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The Effect of Work Environment, Work Culture, and Career Path on Employee Performance with Compensation and Benefits as a Mediating Variable at PT. Mitra Mulia Makmur Plant Sidoarjo

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ABSTRAK

Article History:

Kata Kunci:

*budaya kerja;
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kinerja
karyawan;
kompensasi dan
benefit;
lingkungan
kerja*

Kinerja karyawan menjadi determinan utama daya saing perusahaan manufaktur, namun faktor penentunya masih diperdebatkan dalam literatur. Penelitian ini bertujuan menganalisis pengaruh lingkungan kerja, budaya kerja, dan jenjang karier terhadap kinerja karyawan, baik secara langsung maupun melalui kompensasi dan benefit sebagai variabel mediasi, pada PT. Mitra Mulia Makmur Plant Sidoarjo-perusahaan kemasan plastik dengan proporsi karyawan bermasa kerja panjang yang tinggi. Penelitian menggunakan pendekatan kuantitatif dengan 79 responden yang ditentukan melalui rumus Slovin (margin of error 5%) dan teknik purposive sampling. Data dikumpulkan melalui kuesioner berskala Likert lima poin dan dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM) dengan perangkat lunak SmartPLS, melalui evaluasi outer model, Inner Model, dan bootstrapping. Hasil penelitian menunjukkan budaya kerja berpengaruh positif dan signifikan terhadap kinerja karyawan dan menjadi determinan langsung paling dominan; lingkungan kerja dan jenjang karier berpengaruh signifikan terhadap kompensasi dan benefit. Sebaliknya, lingkungan kerja, jenjang karier, serta kompensasi dan benefit tidak berpengaruh signifikan secara langsung terhadap kinerja karyawan, dan kompensasi dan benefit tidak berperan sebagai mediator (no mediation). Temuan ini memberikan kontribusi berupa penegasan bahwa pada tenaga kerja bermasa kerja panjang, penguatan budaya kerja lebih efektif meningkatkan kinerja dibandingkan perbaikan lingkungan, jenjang karier, maupun sistem kompensasi semata.

ABSTRACT

Keywords:
 career path;
 compensation
 and benefits;
 employee
 performance;
 work culture;
 work
 environment

Employee performance is a key determinant of manufacturing firms' competitiveness, yet its antecedents remain debated in the literature. This study analyzes the effect of work environment, work culture, and career path on employee performance, both directly and through compensation and benefits as a mediating variable, at PT. Mitra Mulia Makmur Plant Sidoarjo a plastic-packaging company with a high proportion of long-tenured employees. A quantitative approach was applied with 79 respondents determined using the Slovin formula (5% margin of error) and purposive sampling. Data were collected through a five-point Likert questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS, comprising outer model, inner model, and bootstrapping evaluation. The results show that work culture has a positive and significant effect on employee performance and is the most dominant direct determinant; work environment and career path significantly affect compensation and benefits. Conversely, work environment, career path, and compensation and benefits have no significant direct effect on employee performance, and compensation and benefits do not act as a mediator (no mediation). The study contributes by confirming that, among long-tenured employees, strengthening work culture is more effective in improving performance than merely enhancing the work environment, career path, or compensation system.

INTRODUCTION

Human resources are the primary driver of operational continuity and the source of competitive advantage that is most difficult for competitors to imitate. In labor-intensive manufacturing industries, employee performance is a critical factor determining productivity, product quality, and cost efficiency. Therefore, understanding the factors that shape employee performance is a strategic issue in human resource management.

The phenomenon at PT. Mitra Mulia Makmur Plant Sidoarjo, a plastic-packaging manufacturer established on 12 August 1993, reveals several interrelated human resource problems. First, a high proportion of employees with more than 20 years of tenure occupy relatively fixed positions held since they first joined, potentially reducing motivation and innovation. Second, the corporate culture shaped by management is partly perceived as a mere formality by long-tenured employees. Third, the work environment is considered not yet fully supportive of building work morale. Fourth, the promotion system (career path) does not run optimally. Fifth, symptoms of high cost, low value emerge due to the stagnation of employee

skills. This set of symptoms indicates performance problems that need to be analyzed empirically.

Theoretically, employee performance is influenced by the work environment, work culture, and career path, and can be bridged by a reward system in the form of compensation and benefits. Nevertheless, prior studies still show inconsistent findings. (Peemanee et al., 2025) found that employee benefits have a positive effect on motivation and performance. (Nugroho et al., 2025) found that the work environment, compensation, and career development affect job satisfaction with motivation as a mediator; meanwhile (Hassan, 2022) emphasized the mediating role of compensation and reward systems in human resource management practices. Conversely, (Samboga & Subkhan, 2025) found that compensation has no significant effect on employee performance although job satisfaction acts as a mediator, and (Satria, 2025) highlighted the role of organizational culture and compensation in work motivation. This inconsistency of findings (research gap) calls for re-examination in a specific context.

The novelty of this study lies in integrating three antecedents—work environment, work culture, and career path—into a single model with compensation and benefits as a mediating variable, tested using PLS-SEM in a plastic-packaging manufacturing company characterized by a long-tenured workforce; a context that has not been widely studied. Based on this description, the objective of this study is to analyze the direct and indirect effects of the work environment, work culture, and career path on employee performance through compensation and benefits at PT. Mitra Mulia Makmur Plant Sidoarjo.

LITERATURE REVIEW

Employee performance is the work result, in both quality and quantity, achieved by an employee in carrying out duties according to assigned responsibilities. (Hasibuan, 2016) identifies several performance dimensions, including loyalty, work achievement, honesty, discipline, creativity, cooperation, leadership, personality, initiative, and responsibility. High performance is a prerequisite for achieving organizational goals.

The work environment comprises the physical and non-physical conditions around employees that affect work comfort and productivity. In the Two-Factor Theory, (Herzberg et al., 1959) positioned work-environment conditions as a hygiene factor, namely a factor whose absence causes dissatisfaction but whose presence does not necessarily drive improved performance. (Sedarmayanti, 2017) and (Vischer, 2007) asserted that physical and non-

physical work-environment conditions correlate with work productivity. Work culture refers to the shared system of values and norms held by organizational members. (Robbins & Judge, 2019) stated that organizational culture is formed by seven characteristics: innovation and risk-taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability; this view is reinforced by (Schein, 2010) and (Hofstede, 2001).

Career path relates to the development and promotion opportunities available to employees; good career development is expected to enhance competence and work motivation (Dessler, 2017); (Mondy & Martocchio, 2016). Compensation and benefits include direct financial rewards (salary, wages, incentives, bonuses), indirect financial rewards (allowances, insurance, facilities), and non-financial rewards (recognition, development opportunities) granted in return for employees' contributions (Hasibuan, 2016); (Armstrong, 2014).

Based on the review above, the research hypotheses are formulated as follows. Referring to the hygiene theory (Herzberg et al., 1959) and the findings of (Nugroho et al., 2025), the work environment is hypothesized to affect performance (H1) and compensation and benefits (H4). Based on (Robbins & Judge, 2019) and (Schein, 2010), work culture is hypothesized to affect performance (H2) and compensation and benefits (H5). Based on (Dessler, 2017) and (Mondy & Martocchio, 2016), career path is hypothesized to affect performance (H3) and compensation and benefits (H6). Compensation and benefits are hypothesized to affect performance (H7) and to mediate the effects of the work environment (H8), work culture (H9), and career path (H10) on employee performance. The conceptual framework is presented in Figure 1.

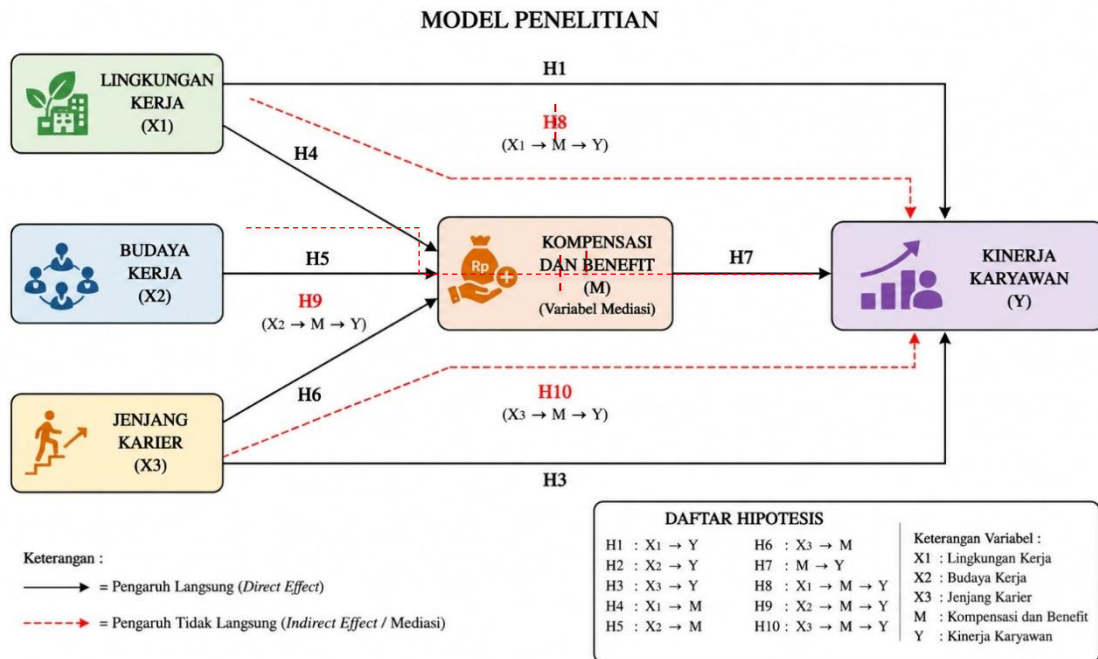


Figure 1. Research Conceptual Framework

Source: Processed by the Authors (2026)

RESEARCH METHOD

This study uses a quantitative approach with a descriptive-verify design. The population comprises all permanent (organic) employees of PT. Mitra Mulia Makmur Plant Sidoarjo with a minimum tenure of one year and excluding outsourced employees, totaling 98 people. The sample size was determined using the Slovin formula with a 5% margin of error, yielding 79 respondents, and respondent selection was carried out using a non-probability purposive sampling technique.

The research instrument was a questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The operational definitions of the variables, together with their dimensions and the initial number of indicators, are presented in Table 1.

Table 1. Operational Definition of Variables

Variable	Dimension	Number of Indicators	Scale
Work Environment (X1)	Physical and non-physical work environment	12	Likert 1–5
Work Culture (X2)	Seven characteristics of organizational culture (Robbins & Judge)	14	Likert 1–5
Career Path (X3)	Achievement, education, experience, loyalty, discipline, competence	12	Likert 1–5
Compensation & Benefits (Z)	Direct financial, indirect financial, non-financial	11	Likert 1–5
Employee Performance (Y)	Ten performance dimensions (Hasibuan)	20	Likert 1–5

Source: Processed by the Authors (2026)

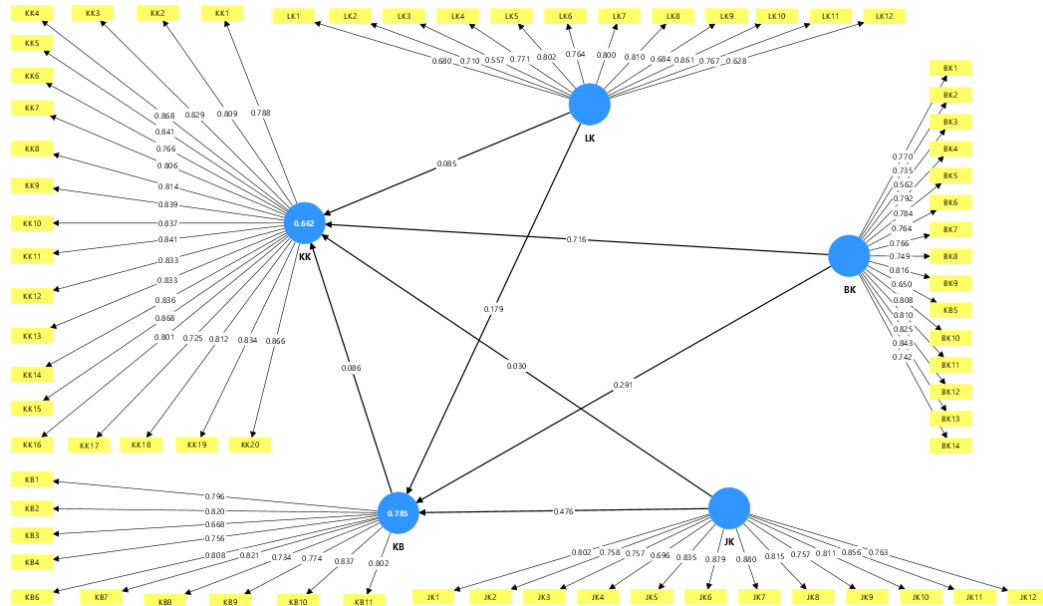
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The data analysis technique used Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. Evaluation of the measurement model (outer model) covered convergent validity testing (outer loading ≥ 0.70 and Average Variance Extracted/AVE > 0.50), discriminant validity testing using the Fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT), and reliability testing (Cronbach's Alpha and Composite Reliability > 0.70). Evaluation of the structural model (inner model) used the R-Square value with the criteria of Hair Jr. et al. (0.75 strong; 0.50 moderate; 0.25 weak) and effect size (f^2). Hypothesis testing was conducted through a bootstrapping procedure, with acceptance criteria of t-statistic > 1.96 and p-value < 0.05 (Hair et al., 2022).

RESULTS & DISCUSSION

The study involved 79 respondents. The descriptive statistical analysis shows that all variables fall into the high category, namely work environment (78%), work culture (78%), career path (74%), compensation and benefits (75%), and employee performance (84%). This indicates that employees' perceptions of all research variables are favorable.

Evaluation of the outer model began with the initial model containing all 69 indicators. The initial-stage outer loading values (before elimination) are visualized in Figure 2 and detailed in Table 2. Based on these results, eight indicators had outer loadings below 0.70, namely LK3 (0.557), BK3 (0.562), LK12 (0.628), KB5 (0.650), KB3 (0.668), LK1 (0.680), LK9 (0.684), and JK4 (0.696), which were subsequently eliminated from the model for not meeting the minimum convergent-validity requirement.

Figure 2. Measurement Model Before Indicator Elimination (69 Indicators)

Source: SmartPLS Data Processing (2026). Indicators with loading < 0.70 are marked in red.

Table 2. Outer Loading Values Before Elimination (69 Indicators)

Construct	Indicator	Outer Loading	Description
Work Environment	LK1	0.680	Eliminated
Work Environment	LK2	0.710	Retained
Work Environment	LK3	0.557	Eliminated
Work Environment	LK4	0.771	Retained
Work Environment	LK5	0.802	Retained
Work Environment	LK6	0.764	Retained
Work Environment	LK7	0.810	Retained
Work Environment	LK8	0.810	Retained
Work Environment	LK9	0.684	Eliminated
Work Environment	LK10	0.861	Retained
Work Environment	LK11	0.767	Retained
Work Environment	LK12	0.628	Eliminated
Work Culture	BK1	0.770	Retained
Work Culture	BK2	0.735	Retained
Work Culture	BK3	0.562	Eliminated
Work Culture	BK4	0.792	Retained
Work Culture	BK5	0.784	Retained
Work Culture	BK6	0.764	Retained
Work Culture	BK7	0.766	Retained
Work Culture	BK8	0.749	Retained
Work Culture	BK9	0.816	Retained
Work Culture	BK10	0.808	Retained
Work Culture	BK11	0.810	Retained
Work Culture	BK12	0.825	Retained
Work Culture	BK13	0.843	Retained
Work Culture	BK14	0.742	Retained
Career Path	JK1	0.802	Retained
Career Path	JK2	0.758	Retained
Career Path	JK3	0.757	Retained
Career Path	JK4	0.696	Eliminated
Career Path	JK5	0.835	Retained
Career Path	JK6	0.879	Retained
Career Path	JK7	0.880	Retained
Career Path	JK8	0.815	Retained
Career Path	JK9	0.757	Retained

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Career Path	JK10	0.811	Retained
Career Path	JK11	0.856	Retained
Career Path	JK12	0.763	Retained
Compensation & Benefits	KB1	0.796	Retained
Compensation & Benefits	KB2	0.820	Retained
Compensation & Benefits	KB3	0.668	Eliminated
Compensation & Benefits	KB4	0.756	Retained
Compensation & Benefits	KB5	0.650	Eliminated
Compensation & Benefits	KB6	0.808	Retained
Compensation & Benefits	KB7	0.821	Retained
Compensation & Benefits	KB9	0.774	Retained
Compensation & Benefits	KB10	0.837	Retained
Compensation & Benefits	KB11	0.802	Retained
Employee Performance	KK1	0.788	Retained
Employee Performance	KK2	0.809	Retained
Employee Performance	KK3	0.829	Retained
Employee Performance	KK4	0.868	Retained
Employee Performance	KK5	0.841	Retained
Employee Performance	KK6	0.766	Retained
Employee Performance	KK7	0.806	Retained
Employee Performance	KK8	0.814	Retained
Employee Performance	KK9	0.839	Retained
Employee Performance	KK10	0.837	Retained
Employee Performance	KK11	0.841	Retained
Employee Performance	KK12	0.833	Retained
Employee Performance	KK13	0.833	Retained
Employee Performance	KK14	0.836	Retained
Employee Performance	KK15	0.868	Retained
Employee Performance	KK16	0.801	Retained
Employee Performance	KK17	0.725	Retained
Employee Performance	KK18	0.812	Retained
Employee Performance	KK19	0.834	Retained
Employee Performance	KK20	0.866	Retained

Source: SmartPLS Data Processing (2026)

After these eight indicators were eliminated, the final model with 61 indicators was obtained, all of which had outer loadings ≥ 0.70 . As presented in Table 3, all constructs met the criteria for convergent validity ($AVE > 0.50$) and reliability (Cronbach's Alpha and Composite Reliability > 0.70).

Table 3. Convergent Validity and Reliability Test Results (After Elimination)

Variable	AVE	Cronbach's Alpha	Composite Reliability	Desc.
Work Environment	0.637	0.918	0.933	Valid & Reliable
Work Culture	0.622	0.949	0.955	Valid & Reliable
Career Path	0.662	0.948	0.955	Valid & Reliable
Compensation & Benefits	0.633	0.928	0.939	Valid & Reliable
Employee Performance	0.677	0.975	0.977	Valid & Reliable

Source: SmartPLS Data Processing (2026)

The discriminant validity test using the Fornell-Larcker criterion is presented in Table 4. The square root of AVE (in bold on the diagonal) for the work environment and employee

performance constructs exceeds their correlations with other constructs, whereas for work culture, career path, and compensation and benefits there are relatively high inter-construct correlations. This condition indicates conceptual proximity (potential multicollinearity) among these three constructs and constitutes one of the study's limitations.

Table 4. Discriminant Validity Test Results (Fornell-Larcker)

Construct	BK	JK	KB	KK	LK
BK	0.789				
JK	0.857	0.813			
KB	0.833	0.847	0.796		
KK	0.800	0.706	0.719	0.823	
LK	0.780	0.671	0.746	0.675	0.798

Source: SmartPLS Data Processing (2026). Diagonal values = square root of AVE.

In the inner model evaluation, the R-Square value for compensation and benefits is 0.784 (strong) and for employee performance is 0.652 (moderate), as presented in Table 5. Meanwhile, the effect size (f^2) values in Table 6 show that the largest contributions come from career path to compensation and benefits (0.304; medium to large) and work culture to employee performance (0.190; medium), while the other paths contribute little.

Table 5. R-Square Values

Endogenous Variable	R-Square	R-Square Adjusted	Category
Compensation & Benefits	0.784	0.775	Strong
Employee Performance	0.652	0.633	Moderate

Source: SmartPLS Data Processing (2026)

Table 6. Effect Size Test Results (f -Square)

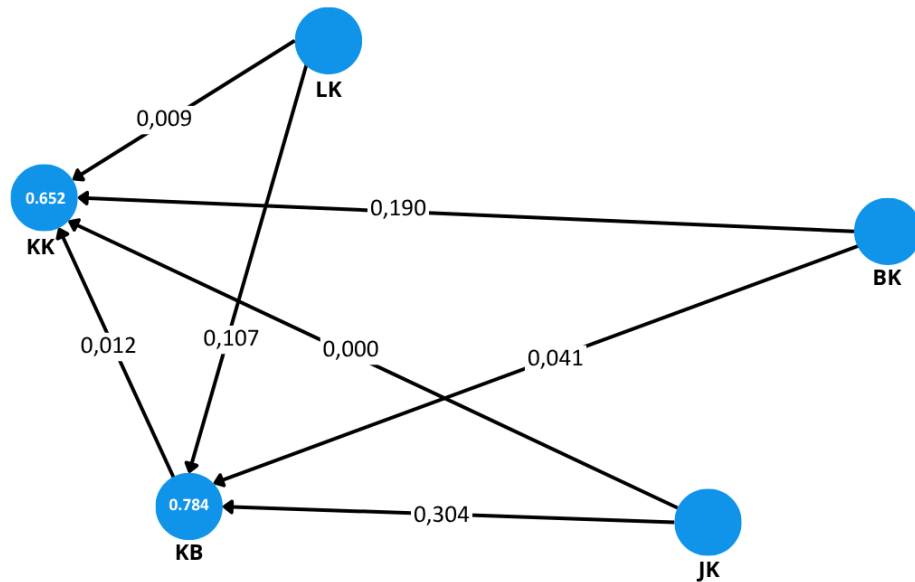
Path	f -Square	Interpretation
Work Environment → Compensation & Benefits	0.107	Small-medium
Work Culture → Compensation & Benefits	0.041	Small
Career Path → Compensation & Benefits	0.304	Medium-large
Work Environment → Employee Performance	0.009	Very small
Work Culture → Employee Performance	0.190	Medium
Career Path → Employee Performance	0.000	Very small
Compensation & Benefits → Employee Performance	0.012	Very small

Source: SmartPLS Data Processing (2026)

The predictive relevance (Q^2) value via the blindfolding procedure is not yet available in the analyzed output; it is recommended to be added in future research as a confirmation of the

model's predictive relevance. The structural model resulting from estimation is shown in Figure 3.

Figure 3. Structural Model (Inner Model) of the Estimation Results



Source: SmartPLS Data Processing (2026)

The hypothesis testing results via bootstrapping are presented in Table 7. Of the ten hypotheses, three are accepted (H2, H4, H6) and seven are rejected.

Table 7. Hypothesis Testing Results

Hypothesis	Path	Coef.	t-Stat	p-Value	Decision
H1	Work Environment → Employee Performance	0.096	0.657	0.511	Rejected
H2	Work Culture → Employee Performance	0.603	2.802	0.005	Accepted
H3	Career Path → Employee Performance	0.006	0.035	0.972	Rejected
H4	Work Environment → Compensation & Benefits	0.243	2.364	0.018	Accepted
H5	Work Culture → Compensation & Benefits	0.217	1.526	0.127	Rejected
H6	Career Path → Compensation & Benefits	0.498	4.676	0.000	Accepted
H7	Compensation & Benefits → Employee Performance	0.140	0.872	0.383	Rejected
H8	LK → KB → Employee Performance	0.034	0.779	0.436	Rejected

H9	BK → KB → Employee Performance	0.030	0.575	0.565	Rejected
H10	JK → KB → Employee Performance	0.070	0.850	0.395	Rejected

Source: SmartPLS Data Processing (2026)

Work culture has a positive and significant effect on employee performance ($\beta = 0.603$; $t = 2.802$; $p = 0.005$) and is the most dominant direct determinant. This finding is consistent with (Robbins & Judge, 2019), which positions organizational culture as a value system that guides behavior, and with (Schein, 2010) and (Satria, 2025), which highlight the role of organizational culture in motivation and performance. In practical terms, the internalization of the company's cultural values—such as the CInTA culture (Customer Focus, Integrity, Teamwork, Agility) and 5R adopted by PT. Mitra Mulia Makmur—proves to be the main lever of performance, particularly among long-tenured employees.

The work environment (H1) and career path (H3) have no significant direct effect on employee performance. Referring to the Two-Factor Theory (Herzberg et al., 1959), the work environment is classified as a hygiene factor, so its presence does not necessarily drive performance. The work-environment finding differs from (Nugroho et al., 2025), whereas the weak direct effect of career path indicates that career development plays a greater role in reward and satisfaction than directly in performance. This difference is presumably due to the model's characteristic of testing the three antecedents simultaneously under high inter-construct correlation, so that the unique contributions of the work environment and career path are absorbed by the more dominant work culture.

The work environment (H4) and career path (H6) significantly affect compensation and benefits, with career path as the strongest effect ($\beta = 0.498$; $t = 4.676$). This finding is consistent with (Nugroho et al., 2025). However, compensation and benefits have no significant effect on employee performance (H7), consistent with (Samboga & Subkhan, 2025), which also found that compensation has no significant effect on performance, although this differs from (Hassan, 2022) and (Peemanee et al., 2025). Consequently, all indirect-effect tests (H8, H9, H10) are non-significant, so compensation and benefits do not act as a mediating variable (no mediation). The managerial implication is that compensation policy is

important for maintaining satisfaction but is insufficient to directly lift performance without strengthening work culture.

CONCLUSION & SUGGESTION

This study concludes that work culture is the most decisive factor for employee performance at PT. Mitra Mulia Makmur Plant Sidoarjo. The work environment and career path affect compensation and benefits, but neither the three antecedents nor compensation and benefits directly affect employee performance, except for work culture. Compensation and benefits also do not act as a mediator. Theoretically, this finding reinforces the relevance of organizational culture theory and Herzberg's Two-Factor Theory in explaining performance among long-tenured employees. Practically, the company is advised to prioritize strengthening and internalizing work culture consistently, while maintaining the quality of the work environment, career path, and compensation as maintenance factors.

This study has limitations, namely the high inter-construct correlation among work culture, career path, and compensation and benefits that may cause multicollinearity, as well as the absence of a Q^2 value. Future research is advised to add variables such as motivation or job satisfaction, expand the coverage and number of respondents across companies, complete the predictive relevance (Q^2) and HTMT tests, and consider a longitudinal approach to obtain more stable and generalizable estimates of the effects.

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