

“The Influence of Discipline, Compensation and Competencies towards Employee Performance (Study at PT Petrokimia Gresik)”

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The competition of agriculture industry especially fertilizer is very tight considering the existence of AEC policy since 2016. This makes local fertilizer company in Indonesia is demanded to improve the quality of its human resources. A good quality of human resources can be measured by good employee performance. This research aimed to investigate factors affecting employee's performance especially in fertilizer industry. This study was conducted to determine the effect of discipline, compensation, and competence on employee's performance. In this study, PT Petrokimia Gresik serve as an object representing all state-owned fertilizer companies in Indonesia. Population in this research are all permanent employees in PT Petrokimia Gresik which are 3,173 employees. For sampling technique, this study used Slovin formula calculation with 10% error rate. The samples obtained in this study were 112 employees of PT Petrokimia Gresik. This study was conducted by regression analysis. The results of research show that discipline, compensation, and competence have a significant effect partially on employee's performance, and competence has a dominant effect on employee's performance.

Keywords: Discipline, Compensation, Competencies, Employee Performance.

INTRODUCTION

Human resources are the most valuable assets in a company, including in agricultural companies. Without human resources the companies will not be able to get profit or increase its own value. Human Resource Management is based on a concept that every employee is human, not machine, and not just a business resource. Therefore, several companies must have a good human resources management. The company will get a great performance and progress if the employees have a great attitude and behavior inside or outside the company.

Quality of human resources can be shown based on how well the employees' performance in organization. Based on the performance of employees, a company can assess whether the employees can meet the expectations of the company with a good quality performance or the worker actually

requires special training in order to meet the expectations of company. Therefore, employee's performance must be considered by manager and company. Employee performance is one factor that is important because the progress of the organization or company depends on the human resources owned. If performance increases then the success of reaching the company's goals is more wide open. On the other hands, if performance declines then it could lead to setbacks for companies and companies cannot maintain its business (Mangkunegara in Mangkunegara and Waris, 2015:1242)

Previous studies found that one of the factors that can affect employee performance is discipline. Discipline has a positive effect on employee performance. Good discipline management can make employees gain more knowledge in terms of work. This is supported by research conducted by (Anthony, 2017) who said

that the discipline can increase employee performance. Anthony also added that good discipline management can broaden the perspective of employees, even easier to make the employees to be promoted. Anthony's research concludes that, current disciplinary action has ensured that institutional growth through effective procedures and good communication. From these statements, it can be seen that the discipline set by the company can affect the performance of employees in the company. However, there are studies that suggest that discipline does not have a significant effect on employee performance, such as research that has been done by (Suwuh, 2015). Based on the results of the questionnaire obtained by Suwuh, 70% of respondents live far away from the workplace. Thus, it affects their work punctuality. Due to the unequal results of the discipline variable on employee performance, the researcher was also interested in doing research involving discipline variable.

In addition, compensation also includes one of the factors that can affect employee performance. Good compensation can improve employee performance in the organization, and can also attract human resources that have good quality. Some researchers pointed out that compensation has a positive impact on employee performance. (Ramzan, et al., 2014) found different results stating that Compensation has a positive impact on employee performance. It is evident from their correlation analysis that all independent variables have weak or moderate positive relationships. Ramzan *et al* also conducted a regression analysis showing that all the independent variables had an insignificant and positive influence on employee performance. Descriptive analysis also reveals that all independent variables have a positive impact on employee performance. That means, what is found by Ramzan et al is the positive compensation but it does not give significant impact on employee performance. However, different

researchers show different results concerning the compensation. One of which is a research conducted by (Rizal, et al., 2014).

The researcher stated that compensation has less contribution to employee performance. The study found that high compensation is incompatible with employee salary conditions, incentives and benefits is not always able to improve employee performance. Hence, the researcher is interested in taking compensation variable to be researched in different companies.

Compensation is a system that all company has made to retain the qualified employee, to give the motivation to the employee so the employees might increase their performance, and also to attract the prospective talented employees. In PT Petrokimia Gresik, the company has different three cores depending on the function of each department which are normal core, supporting core and non-core. Each cores have different compensation for the employee depending on the employees competencies.

Competence is also one factor that can affect the performance of employees in a company. Competence also have important role towards employee performance because competence related with knowledge, skills, behavior that must be possessed by employee in carrying out their professional duties for the organization they are covering. Some researchers found that competence had a positive effect on employee performance, but there were also researchers who found that the competence had no effect on employee performance, as found by (Kolibáčová, 2014). The results of his research, said that there is no relationship between competence and employee performance. However, there is research from (Ismail & Abidin, 2010) from Malaysia which shows that the competence of workers has a significant effect on employee performance. According to the

several statements above, the discipline of work is related to the timing of work and task completion for employee, compensation related to what makes employees motivated to improve their performance, and competence relates to the tasks assigned to employees. That means, discipline, compensation, and competence have an important role to influence employee performance.

Based on the previous description stated in the research background, the problems of the research are elaborated as follow:

1. Does discipline affect the employees's performance of PT Petrokimia Gresik?
2. Does compensation affect the employee's performance of PT Petrokimia Gresik?
3. Does competencies affect employee's performance of PT Petrokimia Gresik?
4. Does competencies has dominant factor affecting employee's performance of PT Petrokimia Gresik ?

LITERATURE REVIEW

Human Resource Management

According to Robbins and Coulter (2012:312), Human Resource Management is important because it can be a significant source of competitive advantage as various studies have concluded for organizations around the world. HRM also an important part of organizational strategies. Achieving competitive success through people means managers must change how they think about their employees and how they view the work relationship. They must work with people and treat them as partners, not just as costs to be minimized or avoided. The way organizations treat their people has been found to significantly impact organizational performance.

Function of Human Resource Management

In carrying out the work, the organization should pay attention to the functions of management and operational functions . According to Flippo (1996: 5-7), there are two human resource management functions, namely:

1. Management Functions

Human Resource function for its management function consists of organizing, planning, leading and controlling human who is an important asset for the company. Here are some explanations of the HR functions in management.

(1) Planning

Planning the workforce effectively and efficiently to fit the need of the company in helping the realization of the goal is very necessary.

(2) Organizing

Activities to organize all employees by establishing the division of employee, work relations delegation authority, integration, and coordination in the organizational chart. The organizations is just a tools to reach a goals.

(3) Directing

Activities directed all employees to cooperate and work effectively and efficiently in helping the achievement of corporate goals, employees and society

(4) Controlling

Controll all employees to comply with company regulations and work according to plan is important in organizations.

2. Operational Functions

Human Resource function for its operational function consists of procurement, development, compensation, and integration. these are some explanations of the HR functions in operational.

- (1) **Procurement**
The process of withdrawal, selection, placement, orientation, and induction to get employees that fit the needs of the company. Good procurement will help achieving goals.
- (2) **Development**
Development is the process of improving the technical abilities, theoretical, conceptual, and moral skills of employees through education and training.
- (3) **Compensation**
Direct and indirect payments, money or goods to employees in return for services rendered to the company.
- (4) **Integration**
Activities to unite the interests of the company and the needs of employees, in order to create a harmonious and mutually beneficial cooperation

So the HR function according to the description above consists of management functions and functions of operations consists of organizing, planning, organizing, leading and controlling human who is an important asset for the company. Meanwhile, an operational function of employees includes procurement, development, compensation, and integration.

Managers should link the implementation of HRM with organizational strategies to improve performance, develop a corporate culture that supports innovation and flexibility. With the implementation of human resource management function, the quality of the company's employee's performance will increase. Employee's performance is necessary to develop the quality of the company in any way. By having good employee's performance quality, the company can achieve its vision and mission easily.

Employee's Performance

Performance variables are generally widely used in thesis titles, and are

generally used as dependent variables. Understanding performance by experts found in many management books, or on the internet. According Sulistiyani and Rosidah (2009), a person's performance is a combination of ability, effort, and opportunities that can be assessed from the results of his or her work. Meanwhile, according to Bernardin and Russel (in Sulistiyani and Rosidah, 2009: 223-224) states that the performance is an outcome record generated from the function of certain employees or parts performed over a period of time.

Factors Affecting Employee's Performance

Performance in carrying out its function does not stand alone, but it is always associated with employee's job satisfaction and the level of reward given, and it is also influenced by the skills, abilities and individual traits. Regarding employee's performance, partner-lawyer according to Rivai (2005: 16) stated that Individual performance can basically be influenced by several factors, namely expectations on rewards (compensation), encouragement (motivation), ability / skill (competencies), work time pressure (discipline), performance appraisal, and certainty of work (career development). In accordance with the statement partner-lawyer, it can be concluded that the factors that affect employee's performance are discipline, competencies, compensation, motivation, performance appraisals, and career development

Work Discipline

Some previous researchers such as Thaief et al (2015), Dewi (2013), and Mangkunegara and Waris (2015) have proved that discipline does have a significant effect on employee's performance. Discipline is included in environmental task because according to Weinberg (1992), the employee who do not follow the rules will suffer from a loss such as their competencies will be ignored, and their production in their company will have

lower quality, such as new problem, then there will be increasing number of complaints from customer and then it will create an urgency disturbance, then causes some huge time pressure, and ultimately it will result in a more ignored procedure than before (Weinberg, 1992: 278-282). It means discipline is related to time pressure for some task. Discipline is related to one of the examples of the important value that might be judged as one of a good performance for example great attitude and behavior. Discipline is a tool used by the manager to communicate with employees so that they are willing to change a behavior as well as an effort to raise awareness and the willingness of a person to obey all company regulations and prevailing social norms. According to Appelo (2011:186), Discipline is one of the important elements for the competencies. The function of the discipline from all perspective is similar.

Work discipline is the professionalism attitude that any kinds of company must add as its culture. If the company can make a new behavior such as discipline for its employee, not just for itself, the company might be able to increase its performance. Moreover, work discipline might be one of the reasons underlying why an employee has a good work performance.

According to Kurt Lewin formula (in Helmi, 1996:37-38) there are two factors that might influence the work discipline:

- (1) Personality Factors
Personality factors that influence the discipline is like the employee's principle. Employees must have the value of their own principle to develop their discipline from themselves. According to Kelman (in Helmi, 1996:37), there are three levels of mentality change in someone's attitude, namely:

- (a) Obedience
This level of discipline is based on the principle of "afraid" of superiority.

Usually, this level of discipline will occur when the employees are directly faced with their boss to get the superior's positive attention on him/her. If there are no superiors in front of them, the employee's discipline won't occur.

- (b) Identification
This level of discipline is based on admiration to superior. For example, charismatic superior is exactly respected and becomes the main identification. Then, the employee will make their charismatic leader as the example for the discipline to occur. If this "main identification" leaves the company or organization, work discipline will decrease and the infraction will increase.

- (c) Internalization
This level of discipline will always occur if the employees have their own value of discipline in their personality. They depend on nobody. This level of discipline has already been planted in their own mind as their principle.

- (2) Environmental Factors
Discipline is also formed from the someone's interaction with environment, especially social environment. A high work discipline is not directly develop, but it is formed by continued learning process. Disciplinary will strighten up some group life together, then it will make the relationship of the group is binder up peacefully between individual to other individual.

High work discipline does not just appear, but it is a process whereby individuals are required to learn continuously. In order to be effective, leaders need to play a role in observing the learning process and also need to pay attention to consistent, fair, positive, and open principles.

Compensation

According to Dessler (2014:275), Employee's compensation includes all forms of pay going to employees and arising from their employment. It has two main components, direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations). The compensation plan should first advance the firm's strategic aims that is why management should produce an aligned reward strategy. This means creating a total pay package that produces the employee's behaviors to the firm needs in supporting and achieving its competitive strategy. We will see that many employers formulate a total rewards strategy. Total rewards encompass the traditional pay, incentives, and benefits, but also things such as more challenging jobs (job design), career development, and recognition.

With respect to compensation, managers should address four forms of equity: external, internal, individual, and procedural

- (1) External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies.
- (2) Internal equity refers to how fair a particular job's pay rate is when compared to other jobs in the same company.
- (3) Individual equity refers to the fairness of an individual's pay as compared with what his or her coworkers are earning for the same or very similar jobs in the company, based on performance.
- (4) Procedural equity refers to the "perceived fairness of the processes and procedures used to make decisions regarding the allocation of payment.

Managers use various means to address these four equity issues. For example, they use salary surveys (surveys

of what other employers are paying) to monitor and maintain external equity. They use job analysis and comparisons of each job ("job evaluation") to maintain internal equity. They use performance appraisal and incentive payment to maintain individual equity. And they use communications, grievance mechanisms, and employee's participation to help ensure that employees view the payment process as procedurally fair. Some firms administer surveys to monitor employees' payment satisfaction.

Job Evaluation Method is a formal and systematic comparison of jobs to determine the worth of one job compared to another. Job evaluation aims to determine a job's relative worth. Job evaluation eventually results in a wage or salary structure or hierarchy (this shows the payment rate for various jobs or groups of jobs). The basic principle of job evaluation is jobs that require greater qualifications, more responsibilities, and more complex job duties should receive more payment than jobs with lesser requirements. The basic job evaluation procedure is to compare jobs in relation to one another. There are six method in job evaluation, namely:

- (1) *Compensable Factors*
Compensation management specialists call these compensable factors.
- (2) *Preparing for the Job Evaluation*
The main steps include identifying the need for the program, getting cooperation, and then choosing an evaluation committee.
- (3) *Job Evaluation Methods: Ranking*
There are several steps in the job ranking method:
 - (a) Obtain job information. Job analysis is the first step. Here job descriptions for each job are prepared, and the information they contain about the job's duties is usually the basis for ranking jobs.

- (b) Select and group jobs. It is usually not practical to make a single ranking for all jobs in an organization
- (c) Select compensable factors. In the ranking method, it is common to use just one factor (such as job difficulty) and to rank jobs based on the whole job.
- (d) Rank jobs. Give each rater a set of index cards, each of which contains a brief description of a job. Then they rank these cards from lowest to highest. Some managers use an "alternation ranking method" for making the procedure more accurate
- (e) Combine ratings. Several raters rank the jobs independently.
- (4) Job Evaluation Methods: Job Classification
Job classification is widely used job evaluation method in which raters categorize jobs into groups; all the jobs in each group are of roughly the same value for payment purposes.
- (5) Job Evaluation Methods: Point Method
The point method is to determine the degree to which the jobs you're evaluating contain selected compensable factors.
- (6) Computerized Job Evaluations
The evaluation committees must debate the level of each compensable factor in each job. They then write down their consensus judgments and compute each job's point values or rankings.

Competencies

Every single company has a competency standard to keep managing the employee into a zero mistake. According to Katawneh (2014:380), competencies management is the most important and known in raising the efficiency and effectiveness of the performance of employee. Competencies is also meant to know the positive thing reflected on the overall performance of the organization. Competencies represent the aquired skills

which enable the employee to work in a given context. Organizations have sought to build competence models to identify key competencies that organizations need to be more competitive and successful in the future. Organizations benefit from the use of competence because it gives them a better and more sophisticated way to manage, measure, and improve employee quality.

According to Suswardji, *et al.*, (2012:958), competencies as an ability to create a satisfying level in a work place, such as the ability to transfer and implement the skill and knowledge in a different situation. Sutrisno (2010: 202) stated that etymologically, competence is defined as the dimension of skill behavior or the superiority of a leader or staff has good skills, knowledge, and behavior. The definition of competence by Mc.Clelland (in Sedarmayanti, 2007: 126) is competency is a fundamental characteristic of a person who directly affects, or can predict, excellent performance. In other words, competence is what outstanding performers do more often, in more situations, with better results than what the policy assessor does.

According to Spencer and Spencer in Prihadi (2004: 38-39) there are 5 (five) characteristics of competence, namely:

- (1) Motives are things that people think or want consistently that cause action.
- (2) Traits are physical characteristics and responses consistent with the situation or information.
- (3) Self-concept is the attitudes and values that a person has.
- (4) Knowledge, is information that a person has for a particular field. Knowledge is a complex competence
- (5) Skill is the ability to perform a certain task both physically and mentally.

Hence, competencies can be linked to performance in a causal flow model that indicates that goals, behaviors, self-

concepts, and knowledge competencies that then predict competency performance including intentions, actions and outcomes.

Employee's competence is needed by every organization especially to improve performance. According to Prihadi (2004: 57) the benefits of competence are:

- (1) Predictor of work success. An accurate competency model will be able to determine exactly what knowledge and skills are needed to succeed in a job. If a person holds a position is capable of having the competencies required in his position then he can be predicted to be successful.
- (2) Recruit reliable employees. Once successfully determined what competencies are required for a particular position, it can easily be used as the basic criterion in the recruitment of new employees
- (3) Basic assessment and employee's development. Accurate identification on job competence can also be used as a measurement of one's ability. Thus, based on this competency system it can be known whether someone has certain competence, how to develop it using training and coaching or he needs to be mutated to other parts.

Motivation

Work motivation is linked with a work disciplinary. Work disciplinary will create motivation to do a good performance when doing some assignment. According to Sanjaya (2015:26), motivation is to teach how to push work enthusiasm so we can mobilize our skill and ability that we have to reach our goals. Some individuals have strong urge to success. They usually do more struggle to reach the individual goals rather than getting the achievement. Motivation is also the activity of causing, distributing, caring, and pushing the human behavior (Reza 2010:18).

Abraham Maslow did a research about the work motivation and found some indicators for weak motivation. According to Sofyandi and Garniwa (in Sanjaya, 2015:27), there are some indicators showing weak motivation namely:

- (1) Physiological Need
This need is similar to the primary need of a human being such as food, drink, place to live, oxygen, sleep, etc.
- (2) Safety Need
After physiological needs are fulfilled, a person needs safety such as protection from work accident, work assurance, and old day assurance after they are retired.
- (3) Social/Love/Belonging Need
Social need is in the form of friendship, alliance, and interaction with other people. In some organization, social need is like unified work groups, good supervision, vacation together, etc.
- (4) Esteem/Achievement Need
This need is needed if one want to be repected as a person for the achievement, skills, abilities, and work effectiveness which are not owned by other people .
- (5) Self-actualization Need
This necessity means daily necessities, such as daily necessities, food and drink, clothing to meet the needs of his family.

Maslow himself had considered this need to have the highest hierarchy. Self-actualization is realized in the development process of real potential from someone. Self-actualization need can increase one's potential because other person gives his/her ratio of the attitude. Some individuals have a strong need and wants to reach their goals. Some individuals also have many different kinds of motivation to push themselves into it. Work motivation is something or anything that could push the employee so they can do what their best for the company. It might

also be concluded as reciprocal for the employee.

Performance Appraisal

In every organization, Human Resources is a vital thing that could affect the company performance. If employees in the organization are happy, they will do their best for the organization. That is why, it is very important to manage human resources. The organization strives to satisfy and support its employees to get the best results. Performance appraisal is one of the main functions of HR management. Employees with the whole organization will work better when their performance is assessed. If there is no assessment of employee's performance for their good performance, then they will not do it again in various jobs

Performance appraisal is an assessment of the real work with the quality standards and quantity produced by each employee. Performance appraisal of employees absolutely must be done to know the achievements that can be achieved by each employee. Performance appraisal is important for every employee and that is useful for the organization to make decisions and establish further policy actions.

Career Development

Oduma and Were (2014) stated that a leader who expects maximum performance in his organization should pay attention to factors affecting the employee's own performance. One of the factors is career development. Career Development is one of important factors in achieving an employee's job satisfaction. With career development one can foster an employee's ability to work better.

Career development is needed for every employees in the course of their working life. With the career development, the employees will get material satisfaction such as facilities, salary increases, allowances and non-material satisfaction such as feelings of pleasure, pride and etc.

Discipline, Competencies, and Compensation

The researcher decided to choose discipline, competencies, and compensation as independent variables towards the employee's performance because the independent variable is more specific, as mentioned above in "performance appraisal". Researchers found that performance appraisals were assessed on a range of issues, such as work ability, discipline, employment relations, initiative, leadership and specific matters corresponding to occupied occupations. That means, discipline is included in the assessment of employee's performance to develop employee's performance.

Compensation is also one way to increase employee's motivation. So, the compensation is going to be the one of the things that could improve the employee's performance through their motivation. Therefore, the researcher wonders whether the compensation that has been applied at the company is enough to increase the motivation and give effect to the performance of employee's in the company. Compensation is also included in carer development to improve the employee's performance.

Not just compensation, the competencies is also one of the career developments that becomes an important thing to develop the performance of the employees. According to the previously mentioned theory, Career Development is one of important factors in achieving an employee's job satisfaction. With career development, someone can foster an employee's ability to work better. That means, before the career development occurs, the manager must motivate the employees to improve their ability or skill in the workfield. Then, the manager can take the performance evaluation for some periode of time to approve the employee's work performance. Ultimately, manager can decide if he will improve the employees career or not.

This is also supported by previous research that has been done by some researchers such as Thaief, et al., (2015), Dewi (2013), Mangkunegara and Waris (2015), and Ramzan et al (2014). These researchers have stated that discipline, compensation, and competence have a significant influence on employee performance. Therefore, that is why the independent variables namely discipline, compensation, and competencies are considered as the specific important factors that can develop the employee's performance, and the researcher wants to apply the theory to a big company such as PT Petrokimia Gresik to prove whether discipline, competencies, and compensation affect employee's performance or not.

AMO Theory

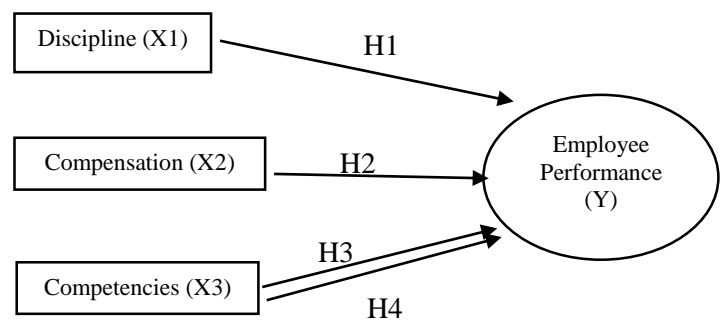
In addition, there is a conceptual theory called Ability, Motivation, and Opportunity (AMO) theory that is related to discipline, compensation, and competencies that is oftenly used in employee performance research. According to Gerhart (2005: 175), HRM practices will affect the people's ability (appropriate selection, hiring, training instruments), motivation (pay for performance such as compensation), and opportunity (opinion or suggestion, teamwork systems) to contribute to firm performance.

According to a research conducted by Bos-Nehles, et al., (2013), the use of AMO theory is based on the formula $P=A+(A \times M)+(A \times O)$ as an hypothesis. In this case, only ability will have an independent and direct positive effect on performance. The result showed that motivation and opportunity had no direct significant effect on HRM implementation effectiveness. Motivation would become a substitute of ability. If a line manager is able to perform well, motivation will add nothing except the expense of making him motivated.

Therefore, the independent variables namely discipline, compensation, and competencies are considered as the specific important factors that can develop the employee's performance, and the present researcher wants to apply that theory to a big company such as PT Petrokimia Gresik to prove whether discipline, competencies, and compensation affect employee's performance or not.

Hypothesis

According to Sugiyono (2008:63), hypothesis is a temporary answer to the formulation of problems. Before analyzing the aquired data, the theory from several books and previous research combined as hypothesis will help to analyze data further. Based on the problems, there are some hypotheses model of this research:



Source: Researcher, 2017

Figure 2.2. Hypothesis Model

Discipline is needed in every companies to increase the quality of employee's performance in every important sector such as production department that might produce a good quality product. The maintenance of disicipline culture might impact the company's condition at the future. According to the several previous research, it can be seen that discipline has a positive effect on employee's performance. Some researchers such as Dewi (2013), Mangkunegara and Waris (2015), and Thaief et al (2015) have proven that discipline and compensation provide a

positive impact on employee's performance. The previous researches suggest that timeliness is important to improve the discipline of employees, because if the employees finish their job according to the time that has already been set (timeliness) the company's quality might improve in all sector. Therefore, the first hypothesis is:

- H1: Discipline has positive effect on employee's performance**
- H2: Compensation has positive effect on employee's performance**
- H3: Competencies have positive effect on employee's performance**
- H4: Competence has a dominant effect on employee's performance**

RESEARCH METHOD

Type of Research

This study is an *Explanatory Research* with quantitative approach or survey method. According to Creswell (2009:145), quantitative method or usually called survey method is a data that provides numeric of trends, attitudes, or opinion that is studied from the population. In quantitative approach, the researcher tests some theory by specifying the hypotheses and collecting data that are similar to the topics to support the hypotheses. the design of a survey method uses standard format. there are so many examples that the researcher can find on things related to the design of survey method in scholarly journals, and from those journals there are so many useful type of research. Explanatory research is a research that often appeals to researches with many quantitative approach. This is typically using explanation to explain quantitative results by collecting and analyzing qualitative data (Creswell, 2009:211).

This research uses questionnaire for the main data collection tools. The researcher used questionnaire to study the population and to get the information

related to discipline, competence, compensation, and their relationship to employee performance in the company. Therefore, the researcher used some of the question as a pronouncement form that is related with four variables.

Object

Object of research is the underlying of a study based on the study and the same conditions of the purpose of this study. The research object in this study is discipline, compensation, and competence in employees of PT Petrokimia Gresik. The researcher chose PT Petrokimia Gresik because PT Petrokimia Gresik has the largest number of permanent employees compared to all subsidiaries of PT Pupuk Indonesia. By having many employees, the company can represent a key problem in this research. The company can also represent other state-owned fertilizer companies because it has the largest number of employees. This is based on PT Pupuk Indonesia annual report which can be seen on Table 3.1.

Table 3.1. The Total of Permanent Employees of Each Subsidiary of PT Pupuk Indonesia.

Company's Name	The Total of Permanent Employee
PT Petrokimia Gresik	3,173
PT Pupuk Kujang Cikampek	1,154
PT Pupuk Kalimantan Timur	2,150
PT Pupuk Iskandar Muda	656
PT Pupuk Sriwijadja Palembang	2,364

Source: PT Pupuk Indonesia Annual Report, 2016.

Population

According to Sekaran and Bougie (2013:240), population is the entire group, event, or things that have related with the topics for the researcher that the researcher

want to find out. Population is a whole object or subject such as people, animal, events, or anything that could have relation with the researcher topics. In this study, researchers want to know the discipline, compensation, and competence of all employees, except employees who have a manager position, because the questionnaire items from this study is related to the opinions of respondents to the manager. Therefore, the population in this study are all employees of PT Petrokimia Gresik who have the position of executants, Grade V (Junior staff), Grade IV (Intermediate staff) and Grade III (Division staff). The total population for this study was 3,173 employee.

Sample

Sample comprises several groups selected from population. Sugiyono (2008: 81) argued that the sample is part of the number and characteristics possessed by the population. This research uses probability sampling technique which is proportionate stratified random sampling. Proportionate stratified random sampling is done by dividing the population into subpopulations / stratum proportionally and done randomly (Sekaran and Bougie 2013: 248). Sampling technique with proportionate stratified random sampling is done by collecting data on the number of employees from each section which then determined the number of samples required for each section. The sample size of this study is determined by the slovin formula.

$$n = \frac{N}{1 + Ne^2}$$

Which: n = Total Sample, N = Total Population, e = Error level (usually 1% or 0.01, 5% or 0.05, and 10% or 0.1) (notes: it can be selected by the researcher)

The population in this study is 3,173 employees and the precision of the errors set is 10% or 0.1. then the sample size in this research are:

$$n = \frac{3,173}{1 + 3,173 (0.1)^2}$$

$$n = 96.9 \text{ or } 97$$

Then, to determine the size of the sample in each position is done by proportional allocation so that the samples taken are more proportional in the following way:

$$s = \frac{n}{N} \times S$$

Which: s = Total sample for each position, n = Total population for each position, N = Total population, S = Total sample.

The level of organization in PT Petrokimia Gresik consists of six grades, namely Grade I (General Manager/Primary Staff), Grade II (Manager/Secondary Staff), Grade III (Division Head/Senior Staff), Grade IV (Section Head/ Intermediate Staff), Grade V (Head Team/Junior Staff), and the Executants. However, since the sample targets of this study were staff under the manager, the sample was selected from grade III, grade IV, grade V, and executants. Thus, the total sample for each position to be proportional can be calculated as shown on Table 3.2

Table 3.2. Calculation of the Sample Number of each Level of Position

No .	Level of Position	Populations (employees)	Calculation	Samples (employees)
1.	Grade III	217	$\frac{217}{3,173} \times 97 = 6.6$	7
2.	Grade IV	781	$\frac{781}{3,173} \times 97 = 23.8$	24
3.	Grade V	910	$\frac{910}{3,173} \times 97 = 27.8$	28
4.	Executants	1,265	$\frac{1,265}{3,173} \times 97 = 38.6$	39
Total				98

Source: PT Petrokimia Gresik, 2017

Research Timeline

This research was conducted on May, 2nd 2017 until May, 31st 2017 at PT Petrokimia Gresik. This research used cross-section timeline. According to Olsen and St. George (2004:7), cross-sectional study aims to select the whole population, and from each individuals the data are collected to support the data questions of interest. Cross-sectional study has the information about X and Y that is collected represents what happens at only one poin in time. It might be done to determine the relationship between dependent and independent variables.

This module will use the term cross-sectional study to determine that there are some cause and consequences between descipline (X1), compensation (X2), and competencies (X3) towards the employee performance (Y) and using the questionnaire to collect the data that is used to ask question of the research participant.

Data Collection Method

The data collected are mostly from questionnaire. Questionnaire is data collection method that is conducted by distributing some questions that are related to the topic to the respondent or population knowing about the topic. Questionnaire is preformulated written list of question that respondents can write their answer. The questionnaire was chosen because it is an efficient data collection mechanism to know exactly what is needed and how to measure research variables. Therefore, using questionnaire is cheaper and it is not time consuming. The questionnaire uses Likert scale which has 5 answer preferences, namely: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Operational Definition and Variable Measurement

According to Sekaran and Bougie (2013:200), operational definition or usually called operationalizing is a reduction of a raw concepts to make the

variable more measurable in a tangible way. The independent variables used in this research are Work Discipline (X1), compensation (X2), Competencies (X3), and Employee Performance (Y) as a dependent variable.

Independent Variable

The independent variables are variables that could affect the dependent variable

1. Work Discipline (X1)

According to Thaief, et al., (2015:27), it refers to a behavior and attitude of the employee to comply with applicable regulation and to set the organization to make it based on the self-awareness. Work discipline has four indicators, namely:

- (1) Frequency of attendance at the office on weekdays as well as the accuracy of the clock in and go home
- (2) Compliance with applicable regulation
- (3) Attendance to prescribed standards of work
- (4) The work ethic of employees in the company.

These four indicators will be the elements for the questionnaire to do this research.

2. Compensation (X2)

Based on the Thaief, et al., (2015:26), compensation is a form of reward or payment provided by the company to give the encouragement to the employee directly or indirectly. There are five indicators that can become the element for the questionnaire. They are:

- (1) Salary is the remuneration received by employees periodically in the form of money based on the standard that is already determined by the company
- (2) Additional remuneration is granted to the employees as a form of salary related to the performance that is more than the standards and it is a tool to motivate the employee.

- (3) Protection is a system of compensation in the form of achievement. It can be done by providing a sense of security, such as terms of financial, health, physical safety (insurance, retirement, etc).
- (4) Facility awarded to the company in the form of material thing such as transportation and house provided by company.

3. Competencies (X3)

According to Katawneh and Osman (2014), to measure compensation, the researcher must consider the following things:

- (1) The level of the employees assignment. The assignment given by the employee might influence their skill improvement or not.
- (2) The difficulties of the employees assignment. Employees might feel that they have controlled their assignment by themselves or still depends of the group for one assignment.
- (3) Manager control. The employee must give the report about their assignment progress to the manager or not.
- (4) Job Evaluation. The managers or the superiors give the evaluation for their subordinate's work in each of certain period.

Dependent Variable (Y)

The dependent variable of this research is Employee Performance. According to Thaief, et al., (2015:27), measurement tools that the researcher used for this dependent variable are:

1. **Timeliness:** to measure the things related to time working to finish employees assignment. For example, the employees need to add sometime to finish their assignment.
2. **Quantity of work:** It aims to know whether employees total assignment are already appropriate with their ability and the facilities that are given by the company.

3. **Quality of work:** It aims to know the standard quality of the assignment whether it has already fitted with the employees' skill and ability or not.

Based on the definition of the above variables, we know that there are many factors or indicators in each variables. Each variables have several indicators that representing each variable as the factor that influenced the dependent variable. Therefore, the indicators can be summarized as in table 3.3 below.

Table 3.3. Summary of Variables and Indicators of the Research

Variables	Indicators	Source
Work Discipline (X1)	Frequency of attendance (X1.1)	Ilham, <i>et al</i> , 2015
	Compliance with applicable regulation (X1.2)	
	Attendance to prescribed standards of work (X1.3)	
	The work ethic of employees in the company (X1.4)	
Compensation (X2)	Salary (X2.1)	Ilham, <i>et al</i> , 2015
	Additional remuneration (X2.2)	
	Protection (X2.3)	
	Facilities (X2.4)	
Competencies (X3)	The level of the employees assignment (X3.1)	Katawneh and Osman, 2014
	Job Evaluation (X3.2)	
	The difficulties of the employees assignment (X3.3)	
	Manager control (X3.4)	

Variables	Indicators	Source
Employee Performance (Y)	Timeliness (Y1)	Ilham, <i>et al</i> , 2015
	Quality of Work (Y2)	
	Quantity of Work (Y3)	

Source: Researcher, 2017.

Data Analysis Method

According to Reza (2010:33), before performing data analysis, it is necessary to do engineering stages data processing such as editing, coding, scoring, and tabulating. Editing is a process of checking and adjusting what is obtained in a research data to facilitate the process of coding and data processing with statistical techniques. After editing, giving marks in the form of numbers on the answers of the questionnaire is done. After that, it is continued by grouping the data into the same category if it is necessary. The coding goal is to simplify the answer. Then, it is continued by changing the data that is qualitative in the form of quantitative. In this case, researcher used *Likert scale* in the research questionnaire which means score of 5 is awarded for a strongly agreed answer, score of 4 is awarded for the agreed answer, score 3 is awarded for a neutral answer, score 2 is awarded for the disagree answer, and score of 1 is entitled to a strongly disagree answer.

After the data from the questionnaire are processed, there are several test done by the researcher to make this research more reliable. In other words, these test are called as research instruments which include: validity test, reliability test, classical assumption test, multilinear regression test, and hypothesis test.

Validity Test

Validity test is used to measure the validity of a questionnaire. According to Ghozali (in Reza, 2010), a questionnaire is said to be valid if the question on the questionnaire is able to reveal something that will be measured by the questionnaire. In this case some questions are used to accurately reveal the measured variable.

The calculation of the validity uses the *product moment* formula:

$$r = \frac{n(\sum xy) - (\sum x \sum y)}{\sqrt{\{n \sum x^2 - (\sum x)^2\} \{n \sum y^2 - (\sum y)^2\}}}$$

Which: r = The correlation coefficients of independent and dependent variables, n = Total of sample, X = Item score, Y =Total score.

The validity or invalidity of an item can be determined by comparing the correlation index of products with a significant level of 5%. The instrument is declared as an invalid if the probability of a correlation result is above 0.05 (5%), but the instrument is valid if the coefficient value between items with item number has a significant level below or equal to 0.05 (5%). The instrument validity test is performed by calculating the correlation between the instrument response score and the total score of the instrument. In this research, testing the validity of items of each variable was conducted by using SPSS.

Reliability Test

A research can be declared as reliable if there are similarities of data in different time periods. Reliability is the term used to show a measurement result that is relatively consistent when the measuring instrument is used repeatedly. A reliable measuring tool is a measuring tool that can measure a symptom at different times while still showing consistency of results. According to Arikunto (in Aftika, (2012:45) too test the reliability, Cronbach Alpha Formula can be used:

$$r_{11} = \frac{k}{k-1} \times \left\{ 1 - \frac{\sum S_i^2}{S_t^2} \right\}$$

Which: r_{11} = Reliability of the Instrument, k = Questions, S_i = Number of grain variance, S_t = Variance total.

If the research variable has Cronbach Alpha which is greater than 60% (0.06)

then the variable is said to be reliable. On the other hands, if Cronbach Alpha is less than 60% (0.06) then the variable is said to be unreliable. SPSS is used to determine the value of reliability of this research.

Classical Assumption Test

Prior to testing multiple linear regression analysis of the research hypothesis, it is necessary first to perform a test of classical assumptions. The classical assumption test is a way of knowing whether the regression model obtained can produce a good linear estimator. In this study, the classical assumption test use normality test, heteroscedasticity test, and multicollinearity test.

Normality Test

Normal distribution is a continuous distribution which requires that the measured variable be continuous. Normality test aims to test whether in a regression model, the dependent variable, independent or even both variables have a normal distribution or not. Normality testing is performed to find out a normal distributed data or not. In this study, the researcher used Kolmogorov-Smirnov test with the following guidelines:

- (1) H_0 is accepted if the p-value is in the Asimp.Sig (2- tailed) > level of significant ($\alpha = 0,05$) column; therefore, H_a is rejected.
- (2) H_0 is accepted if the p-value value in the Asimp.Sig (2-tailed) column < level of significant ($\alpha = 0.05$); therefore, H_0 is accepted

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in a regression model there is a variance inequality from one observation to another. If the variance is different then it is called heteroscedasticity, but if the variance is fixed, it is called homocedasticity. In this case, a good regression model is a regression that does not have heteroscedasticity (Ghozali, 2006:91).

To detect the presence or absence of heteroscedasticity, then the following basic analysis is used:

- (1) If there is a certain pattern, such as certain points that exist and form a regular pattern such as waves, widen then narrowed, it means heteroscedasticity occurs.
- (2) If the pattern is not clear, as well as dots spread irregularly above and below the number 0 on the Y axis, then it occurs homocedasticity

Multicollinearity test

According to Ghozali (2006: 91), the function of multicollinearity test in the regression model is to find out the correlation between independent variables. If there is a correlation, then there is a problem called multicollinearity. In this case, a good regression model should not have multicollinearity on its independent variable. To know the existence of multicollinearity in this research, the method used is Tolerance and Variance Inflation Factor (VIF). Multicollinearity is detected in independent variables when $VIF > 10$, but there will be no multicollinearity when $VIF < 10$.

Multiple Linear Regression

Regression Equation

This model is used to know the influence of independent variable to dependent variable. In this research, there is one dependent variable that is employee performance, three independent variables namely discipline, compensation, and competencies. The regression equation can be formulated as follows (Suharyadi and Purwanto, 2004: 509):

$$Y = b_1X_1 + b_2X_2 + b_3X_3 + e$$

Which: Y = Employee Performance, b_1, b_2, b_3 = Coefficient of Regression, X_1 = Discipline, X_2 = Compensation, X_3 = Competencies, e = Error term.

This regression equation formula does not use constant value because the data in this research using likert scale, so the data of this research need standard transformation (standardized).

Coefficient of Determination

The determination coefficient test (R^2) is performed to measure how far the ability to explain the dependent variables. In this research, determination coefficient test is used to find out how big the contribution of variable discipline, compensation, and competence to employee performance. According Ghozali (2006), coefficient of determination is calculated by the formula as follows:

$$Kd = r^2 \times 100\%$$

Which: Kd = Coefficient of Determination, r = Correlation coefficient value.

If this test found Kd value between 0 to 1, it can be said that the amount of variable contribution discipline, compensation, and competence is in accordance with the value of Kd itself, then the rest comes from other factors.

F Test (Model)

The model feasibility test or more popularly referred to as the F test (some call it a model simultaneous test) is an early step in identifying a feasible or unimportable regression model. Feasibility means that the estimated model is worthy to be used to explain the effect of the independent variables on the dependent variable. The test name is referred to as the F test, as it follows the following F distribution whose testing criteria are like One Way Anova. In this research, F test is used to find out about the validity of the hypothesis framework, whether independent variable's framework is valid with the dependent variable or not. According to Lind, *et al* (2011:411-412), Distribution F has the following characteristics:

- (1) Distribution F is continuous.
- (2) F distribution can not be negative.
- (3) The shape is not symmetrical.
- (4) Asymptotic.

In this study, F test statistics is used to determine whether the regression model of the discipline variable (X1), compensation (X2), and competence (X3) can be estimated to be reasonable or not to the Employee Performance variable (Y). The Formula for Test F as proposed by Sugiyono (2003: 47) is as follows:

$$F_{reg} = \frac{R^2(N-m-1)}{m(1-R^2)}$$

Which: N = Sum of sample, m = Sum of Predictor, R = Correlation coefficient between criterium with predictors.

This F test can be called significant if F_{table} have bigger value than F_{count} with 1% signification.

Hypothesis Test

t Test

Hypothesis test aims to determine whether there is a clear and reliable influence between independent variables (discipline, compensation and work competence) on the dependent variable (employee performance). Through this step, the researcher will be able to take a conclusion to accept or reject the proposed hypothesis. The t test is used to find out whether the independent variables are partially significant or not to the dependent variable. The degree of significance used is 0.05. If the significant value is less than the degree of trust then the alternative hypothesis is accepted which states that an independent variable partially affects the dependent variable.

According to Sugiyono (in Aftika, 2012:50), T test can be done by the following formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Which: $t = T_{\text{calculation}}$ which is then compared with t_{table} , r = Partial correlations that already found, n = Total Sample.

Testing is done by comparing t_{count} and t_{table} with significance level t , 0.05 (5%) and at degrees of free degrees $df = n - k - 1$. If $t_{\text{count}} > t_{\text{table}}$, then the independent variables significantly influence partially to the dependent variable. But, if $t_{\text{count}} < t_{\text{table}}$, then the independent variable does not partially affect the dependent variable.

Dominant Variable

Among the 3 independent variables, Competence has the most dominant influence on employee performance. This dominant test is done by looking at the value of Standardized Coefficient on partial test calculation. If the unbound variable has the highest Standardized coefficient value, then that variable is the dominant variable.

According to Pearson's correlation, the value of coefficient correlation can be grouped as follows:

- (1) 0.00-0.20 = the correlation is very weak.
- (2) 0.21-0.40 = weak correlation of weakness.
- (3) 0.41-0.70 = strong closure correlation.
- (4) 0.71-0.90 = the correlation is very strong.
- (5) 0.91-0.99 = very close correlation.
- (6) 1 means the correlation of perfect closeness.

RESEARCH RESULT AND DISCUSSION

Company's Description

PT Petrokimia Gresik is a state-owned company that was established to be a fertilizer producer and other product that has a high value for the competition and make the most demanded product for the consumer. The company has been producing many kinds of fertilizer like

UREA, ZA, SP-36, NPK-Phonska, DAP, NPK Kebomas, ZK and organic fertilizer produced by Petroganik. The company also produces non-fertilizer like Sulphate Acid, Phosphate Acid, Ammonia, Dry Ice, Alummunium Floride, Cemment Retarder.

Safety, health, and environmental conservation in every operational activity is the priority concern of PT Petrokimia Gresik. This is because this company is a company related with chemicals that have a high consequence in every operation. To keep the safety, health and environment conservation, the company provides security equipment such as project helmets, chemical safe uniforms and shoes for operational workers as well as safety guarantees to employee so that employee always feel safe while working.

PT Petrokimia Gresik is also concerned about the welfare of farmers as their consumers. By improving the company performance, the products produced by the company can help farmers to succeed in agricultural products. With the welfare of farmers, especially local farmers, it will help the country's economy proven by high yield of harvest. In addition, by helping the welfare of farmers to fertilize local land, the company also helps protecting the country's agricultural land. This is in accordance with the slogan of the company which mentions "*Suburkan Negeri, Sejahterakan Petani*" which means the welfare of local farmers can be reached if Indonesia has fertile land.

From the company description above, we know that PT Petrokimia Gresik is a large company. The company is required to always create new products to win business competition. Professionalism and attitudes that are planted to employees of the company also become a good culture in this company. This company also has a high concern to their employees and good environmental conditions. Hence, that what makes PT Petrokimia Gresik company a great company.

The Characteristics of Respondents

There are some characteristics of respondents that are used to easily identify the respondents of the research. The characteristics are based on gender, education, length of work, and position in the company.

The Characteristic of Respondents Based on Gender

The characteristic of respondents based on gender is divided into two namely male and female. Based on gender, males are dominantly recruited for this company because a job that is related to chemicals is harmful for female, especially in the operational and production sections. Male and female have different performance progress because women sometimes have the time and special needs so that their performance is not always constant. The researcher includes gender as one of the characteristics of respondents because it is expected to represent all the existing gender in the company. The data concerning the characteristic of respondents can be seen on table 4.1 below:

Table 4.1. The Characteristics of Respondents Based on Gender

Gender	Frequency	Percentage
Male	92	82.14
Female	20	17.85
Total	112	100

Source: Primary data processed, 2017.

Based on the table 4.1 above, it can be seen that the number of male respondents is 92 respondents or 82.14%, while the number of women respondents is 20 respondents or 17.45%. The percentage indicates that the dominant respondents obtained by the researcher is male respondents. This is reinforced by the fact that the availability of production directorate is larger so it requires more male employees.

The Characteristic of Respondent Based on Education

In the company of PT Petrokimia Gresik, the educational background of the employees is from junior high school, senior high school, diploma, bachelor, and postgraduate. This is due to the company's need to hire employees who have at least the theoretical guidance associated with their work, such as the junior high school graduates are needed to help with the small tasks that their boss does not have time to do. High school graduates that are most men are needed to do sections that cannot done by women such as factories section that usually deals with chemicals that are quite dangerous for female employees. Diploma graduates who are mostly occupied by those graduated from chemical engineering who have already known things about chemicals. Bachelor and postgraduate are needed for more specific jobs such as marketing, strategy, HRD and so on. The data of respondents characteristic based on education can be seen on table 4.2 below:

Tabel 4.2. The Characteristics of Respondents based on Education

No.	Education	Total Respondent (Respondents)	Percentage (%)
1	Junior High School	8	7.14
2	Senior High School	78	69.64
3	Diploma	3	2.67
4	Undergraduate	20	17.85
5	Post Graduate	3	2.67
Total		112	100

Source: Primary data processed, 2017.

Based on the table 4.2 above, it can be seen that the respondents with high school graduates are the most dominant respondent in this study with 78 respondents or 69.64%. Most employees with high school graduates are placed in the production directorate. High school graduates are considered sufficiently qualified in the production directorate and ready to be

placed in the operations of each production in the company. Directorate of production is also filled by employees with Diploma graduates. The diploma chosen by this company is mostly graduated from Chemical Engineering, because it is known that most of PT Petrokimia Gresik's production is always related to chemistry. There are 3 or 2.6% respondents from diplomas.

Undergraduate respondents are 20 respondents or 17.85%. The company gives the undergraduate position into at least junior staff, as graduates are considered mature in theory and practice. Post Graduate respondents are 3 or 2.67% respondents. For post-graduates, the company puts them into a position of at least a youth staff. Post-graduates are considered capable of generating many new ideas based on theory and able to make strategies to compete with other companies. Therefore, it can be said that this company has a good recruitment qualification.

The Characteristics of Respondents Based on Tenure

The length of work is categorized as the respondent's characteristic to know how long he/she works in the company, and from that duration the researcher can determine the experience gained by each individual employee. The data on characteristic of respondents based on working length can be seen on table 4.3 below:

Table 4.3. The Characteristics of Respondents Based on Tenure

No.	Duration	Total Respondent (Respondents)	Percent age (%)
1	1 – 5 Year	48	42.85
2	6 – 10 Year	45	40.17
3	11 – 15 Year	19	16.96
Total		112	100

Source: Primary data processed, 2017.

Based on the table 4.3 above, it can be seen that the number of respondents that

have already work for 1-5 years is as many as 48 respondents or 42.85%. Meanwhile, the employees who have worked for 6-10 years is 45 respondents or 16.96%, and there are 19 respondents or 16.96% have worked for 10-15 years. The data above show that the researchers get respondents who mostly work from 1-10 years. By looking at the percentage above, it indicates that the selected respondent is enough to represent the new employee and the old employee.

The Characteristic of Respondent Based on Level of Working Position

According to researcher, there are six working position of the company that become the research consideration. The table 4.4 shows The Characteristic of Respondent Based on Level of working position

Table 4.4. Characteristics of Respondents based on Level of Working Position

Level	Respondent	Percentage (%)
Grade III	8	7.14
Grade IV	29	25.89
Grade V	32	28.57
Executants	43	38.39
Total	112	100

Source: processed Primary data, 2017.

Based on the above characteristics, the level of workers at PT Petrokimia Gresik which is selected as the sample is grade grade III, IV, V, and executants. Grade III was chosen because the level was just below the manager level, while the researcher did not target the sample for the manager. These levels are levels that perform tasks under the manager, comply with the rules set by the company, and get compensation from the manager.

Level executants do have a large number of employees because these fertilizer and chemical companies require many types of field workers. The field worker means that those workers are mentally and physically ready to work directly in a factory, such as the production

department, because the production department of employees is required to spend more energy than other departments and the risks that will be faced is very dangerous considering this company is a company in the field of fertilizer and chemistry so that workers must have a high accuracy and must be extra careful. Thus, the percentage indicates that the respondents obtained are sufficient to represent each position in the company. This is reinforced by the sample in this study which states that 97 samples are sufficiently representative with a 10% error rate. (it can be seen on Table 3.2 Chapter 3)

Research Intrument test

The questionnaire must be examined by two methods. The condition whether or not the response is reliable depends on data collection. Good data collection instruments must meet two important requirements that are valid and reliable.

Validity Test

Validity test is used to measure the validity of a questionnaire. If the questionnaire is able to help investigate and reveal something in detail, then the questionnaire is valid. Neuman (2014:212), stated the meanings of validity as follows:

“Validity is to show the true state and refers to the conformity between constructs, or the way a researcher conceptualizes ideas in conceptual definitions and a measure. This refers to how well the idea of reality "matches" with the actual reality. In simple terms, validity addresses the question of how well the social reality is measured through research in accordance with the constructs that researchers use to understand it.”

Testing of validity is needed in a study, especially those using questionnaires in obtaining data. Testing validity is meant to know the validity of understanding the validity of the concept and empirical reality. Validity test is a measure that shows the validity and validity levels of an

instrument. An instrument is said to be valid if it is able to measure what it wants to measure or can disclose data from the variable being studied appropriately. The low validity of the instrument indicates the extent to which the data collected does not deviate from the description of the variable in question.

Validity testing can be done by correlating each factor or variable with the total factor or variable by using correlation (r) product moment. The test criteria for accepting or rejecting the hypothesis of a valid statement or not can be done by:

H0: $r = 0$, there is no valid data at Error level (α) 5%.

H1: $r \neq 0$, there is valid data at Error level (α) 5%.

The null hypothesis (H0) is accepted when $r_{\text{count}} < r_{\text{table}}$, and vice versa alternative hypothesis (H1) is accepted when $r_{\text{count}} > r_{\text{table}}$.

Validity testing conducted by SPSS ver program. 20.0 by using the product moment correlation yields the score of each item statement with the item question score as a whole and for more details it is presented in the following table

Table 4.9. Validity Test of Variable

Item	r Test	Sig.	r Table	Explanation
X1.1.1	0.697	0.000	0.3	Valid
X1.1.2	0.562	0.000	0.3	Valid
X1.2.1	0.790	0.000	0.3	Valid
X1.2.2	0.797	0.000	0.3	Valid
X1.3.1	0.714	0.000	0.3	Valid
X1.4.1	0.778	0.000	0.3	Valid
X2.1	0.787	0.000	0.3	Valid
X2.2	0.740	0.000	0.3	Valid
X2.3	0.738	0.000	0.3	Valid
X2.4	0.793	0.000	0.3	Valid
X3.1.1	0.679	0.000	0.3	Valid

Item	r Test	Sig.	r Table	Explanation
X3.1.2	0.688	0.000	0.3	Valid
X3.1.3	0.671	0.000	0.3	Valid
X3.2.1	0.611	0.000	0.3	Valid
X3.3.1	0.551	0.000	0.3	Valid
X3.3.2	0.637	0.000	0.3	Valid
X3.3.3	0.775	0.000	0.3	Valid
X3.4.1	0.603	0.000	0.3	Valid
X3.4.2	0.720	0.000	0.3	Valid
X3.4.3	0.645	0.000	0.3	Valid
X3.4.4	0.706	0.000	0.3	Valid
X3.4.5	0.590	0.000	0.3	Valid
Y1.1	0.502	0.000	0.3	Valid
Y1.2	0.635	0.000	0.3	Valid
Y2.1	0.745	0.000	0.3	Valid
Y2.2	0.734	0.000	0.3	Valid
Y2.3	0.736	0.000	0.3	Valid
Y3.1	0.775	0.000	0.3	Valid
Y3.2	0.757	0.000	0.3	Valid
Y3.3	0.755	0.000	0.3	Valid

Source: Primary data processed, 2017.

From Table 4.9 above it can be seen that the score of sig. r question item is smaller than 0.05 ($\alpha = 0.05$) which means that each variable item is valid, so it can be concluded that the items can be used to measure the research variables.

Reliability Test

Reliability test shows the level of stability and accuracy of a measuring instrument or test used to determine the extent to which the measurement is relatively consistent when re-measured. This test is used to determine the extent to which a person's answers are consistent or stable over time. Neuman (2014:212) explained about the reliability as follows:

"Reliability means dependability or consistency. It suggests that the same thing

is repeated or recurs under the identical or very similar conditions. "

Reliability testing technique is to use coefficient score of alpha reliability. Criteria of decision-making is if the score of the coefficient of alpha reliability is greater than 0.6 then the variable is reliable.

Table 4.10. Reliability Test of Variabels

No	Variabl e	Reliability Coefficient	Explanati on
1	X1	0.787	Reliable
2	X2	0.763	Reliable
3	X3	0.875	Reliable
4	Y	0.834	Reliable

Source: Primary data processed, 2017.

From Table 4.10 it is known that the score of cronbach alpha for all variables is greater than 0.6. Based on the previously mentioned provisions, all the variables used for research are reliable.

Classical Assumption of Regression

These classical assumptions must be tested to fulfill the use of multiple linear regression. After multiple regression calculations are performed through the SPSS tool for Windows, tests of classical regression assumptions are performed. Test results are presented as follows:

Normality Test

Normality test is performed to determine whether the residual value is normal or not distributed. The test procedure is performed by Kolmogorov-Smirnov test, with the following conditions:

Hypothesis used:

H₀: residuals are spread normally

H₁: residuals are not normally distributed

If the sig. value (*p-value*) > 0.05 then H₀ is accepted which means normality is fulfilled. Normality test results can be seen in Table 4.11. From the calculation results obtained sig. value of 0.850 (can be seen on Table 4.11) or it is greater than 0.05; Then

the provision H_0 is accepted that the assumption of normality is met.

Table 4.11. Normality Test Results

	Unstandardized Residual
N	112
Normal Parameters ^{a,b} Mean	.0000000
Std. Deviation	2.26498298
Most Extreme Absolute	.058
Differences Positive	.048
Negative	-.058
Kologrov-Smirnov Z	.610
Asymp. Sig. (2-tailed)	.850

a. Test distribution is Normal

b. Calculated from data

Source: Primary data processed, 2017.

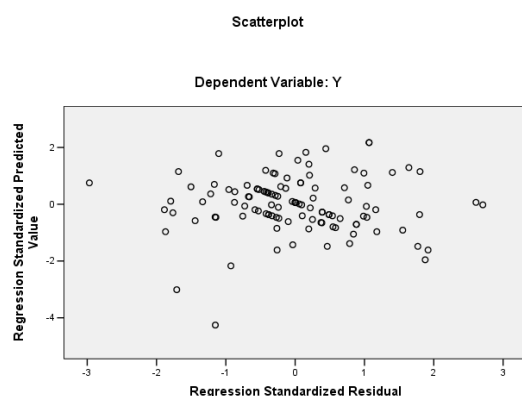
Heteroscedasticity Test

Heteroscedasticity test is used to find out whether there is inequality of residual deviation value due to the small value of one of the independent variables. Or the difference in the value of variety with the increasing value of independent variables. The test procedure is performed by scatter plot test. Testing homogeneity of the remaining variety is based on the hypothesis:

H_0 : homogeneous residual variety

H_1 : the remaining variety is not homogeneous

The results of heteroscedasticity test using scatterplot can be seen on Figure 4.3



Source: Primary data processed, 2017

Figure 4.3. Heteroscedasticity Test using Scatterplot

From the test results, it shows that the scatterplot display diagram spreads and does not form a certain pattern hence there is no heteroscedasticity. Therefore, it can be concluded that the residual has a homogeneous variety (constant) or in other words there is no symptoms of heteroscedasticity.

The test is also performed with Park Test. Heteroscedasticity test results with Park procedures can be seen on the Table 4.12

Table 4.12. Heteroscedasticity Test using Park Test

Model	Unstand. Coef.		Stand. Coef. Beta	t	Sig.
	B	Std. Error			
(Const.)	6.042	3.957		1.527	.130
LnX1	-.297	1.309	-.028	-.227	.821
LnX2	1.520	1.272	.148	1.195	.235
LnX3	-2.389	1.260	-.235	-1.896	.061

a. Dependent Variable: LnUR

Source: Primary data processed, 2017.

By looking at Table 4.12, the following is the result of heteroscedasticity test for each variable:

1. Sig value. for Discipline is 0.821
2. The value of Sig.for Compensation is 0.236
3. The value of Sig.for Competencies is 0.061

From the test results, the value of sig. all variables are $> \alpha$ ($\alpha = 0,05$), so it can be concluded that the residual has homogeneous variety (constant) or in other words there is no symptoms of heteroscedasticity.

Multicollinearity Test

Multicollinearity test is done to know that there is no relationship that is very strong or no perfect linear relationship or it can be said that between independent variables are not related. The way of testing is to compare the Tolerance values obtained from multiple regression calculations, if the tolerance value < 0.1 then the

multicollinearity occurs. Multicollinearity test results can be seen on Table 4.13.

Tabel 4.13. Multicollinearity Test Results

Independent Variable	Collinearity Statistics	
	Tolerance	VIF
X1	0.610	1.639
X2	0.597	1.676
X3	0.566	1.768

Source: Primary data processed, 2017.

Based on the Table 4.13, the following is the test results from each independent variable:

1. Tolerance for Discipline is 0.610
2. Tolerance for Compensation is 0.597
3. Tolerance for Competencies is 0.566

In the test results, the overall tolerance value obtained is > 0.1 so it can be concluded that there is no multicollinearity between independent variables.

Multicollinearity test can also be done by comparing the VIF (Variance Inflation Factor) value with number 10. If the value of $VIF > 10$ then there is multicollinearity. The following test results of each independent variable:

1. VIF for Discipline is 1.639
2. VIF for Compensation is 1.676
3. VIF for Comptencies is 1.768

From the test results it can be concluded that there is no multicollinearity between independent variables. Thus the assumption test of the absence of multicollinearity can be fulfilled.

With all the classical assumptions of the above regression, it can be said that the multiple linear regression model used in this research is feasible or appropriate. Thus, the interpretation of the results of multiple regression analysis has been done.

Multiple Linear Regression Analysis

Regression analysis is used to calculate the magnitude of influence between independent variables, namely Discipline (X1), Compensation (X2),

Competency (X3) to the dependent variable that is Employee's Performance (Y).

Regression Equation

Regression equation is used to know the form of relationship between independent variable with dependent variable. By using SPSS for Windows ver 21.00 obtained, regression model as in Table 4.14

Table 4.14. Regression Equation

Independent Variable	Unstand. Coef.		Stand. Coef.	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.190	2.417		1.733	0.086
X1	0.226	0.102	0.178	2.213	0.029
X2	0.310	0.152	0.167	2.049	0.043
X3	0.339	0.054	0.524	6.274	0.000

Source: Primary data processed, 2017.

Regression model used is standardized regression, because the data used in this study is interval data measurement using Likert scale. Likert scale is used to measure attitudes, opinions and perceptions of a person or group. In standardized regression, the size of the variables or the size of the answer has been equated. The regression equation obtained based on the Table 4.14 is as follows:

$$Y = 0.178 X_1 + 0.167 X_2 + 0.524 X_3$$

From the above equation it can be interpreted as follows:

1. $B_1 = 0.178$, which means that Employee Performance will increase by 0.178 for each additional value of X1 (Discipline). So if Discipline value increases 1, the Employee Performance will increase by 0.178 with the assumption that other variables are considered as constant.
2. $B_2 = 0.167$, which means that Employee Performance value will increase by 0.167 for each additional value of X2 (Compensation). So if the Compensation value increases 1, the Employee Performance value will

increase by 0.167 with the assumption that the other variable is considered as constant.

3. $B_3 = 0.524$, which means that Employee Performance will increase by 0.524 for each additional value of X_3 (Competency). So if the Competencies value increases 1, the Employee Performance value will increase by 0.524 with the assumption that the other variable is considered as constant.

Coefficient of Determination

To know the contribution of free variable (Discipline (X_1), Compensation (X_2), and Competencies (X_3)) to the dependent variable (Employee Performance) use R^2 value, R^2 value as in Table 4.15 below:

Table 4.15. Coefficient of Correlation and Determination

R	R Square Determination	Adjusted R Square
0.758	0.574	0.562

Source: Primary data processed, 2017.

Coefficient of determination is used to calculate the magnitude of influence or contribution of independent variables to the dependent variable. From the analysis in Table 4:15 obtained the results adjusted R (coefficient of determination) of 0.562. This means that 56.2% of Employee Performance variables will be influenced by independent variables, namely Discipline (X_1), Compensation (X_2), and Competencies (X_3). While the remaining 43.8% variable Employee Performance will be influenced by other variables that are not discussed in this study.

In addition to the coefficient of determination also obtained correlation coefficient which shows the amount of correlation between independent variables ie Discipline, Compensation, and Competencies with Employee Performance variables, R value (correlation coefficient) of 0.758, this correlation value indicates

that the relationship between independent variables ie Discipline (X_1) Competencies (X_2), and Compensation (X_3) with Employee Performance included in the strong category because it is in the interval 0.6 - 0.8.

F test (Model)

Testing F or model testing is used to determine whether the results of regression analysis is significant or not. In other words, the model is suspected to be appropriate or not. If the result is $F_{\text{count}} > F_{\text{table}}$, significant, it means that the regression analysis model is significant.

Table 4.16. F Test / Model

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	767.661	3	255.887	48.531	0.000
Residual	569.446	108	5.273		
Total	1337.107	111			

Source: Primary data processed, 2017.

Based on the Table 4.16 the value of F_{count} is 48.531. While F_{table} ($\alpha = 0.05$; db regression = 3: db residual = 108) is equal to 2,689. Because $F_{\text{count}} > F_{\text{table}}$ is $48,531 > 2,689$ or sig t value $(0,000) < \alpha = 0.05$ then the regression analysis model is significant. This means $F_{\text{count}} > F_{\text{table}}$, so it can be concluded that the regression analysis model of the variables in this research are significant.

Hypothesis Testing

Hypothesis testing is an important part of the research, after data has been collected and processed. Its main purpose is to answer the hypothesis made by the researcher.

t Test / Partial

t test is used to find out whether each of the independent variables partially has a significant influence on the dependent variable. It can also be said if $t_{\text{count}} > t_{\text{table}}$ or $-t_{\text{count}} < -t_{\text{table}}$ then the results are significant and mean H_0 is rejected and H_1 is accepted.

Whereas if $t_{\text{count}} < t_{\text{table}}$ or $-t_{\text{count}} > -t_{\text{table}}$ then the result is not significant and means H_0 is accepted and H_1 is rejected. The result of t test can be seen in Table 4.17.

Table 4.17. t / Partial Test Results

Independent variable	t_{count}	Sig.	Explanation
(Constant)	1.733	0.086	
X1	2.213	0.029	Significant
X2	2.049	0.043	Significant
X3	6.274	0.000	Significant

Source: Primary data processed, 2017.

Based on the Table 4.17, it obtained the following results:

Hypothesis I

Hypothesis I states that discipline has a positive effect on employee's performance. t test between X1 (Discipline) with Y (Employee Performance) shows $t_{\text{count}} = 2.213$. While t_{table} ($\alpha = 0.05$; db residual = 108) is equal to 1,982. Because $t_{\text{count}} > t_{\text{table}}$ is $2.213 > 1.982$ or sig t value $(0.029) < \alpha = 0.05$ then the influence of X1 (Discipline) on Employee Performance is significant. This means that H_0 is rejected and H_1 is accepted so that it can be concluded that Employee Performance can be significantly influenced by Discipline or by improving Discipline then Employee Performance will increase significantly.

Hypothesis II

Hypothesis II states that compensation has a positive effect on employee's performance. t test between X2 (Compensation) with Y (Employee Performance) shows $t_{\text{count}} = 2.049$. While t_{table} ($\alpha = 0.05$; db residual = 108) is equal to 1,982. Because $t_{\text{count}} > t_{\text{table}}$ is $2.049 > 1.982$ or sig t value $(0.043) < \alpha = 0.05$ then the effect of X2 (Compensation) on Employee's Performance is significant at alpha 5%. This means that H_0 is rejected so that it can be concluded that Employee's Performance can be influenced significantly by Compensation or by increasing Compensation then Employee's

Performance will experience a high increase.

Hypothesis III

Hypothesis III states that competency has a positive effect on employee performance. t test between X3 (Competencies) with Y (Employee Performance) shows $t_{\text{count}} = 6,274$. While t_{table} ($\alpha = 0.05$; db residual = 108) is equal to 1,982. Because $t_{\text{count}} > t_{\text{table}}$ is $6,274 > 1,982$ or sig t value $(0,029) < \alpha = 0.05$ then influence of X3 (Competency) to Employee Performance is significant at alpha 5%. This means that H_0 is rejected and H_1 is accepted so that it can be concluded that Employee's Performance can be influenced significantly by Competency or by increasing Competency hence Employee Performance will increase significantly.

Hypothesis IV (Dominant Variable test)

The dominant test is used to find out which independent variables dominantly influence the dependent variable. To determine the independent variable that most influence on the variable Y, can be done by comparing the regression coefficient (β) between variables with each other. The independent variable that gives the most dominant influence on the variable Y is the variable that has the largest regression coefficient. The dominant test can only be seen from the result of regression equation. According to table 4.14, the standardized value of beta coefficient can be summarized on table 4.18 below:

Table 4.18. Dominant Test Result

Rank	Variable	Beta Coefficient	Influence
2	X ₁	0.178	Significant
3	X ₂	0.167	Significant
1	X ₃	0.524	Significant

Source: Primary data processed, 2017.

Based on the Table 4.18, the Competency variable is the variable that has the largest regression coefficient. That is, the dependent variable is more influenced by the Competence variable. The coefficient owned by the Competence variable is

marked positive. It shows a direct relationship so that it can be concluded that the better the Competence variable then the more it is able to increase Employee's Performance (Y). Plus, competence has a coefficient value of 0.524. According to Pearson Correlation, the correlation value between 0.41-0.70 has a strong correlation. That means, the competence variable has a strong correlation to employee performance in this research.

Research Result Discussion

This study aims to determine the effect of discipline, compensation, and competence on employee's performance. Based on the results of this study, it was found that most employees' performance is influenced by discipline, compensation, and competence as much as 56%, while the rest is influenced by other factors such as motivation, performance appraisal, and career development.

Influence of Discipline Towards Employee Performance

The result showed that work discipline variable positively affects the performance of employees. This result is relevant to research conducted by Thaief, et al., (2015) who conducted research on the influence of training, compensation, and work discipline to employee's performance of PLN Malang. According to

Work discipline is the professionalism attitude that any kinds of company must add as its culture. Discipline is included in environmental task because according to Weinberg (1992: 278-282), the effects of the employees who do not follow the rules are ignored competencies, lower quality of produced product, new problem trigger, customer complaints, urgency disturbance, huge time pressure, and ultimately it will result on more ignored procedure than before.

Working Discipline aspect greatly affects the company's performance. When the level of a company's work discipline is

high then it is expected that employees will work better, which the company's productivity is expected to increase. In addition, a good work discipline will increase the efficiency time of work as much as possible, not spending a lot of time for the company to just improve the aspect of the discipline and time can be used to achieve company goals.

This result is also supported by Mangkunegara and Waris (2015) research. They noted the same thing that discipline has an effect on employee's performance. They found that well-implemented discipline will positively affect employee's performance in PT Asuransi Bangun Askrida. These things prove that work discipline is one of important factors to improve employee's performance.

Thaief, et al., (2015:27), work discipline has four indicators, which are related with work on time, regulations, attendances, and work ethics. Based on result of this study, it can be said that PT Pterokimia Gresik already have a good regulation and rules for employee based on respondents. Hence, with good work discipline of employees such as coming on time, carrying out work appropriately, and obeying the company's rules, the company will be able to improve the performance of employees to compete with the other local and foreign fertilizer company so that the company can survive in higher competition.

Influence of Compensation Toward Employee Performance

The result show that employee performance can be influenced significantly by Compensation or by increasing Compensation then Employee's Performance will experience a high increase.

Compensation is one factor that can affect employee performance. According to Dessler (2014: 275), employee compensation covers all forms of payment given to employees as a result of their work. That means, the compensation should be

well planned and balanced with what the employees want and the needs of the company. The compensation plan should first advance the management of the company in which the firm should produce a balanced reward strategy among employees. That way, employees can improve their performance with a fair compensation policy and also not harm the company. This means creating a compensation policy that results in employee behavior requires companies to support and achieve their competitive strategy.

Thaief, et al., (2015) conducted a relevant research with entitled “the effect of training, compensation and work discipline towards employee job performance in PT PLN Service Area and Network in Malang. This research showed that companys need to pay attention to the appropriate salary, the suitability of work given, the expertise, the right to provide employee benefits, and the employer-employee relationships, as all of these will encourage the creation of work discipline and work motivation to improve the performance of employees.

A compensation indicators includes salaries, additional remuneration, protection, and facilities (Thaief, et al., 2015). Based on result of this research, PT Petrokimia Gresik have a good four indicators of compensation according to the respondent. Therefore, the company needs to monitor and evaluate the compensation policy that has been applied in the company, because according to employees the compensation affects their performance. With the consistency of a good compensation given by a company, the company is able to survive in market competition and is able to compete with foreign companies.

Influence of Competencies Towards Employee Performance

The result shows that Employee Performance can be influenced significantly by Competency or by

increasing Competencies hence Employee Performance will increase significantly.

This is supported by the research that has been done by Dewi (2013) stating that the competence has a significant influence on employee performance that has been investigated. According to her, the company must provide training in accordance with the work that is done now so that if the employee is more competent in the work then the performance will increase.

According to Katawneh and Osman (2014:380), management competencies is the most important and known in improving the efficiency and effectiveness of the performance of employee. Competency is also important to know the positive thing reflected on the overall performance of the company. Competency represents the aquired skills which enable the employee to work in a given context. Organizations have sought to build competence models to identify key competencies that organizations need to be more competitive and successful in the future. Organizations will get benefit from the use of competence because it gives them a better and more sophisticated way to manage, measure, and improve employee quality.

Based on four indicators namely the assignment's level and difficulties, manager control, and job evaluation (Katawneh and Osman, 2015). According to this study, PT Petrokimia Gresik has a good arrangement of the competencies to their employee according to respondents. Thus, the company is just need to improve the competence of employees by applying certain treatment done by managers to employees, and consider the level of difficulty in the work given to the employee manager employees so that the performance of employees of a company can increase and the company is able to compete with foreign companies considering the activation of the AEC policy.

The Competency has Dominantly affected the Employee's Performance

Based on the research result above, discipline, compensation, and competency have significant effect for the employee's performance. According to dominant test, competencies has the highest t_{count} , which means that competencies has the most dominant effect on employee performance. This condition indicates that the ability of employees is very decisive for the achievement or the work that has been determined.

This is also supported by research from Fadillah, et al., (2017) and Vertasari and Zunaidah (2014). Fadillah, et al., (2017) states that competence is much more dominant than discipline. Then, Vertasari and Zunaidah (2014) states that competence has a far more dominant influence than compensation. Based on the statements of both researchers, it can be said that the influence of compensation is very large on the performance of employees rather than discipline, and compensation.

A company should consider that competence is the main factor affecting employee's performance. The more employees with high competence, the performance of employees in the company will be better. With the good performance of employees in the company, the company will be more steady to face competition with foreign fertilizer companies in the present and future.

Managerial Implication

This research is needed to know the effect of employee's discipline level, employee's compensation, and employee's competence to their performance for the company in the current fertilizer business competition, especially for PT Petrokimia Gresik company. From the results of this study, it can be concluded that discipline, compensation, and competence have a positive and significant effect on the performance of PT Petrokimia Gresik employees.

Based on the results of this study, companies need to maintain a culture of discipline that has been applied to this day. Discipline can be started from the accuracy of coming to work, frequency of attendance at the office on weekdays as well as the work on time and go home, compliance with applicable regulation, attendance to prescribed standards of work, and the work ethic of employees in the company. In accordance to Mangkunegara and Waris (2015) study, it is suggested that companies should increase the sense of responsibility to their employees in their work so that employee's performance can increase.

The compensation given to the employees is quite good to date such as bonuses given, facilities from the company, security guaranteed by the company, and employee salary standards in Gresik. Companies are required to maintain what has been given to their employees, because it affects the performance of company employees significantly. Thaief, et al., (2015) suggests that compensation is expected to increase in several ways, such as fair and equitable remuneration compliance, benefiting from salary increases, additional incentives for performance, better supplementary programs, more objective based on employee benefits, the achievement that awarded by the company in accordance with the performance of employees, creating a conducive working environment, and the provision of facilities (offices, places of worship, parks) have been able to automatically improve employee's performance.

Competence given by the company is also good enough to provide tasks that can improve the skill and ability of employees. The trust given to each employee manager, until the evaluation is always given by the manager to the employees of each task that has been done. Given the competence of having dominant results, the company must always give trust to employees, and also improve the competence of employees so

that it can affect the performance of company's employees.

Limitations and Further Research

This study is only focused to the region of East Java (Gresik). This study uses PT Petrokimia Gresik as an object of the study, because the company has the largest number of permanent employees compared to other state-owned fertilizer companies in Indonesia, so the researcher thinks that PT Petrokimia Gresik is representative enough to be used as the object of the study.

In general, PT Petrokimia Gresik and other state-owned fertilizer companies produce the same main product namely fertilizer. However, each state-owned fertilizer company has own advantage in product innovation such as PT Petrokimia Gresik with its superior product named Pupuk Phonska, PT Pupuk Kalimantan Timur with its superior product named Pupuk NPK Pelangi, PT Pupuk Sriwidjaja Palembang with its superior product named Pupuk Urea Pusri, PT Pupuk Kujang Cikampek with the best urea fertilizer named Urea Kujang Nitrea fertilizer, and PT Pupuk Iskandar Muda with its superior fertilizer called Pupuk Urea PIM.

This research analyzes PT Petrokimia Gresik which has certain advantages among other subsidiaries. One of the advantages of PT Petrokimia Gresik is the largest number of human resources because this research is focused on human resources.

Based on the advantages of each subsidiary, further research would be better if the research was conducted to analyze the employee performance of all subsidiaries in Pupuk Indonesia Holding Company. Further research is expected to provide knowledge in a broader scope of the State-owned fertilizer industry in Indonesia.

CONCLUSION AND SUGGESTION

Conclusion

PT Petrokimia Gresik is a state-owned fertilizer company which has the largest number of employees. After the activation of AEC in all continents of Asia, all companies especially in Indonesia are required to improve employee's performance in order to compete with foreign companies entering in Indonesia. There are many factors that can affect employee performance, especially work discipline factor, compensation policy given by the company to employees, and also the level of competence that exist in employees in each company.

This research aimed to investigate factors affecting employee's performance especially in fertilizer industry. This study was conducted to determine the effect of discipline, compensation, and competence on employee's performance. For sampling technique, this study used Slovin formula calculation. The samples obtained in this study were 112 employees of PT Petrokimia Gresik.

This study was conducted by regression analysis. The results found in this study are as follows:

1. Discipline has a positive and significant influence on employee performance. With good work discipline of employees such as coming on time, carrying out work appropriately, obeying the company's rules will be able to improve the performance of employees to compete with the other local and foreign fertilizer company so that the company will be able to survive in tighter competition.
2. Compensation has a positive and significant effect on employee performance. With the consistency of a good compensation given by a company, the company is able to survive in market competition and is

- able to compete with foreign companies.
3. Competence has a positive and significant influence on employee performance. The company is required to improve the competence of employees by applying certain treatment done by managers to employees, and consider the level of difficulty in the work given to the employee manager employees so that the performance of employees of a company can increase. Then, the company will be able to compete with foreign companies considering the activation of the AEC policy.
 4. Competence has a dominant influence on employee performance. The more employees with high competence, the performance of employees in the company will be better. With the good performance of employees in the company, the company will be ready to face competition any kind of competition.

Suggestions

Based on the above conclusions, there are some suggestions proposed by the researcher which are expected to benefit the PT Petrokimia Gresik company and other parties. The suggestions are as follow

1. The company is expected to maintain or improve the existing discipline rules, compensation policies and competencies that have been made by the company, because the rules and policies of the company have a positive result. This is in accordance to the results of this study.
2. It is expected that the company can maintain and improve the quality of its competency because the Competency variable has a dominant influence in affecting Employee's Performance, one of which is to improve the work environment facilities to be better so that Employee's Performance of the company will increase.
3. Discipline, Compensation, and Competencie have an important role to affecting Employee's Performance. Therefore, the result of this study is expected to be used as a reference for further researchers to develop this study by considering other variables beyond the variables that have been included in this study, such as career development, motivation, and performance appraisal in PT Petrokimia Gresik.

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