,7% 26,7%

Performance standards and compensation used are in accordance with the analysis of training needs. 43,3% 16,7% 26,7% 13,3%

Source: PDAM Tirta Moedal Semarang City

**Figure 1.**  
*Questionnaire Results*



Based on initial observations through mini research conducted using a questionnaire on 30 respondents of PDAM Tirta Moedal Semarang City employees, indications of a decline in employee performance were found. This decline was influenced by communication variables, compensation and the implementation of good corporate governance. The factors identified include miscommunication that often occurs between employees, superiors and customers, lack of rewards or incentives given, delays in completing assigned tasks, as well as the implementation of good corporate governance principles that are not yet optimal.

## Literature Review

### The Effect of Communication on Employee Performance

Communication is an important topic for employees in carrying out their duties within the company. Communication is said to be successful in an employee's performance if there is quality in communication, for example clarity in communication so that it is easy to understand, transparency in communication so that it can increase trust and understanding. et al, (2020) say communication is the transfer of information, ideas, understanding from one person to another who can interpret it according to the intended purpose. Leaders are responsible for evaluating performance and communicating assessments as accurately as possible to employees. Leaders need to know what shortcomings and problems employees face and how to communicate them. Apart from that, leaders must also interact intensively with employees.

### The Effect of Compensation on Employee Performance

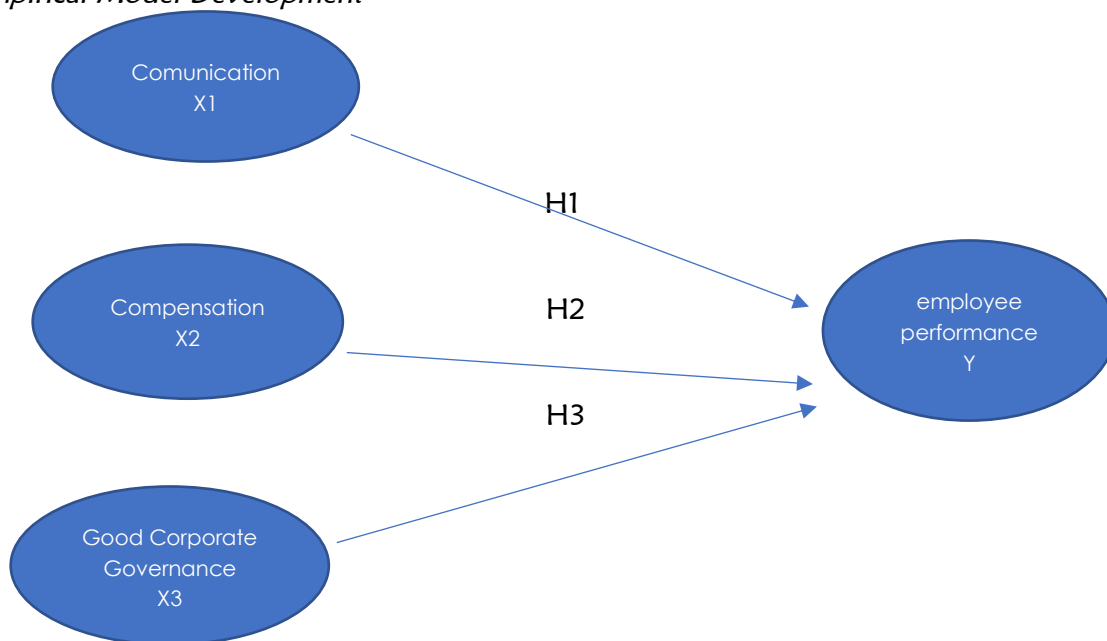
Compensation is the most important element in influencing employee performance. The concept of compensation includes various rewards given by employees in contributing to the organization. Compensation components consist of basic salary, allowances, bonuses and incentives, long-term compensation. Providing compensation can also support employee motivation at work, help retain talented employees and reduce employee turnover, compensation can also encourage employees to meet

or exceed set goals. One theory explaining the effect of compensation on employee performance, namely Expectancy Theory, states that employees are motivated when they believe that their efforts will produce good results, that good work will be appreciated, and that rewards will satisfy their personal needs (Sulthan Muhammad Fauzan & Sary, 2020).

### The Influence of Good Corporate Governance on Employee Performance

Good corporate governance is measured by an instrument consisting of five indicators, namely transparency, accountability, responsibility, independence and justice. Good corporate governance is structured governance that improves the performance and accountability of business operations whose aim is to realize shareholder value in the long term, by taking into account the interests of shareholders. Good corporate governance is a set of rules that define the relationship between shareholders, creditors, management, employees, government, and other internal and external stakeholders in terms of rights and responsibilities and can be said to be a system that regulates and controls a company (Parianti e.t. al., 2023). Referring to the theoretical basis and previous research studies, this research model has been presented in the image below:

**Figure 2.**  
*Empirical Model Development*



H1: Effect of Communication on Employee Performance

H2: Effect of Compensation on Employee Performance

H3: The influence of Good Corporate Governance on employee performance.

### Method, Data, and Analysis

This research uses quantitative methods, which is a process for discovering knowledge by utilizing data in the form of numbers as a tool for analyzing the information you want to obtain. Quantitative research methods rely heavily on numerical elements in data collection techniques in the field. The data used in this research is included in the primary data category, because it was obtained through direct distribution of questionnaires to employees of PDAM Tirta Moedal, Semarang City. Population is a generalization area consisting of objects or subjects with certain qualities or characteristics that have been determined by researchers to be studied and conclusions drawn (Sugiyono, 2015). In this research, the population in question is all employees of PDAM Tirta Modal Semarang City, totaling 387 people with sample calculations using the Slovin formula so that the sample results were 197 respondents.

Research instruments are used to measure the value of the variables studied. The number of instruments

used in research depends on the number of variables present. Validity refers to the suitability between the data presented by the researcher (Azhar & Ardi, 2018). The level of data validity depends on the measuring instrument used. To meet the requirements for the level of data validity, the instrument must meet the following criteria: if the correlation coefficient  $r \geq 0.30$ , then the item is considered valid; if the correlation coefficient  $r \leq 0.30$ , then the item is considered invalid. The reliability test shows that the data collection device is quite reliable, so it can be considered suitable for use. Reliability shows the extent to which an instrument is able to produce consistent research data. The aim of the reliability test is to determine the extent of confidence in the measuring instrument. This test is carried out at a significance level of 0.05, which means an instrument can be considered reliable if the alpha value is greater than the critical product moment  $r$  value. However, another limit that is often used is 0.6 (Azhar & Ardi, 2018).

The normality test is used to determine whether a population is normally distributed or not. The appropriate regression model must have a normal distribution. This test can be carried out using the Kolmogorov-Smirnov test. Data normality testing is carried out using the following criteria (Usmadi, 2020):

- a. If the significance value is  $> 0.05$ , then the distribution can be considered normal.
- b. If the significance value is  $< 0.05$ , then the distribution can be considered not normal.

The partial significance test aims to estimate the magnitude of the influence of an independent variable on the dependent variable, assuming that other variables are considered constant. The test was carried out in two directions at a confidence level of 95%, and the significance test for the relationship between variables was set at 5% with degrees of freedom  $df = n - k$ . The decision criteria are as follows:

- a. If  $T_{count} > T_{table}$  or  $T\text{-value} < \alpha$ , then: The alternative hypothesis ( $H_a$ ) is accepted because it has a significant effect.
- b. The null hypothesis ( $H_0$ ) is rejected because it has no significant effect.

## Result and Discussion

### Validity Test and Reliability Test

This test aims to assess the validity of the questionnaire for each variable. The results of the validity test in this research are presented in the following table:

**Table 2.**  
*Validity Test Results Data*

NO	Variable	Statement	R Calculate	R Table	Description
1.	Comunication	KO1	0,492	0,1398	Valid
		KO2	0,596	0,1398	Valid
		KO3	0,714	0,1398	Valid
		KO4	0,818	0,1398	Valid
		KO5	0,756	0,1398	Valid
		KO6	0,794	0,1398	Valid
		KO7	0,807	0,1398	Valid
		KO8	0,790	0,1398	Valid
		KO9	0,816	0,1398	Valid
		KO10	0,823	0,1398	Valid
2.	Compensation	KS1	0,446	0,1398	Valid
		KS2	0,400	0,1398	Valid
		KS3	0,758	0,1398	Valid

		KS4	0,773	0,1398	Valid
		KS5	0,738	0,1398	Valid
Good	Corporate	KS6	0,731	0,1398	Valid
		CCG1	0,684	0,1398	Valid
3. Governance		GCG2	0,190	0,1398	Valid
		GCG3	0,610	0,1398	Valid
		GCG4	0,202	0,1398	Valid
		GCG5	0,764	0,1398	Valid
		GCG6	0,787	0,1398	Valid
		GCG7	0,776	0,1398	Valid
		GCG8	0,738	0,1398	Valid
		GCG9	0,757	0,1398	Valid
		GCG10	0,661	0,1398	Valid
4. employee performance		KK1	0,612	0,1398	Valid
		KK2	0,222	0,1398	Valid
		KK3	0,655	0,1398	Valid
		KK4	0,678	0,1398	Valid
		KK5	0,631	0,1398	Valid
		KK6	0,561	0,1398	Valid
		KK7	0,641	0,1398	Valid
		KK8	0,661	0,1398	Valid
		KK9	0,348	0,1398	Valid
		KK10	0,368	0,1398	Valid

Sourcer: Primer data processed, 2024

Based on the results of the validity test in table 4.1 above, the questionnaire consisting of 4 variables has 38 statements which were filled in by 197 respondents in this study. To find out which questionnaire is valid or not, we must first know the r table value. The formula for r table is  $df = N - 2$ , so  $197 - 2 = 195$ , then r table = 0.1398. Based on the results of the validity test calculations in the table, it can be concluded that all indicator items in the questionnaire are declared valid and can be used for further testing.

**Table 3.**

*Data from Reliability Test Results*

No.	Variable	Cronbach Alpha Value	Description
1.	Communication	0,905	Reliabel
2.	Compensation	0,616	Reliabel
3.	Good Corporate Governance	0,718	Reliabel
4.	Employee performance	0,698	Reliabel

*Sourcer: Primer data processed, 2024*

Based on table 4.9, it can be seen that all indicators on the variables in the questionnaire show reliable results for use in further research. In this table, the Cronbach's Alpha value for all items shows a value > 0.60. The Communication variable obtained a value of 0.905, the Compensation variable obtained a value of 0.616, the Good Corporate Governance variable obtained a value of 0.718, and the employee performance variable obtained a value of 0.698.



## Normality Test

Table 4.

One Sample Kolmogorov Smirnov Test Results

### One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			197
Normal			Mean
Parameters a, b			Std. Deviation
Most Extreme Absolute Differences			,056
			Positive
			Negative
Test Statistic			,056
Asymp. Sig. (2-tailed)			,200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

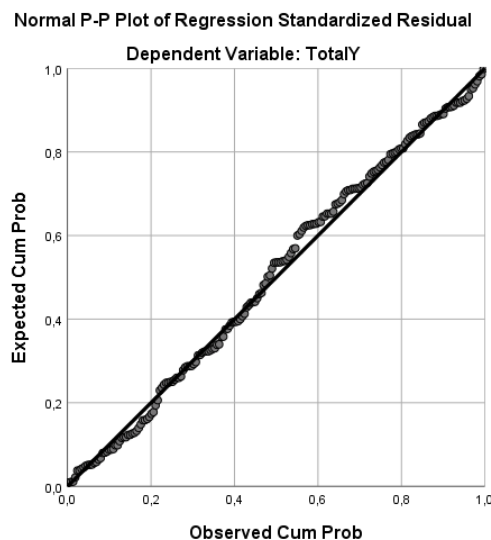
d. This is a lower bound of the true significance.

Sourcer: Primer data processed, 2024

The test results in table 4.10 using the One-sample Kolmogorov-Smirnov Test method show a significance value of 0.200, which is greater than 0.05. This indicates that the research data is normally distributed and meets the assumptions of normality.

Figure 3.

Normality Test Results (P-Plot)



Sourcer: Primer data processed, 2024

Based on Figure 4.1 above, it can be seen that the points on the P-Plot graph approach and follow the diagonal line in their distribution. Thus, it can be concluded that the data in this study is normally distributed.

## Hypothesis Testing

The T test is carried out using a significance level of 0.05 or 5%, where a significance value below 0.05 indicates a significant influence. Data was processed using the SPSS version 26 program as follows:

Table 5.  
T Test Results Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	17,889	2,887			6,196	,000
TotalX1	,071	,032	,141		2,210	,028
TotalX2	,083	,076	,068		1,087	,278
TotalX3	,472	,057	,504		8,260	,000

a. Dependent Variable: totally

Sourcer: Primer data processed, 2024

Based on the analysis results in table 4.15, it can be concluded as follows:

- First Hypothesis Testing (H1) The significance value for Communication (X1) is 0.02, which is smaller than 0.05. Therefore, it can be concluded that the first hypothesis is accepted, which states that the Communication variable (X1) has a significant positive effect on the Employee Performance variable (Y).
- Testing the Second Hypothesis (H2) The significance value for Compensation (X2) is 0.27, which is greater than 0.05. Thus, the second hypothesis is rejected, which states that the Compensation variable (X2) has no effect on the Employee Performance variable (Y).
- Testing the Third Hypothesis (H3) The significance value for Good Corporate Governance (X3) is 0.00, which is smaller than 0.05. Therefore, the third hypothesis is accepted, which states that the Good Corporate Governance variable (X3) has a significant positive effect on the Employee Performance variable (Y).

## Discussion

### The Effect of Communication on Employee Performance

Based on the results of the T Test (partial), the Communication variable has an effect on Employee Performance, which can be seen from the significance value of 0.02 which is smaller than 0.05. This value shows that communication has a positive and significant effect on employee performance. This is natural because without good communication between employees, collaboration between employees and leaders will not run well or be achieved. It can be concluded that communication plays an important role in improving the performance of PDAM Tirta Modal Semarang City employees. (Cv & Pratama, 2022) explains that communication variables have a positive and significant effect on employee performance, and these findings are in line with the results of this research.

### Effect of Compensation on Employee Performance

Based on the T Test (partial), the compensation variable has no effect on employee performance, which can be seen from the significance value of  $0.27 > 0.05$ . This value shows that compensation has no effect on employee performance. The results of data analysis show that compensation has a negative and insignificant effect on employee performance. This negative relationship shows that even though the level of compensation is getting higher, employee performance tends to decrease. An insignificant relationship indicates that variations in compensation do not have a strong influence on employee performance at PDAM Tirta Modal Semarang City. The results of this research support or are in line with previous research conducted by (Lakoy, 2013), which found that partial compensation did not have a significant effect on employee performance.

### The Effect of Good Corporate Governance on Employee Performance

Based on the T Test (partial), the Good Corporate Governance variable has a significant positive effect on employee performance, which can be seen from the significance value of  $0.00 < 0.05$ . This value shows that Good Corporate Governance has a significant positive influence on employee performance. Similar findings are also supported by research (Azizah & Emil, 2020), which confirms that GCG has a significant



impact on employee performance.

## Conclusion

Based on the results of research that has been carried out and presented, it can be concluded that:

1. The Communication variable (X1) has a significant positive effect on Employee Performance (Y) partially, with a significance value of 0.02. This shows that communication between coworkers can influence employee performance at PDAM Tirta Modal Semarang City.
2. The Compensation Variable (X2) has no effect on Employee Performance (Y) with a significance value of 0.27. This shows that compensation does not affect employee performance at PDAM Tirta Modal Semarang City.
3. The Good Corporate Governance variable (X3) has a significant positive effect on Employee Performance (Y) partially, with a significance value of 0.00. This shows that good corporate governance has an influence on employee performance at PDAM Tirta Modal Semarang City.

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