

# Employee Competencies and Compensation Strategies as Company's Strategic Effort to Escalate Employee Performance

Rusdin Tahir, Rudiyanto, Arief Prayitno, Dadang Amiruddin, Tita Rosita



**Abstract:** *The purpose of this study is to reveal employee competencies and compensation received by employees, as well as their implications for employee performance. This study was analyzed descriptively and vericatively through a survey method of 329 marketing managers in retail companies in Indonesia. The technique of data collection is done by indirect communication, through instruments in the form of questionnaires. Data were analyzed by weighted means score (WMS) and Structural Equation Modeling (SEM). The results showed that employee competency was good, but not optimal, indicated by the indicator of the employee's need for the company and the employee's priority scale in the work was still weak. Furthermore, the compensation strategy is relatively good, indicated by indicators of salary/wages, incentives and cooperative facilities that are still weak. On the other hand, competencies and compensation strategies partially and simultaneously have positive and significant impact for employee performance which requires serious handling.*

**Keywords :** *Employee competencies, compensation strategies, employee performance, weighted means score, path analysis.*

## I. INTRODUCTION

Retail business is the whole activity of selling goods or services directly to consumers to meet personal needs and not be used for business purposes or further processing. Every company that sells directly to end consumers, both producers, wholesalers, and retailers who act in retail business activities.

In the face of these market demands, the symptoms that can be observed are the emergence of modern markets, such as: malls, supermarkets, department stores, and shopping centers, which are not planned in particular in determining locations that can form synergies between micro, small and medium traders, including inside traditional markets and/or markets

where there are shops owned/managed by micro, small and medium traders. Related to this, the government issued a policy through regulations to create synergies between modern market entrepreneurs with micro, small and medium traders, as well as other traditional markets.

The Indonesian Retail Entrepreneurs Association (Aprindo) predicts the growth of the domestic retail industry to slow down due to changes in consumer patterns. The retail industry is currently running very slowly, in 2012-2013 at its peak. Roy explained, in the first semester of 2014 the retail industry only grew 3.7 percent while the previous year was still above 10 percent.

The modern retail-supermarket industry is very prospective for this development, it can be seen that since 2001 as many as 220 million more than 1: 400,000 self-service retailers, while in Malaysia for example the number of self-service modern retailers is 1: 53,000. PT Hero Supermarket Tbk's GM Corporate Affairs Tony Mampuk revealed, there are some challenges facing the retail business to develop. One of them is regulation if you want to open new outlets in the area.

The amount of customer interest uses the retail market as a shopping destination, because there is enough quality assurance available for the items purchased, comfortable air-conditioned rooms and the completeness of the items to be purchased. The results of research conducted by the Pasar Jaya Trading Company Jakarta (1992) regarding the reasons why consumers shop at supermarkets, found that the biggest reason was due to the quality of goods guaranteed and price certainty (91%), being able to shop while recreation (90%), save time (83%), can use a credit card (56%), shop security is guaranteed (93%), arrangement of attractive items (94%), and can shop at night (94%). The presence of modern retailers with all its tendencies is a trigger for further study from various prospective. Furthermore, some types of retailing according to Hameli[1], are explained as follows:

- 1) Specialty Store. Selling a narrow range of products with more variety in the line, clothing stores, sports equipment stores, flower shops and bookstores. Special stores can be classified again according to the level of specificity of their product lines. Clothing stores are classified as single lines, men's clothing stores are limited line shops, while men's clothing stores are classified as very specialized stores.
- 2) Department Store sell certain product lines such as: clothing, home furnishings, and household equipment, each of which operates as a separate department managed by special sellers or traders.

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- 3) Supermarket is a relatively large business/opportunity, high sales volume, low cost, low margin. Supermarkets are designed to serve all consumer needs such as food, laundry and household care products, etc.
- 4) Convenience Store, is a relatively small shop and is located in a residential area, has long opening hours of seven days a week, and sells limited convenience product lines with high turnover rates.
- 5) Discount Store, sell standard goods at lower prices because they take lower margins and sell at higher volumes.
- 6) Off-Price Retailer buy merchandise at a price lower than the wholesale price and sell it at a lower price than the retailer.

The type of modern retail that will be the subject of further studies, as explained by Hameli[1] above, is only limited to the retail market which is in the category of Department Stores and Supermarkets. Therefore, in the further discussion the term retail market will be used, which is intended to be the retail market that is in the category of Department Stores and Supermarkets. However, due to the limitations of the retail market included in the Department Store and Supermarket categories that Hameli[1] has stated are not so clearly defined in terms of limits, the references used tend to be categorized according to the criteria carried out by Aprindo (Indonesian Retail Entrepreneurs Association).

Referring to the description above, the meaning of employee performance has not been clearly explained, but in previous studies it has been identified that there are several factors that can affect employee performance, such as competence and compensation. It's just that it is not clear how much the influence is intended, and the extent of its implications for market share. So the purpose of this research is to reveal employee competencies, compensation received by employees, and employee performance and its implications for market share.

The results of this study are expected to be useful not only in the development of science, especially human resource management, but also will be practically useful especially for companies in inventorying employee performance improvement by learning more about employee competencies and managing compensation well so that they can compensate employees who have optimal performance.

### II. LITERATURE REVIEW

#### The Compensation Concept

Compensation is one of the functions of human resource management that is closely related to the issue of awarding individuals who are directly involved in the company's activities for their contribution to the achievement of the objectives of the company.

There are different views of experts in explaining compensation concepts, as in the following table:

**Table 1. The views of experts in interpreting compensation**

Number	Compensation Concept
[2]	The compensation result from the allocation, conversion, and transfer of the income of an

	organization to its employees for their monetary and in-kind claims on goods and services”.
[3]	Employee benefits is that part of the total compensation package, other than pay for time worked, periode to employes in whole or inpart by employee payments
[4]	Compensation not only satisfies one’s basic needs; pay and the things it buy are also recognition of achievement, providing signs of power and status in society.
[5]	Compensation is what employee receive in exchange of their work. Whether hourly wages or periodic salaries, the personnel department usually designes and administers employee compensation.
[6]	The total of all rewards provided employees in return for their labor.
[7]	Paid time off (holidays, vacations, personal leave, funeral leave, jury duty leave, military leave, sick leave, family leave). Insurance (sickness, and accident, long term disability, medical care, dental care, life insurance). Retirement (defined benefit pension, defined contribution pension). Other benefit (flexible benefit pension, reimbursement account, child care unpaid family leave).
[8]	All the extrinsic rewards that employee receive in exchange for their work: Compose of the base wage and salary, any incentive or bonuses, and any benefits.
[3]	Refers to all financial returns and tangible services and benefits employee receive as part an employment relationship

The theoretical approach that is used as a reference in determining the compensation theory of a manager is the equity theory and neoclassical labor market theory. Understanding of equity theory in practice seen from the perspective of managers according to Pritchard (1969) is that equity theory suggests that employees assess the benefits of receiving them from their employers by comparing them to both the and outside of their firms.

Justice will not happen by itself, but there are conditions that require the achievement of justice. According to Wallace & Fay (1988) a state of equity is achieved when an individual employee is perceived that his or her rate of return on investment is an equal relationship to employee rates.

Furthermore Wallace & Fay (1988) states that equity theory proposes three types of equity (equity) that managers can consider in giving an assessment of the return on their employment relationship, namely (1) Individual equity is achieved when the employee perceived that the employer rewards individual employees according to individual variations in terms of productivity, tenure, and/or work effort are recognized via unique individual pay rates); (2) Internal equity is an employee perceive that the employer appropriately values job positions within the organization (e.g. sets of wage rates for positions within the organization).



It is most often associated with a range of assignments to specific job categories; (3) External equity is achieved when the employee is perceived that is comparable to the prevailing external market rate for his or her occupation.

The three theories of justice as stated by Wallace & Fay[10] provide clues that compensation can be seen from the perspective of the individual, the internal and external environment of the organization. These three perspectives are the focus of manager's attention in considering the type of compensation management will provide.

Judging from neoclassical labor market theory[11] revealed that Neoclassical labor market theory views are compensation - related decisions from the perspective of labor supply and demand. The employment decision and the salary levels are determined by the market for labor, and the employer is viewed as a "price taker" that must pay the prevailing market rate for any given job. According to economic theory, external equity is an employer pays the average market salary for a given position. The referral of these models is the market for the given profession or job position.

The theory of compensation as referred to in neoclassical labor market theory explains that decisions regarding compensation relate to labor demand and supply. Decisions regarding managerial positions and positions and compensation rates are highly dependent on the labor market, and are also determined by the ability of company management to pay compensation for manager positions. Viewed from the perspective of an external equity, compensation payments can be adjusted to the average compensation that applies in general to manager positions.

### The Competence Concept

In the service industry, in fact most of the series of activities carried out by humans, the high quality of service is identical to how high the quality of human resources involved in the whole process of service. Research conducted by [12] in the service industry in the United States shows that skills in carrying out work, skills in interpersonal relationships, courtesy, friendliness, tolerance and pleasant attitude are very important dimensions of service quality, especially for intensive services, where front group employees become key individuals [12]. Merasha's opinion is in accordance with the opinion of [13] which states that the main determinants in service are product reliability, quality and delivery system supported by good employee service, attitudes, knowledge and skills of good employees [14].

In contrast to physical assets, competency will never be obsolete, even though competence can lose its value. In general, the more often a competency is used, precisely the better and more valuable [15]. Meanwhile, competence is the most difficult thing to imitate, because its nature is indeed different and specific for each individual [16]. This is what underlies the conclusions of Munro's research, which states that for various industries, competence is believed to be a factor of corporate enabler to build competitive advantage by providing a framework for the functions of human resources to be directed sharply at activities to build the capabilities of its employees [17]. This statement is reinforced by [18] who proves that the accumulation of competencies that exist in a

company can be directed into a factor of competitive advantage for a company. It is this argument that underlies [19] opinion which states that currently competency is the basis for world-class companies in carrying out their business strategy setting. Therefore, now the challenge for many companies is to introduce a development process based on competency, which has been proven to be able to increase the productivity of companies and individuals [20].

Kathyayini (2012) study in Australia showed that only 49% of the 100 largest companies in Australia in 1993, which in 2000 remained in the top 100, or in other words, in a relatively short period of 7 years, 51 % of large Australian companies must be displaced from their position in the order of the 100 largest companies. This condition turns out to be very strongly correlated with the conditions of the human resources of these companies.

Such conditions are very likely to occur, as Watson's research found, which states that the existence of a company is largely determined by the competency level of employees within the company, the key is how well the company is able to mobilize energy and talent from its employees [15]. This shows that employees who have high professional skills and competencies are able to not only carry out limited development in the scope of the company, but also at the same time be able to identify for future developments [22].

For companies in the service industry, where production and consumption occur simultaneously, the problem of employee competence is a challenge for the company. Competencies that are unique to the field of service are needed, which are relatively different from the manufacturing sector, and for that we need different competency management capabilities[23].

One of the competencies of employees who are considered to hold the key to success in the era of globalization, according to [24] is competence in communication, because basically, the development and distribution of cultures that vary requires business entities to be able to adjust themselves, so that at least employees have communication competencies consisting for four areas, namely: language, roles and norms, the ability to develop affective conversations, and the area of applied communication.

This is quite reasonable, because the actual activities of the company are carried out by each role in the activity units, so the thing that must be realized together is that each role in the work requires their respective competencies, and those needs are always developing and grow over time [25]. Whereas to be able to find out whether certain competencies are in accordance with the demands of the situation and conditions, Robotham[26] argues, that competencies must be measurable, and this can only be done fairly if measurements are made for certain sectors, considering competencies are only relevant when faced with certain skills in certain industries [27].

Clear definition of the competencies needed for a particular type of work in the industry and that particular time will provide high benefits to three parties, namely: 1)

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for companies, especially for the benefit of human resource development, 2) individuals who currently in the company, to recognize competency gaps that must be pursued, and 3) job seekers or prospective employees, to adjust to the competencies demanded of them [28].

Research conducted by Kuglin[29], to determine whether a company really has the competencies as needed, there are at least three criteria, namely: 1) the competencies possessed are able to gain access in various types of existing markets, 2) have a significant contribution to the benefit of the customer and the product or service produced, and 3) it is difficult to imitate even the closest competitor [30]. [28]believes that the competencies needed by someone can be obtained either through formal education or experience.

Competence can even be used as a reference for a certain individual's behavior, namely how they carry out activities and make a response within the company, especially in the scope of work that is their responsibility [28]. Even strengthening the company's strategy by using competencies is believed to be able to increase the company's flexibility in responding quickly to various business opportunities in the future [31].

The importance of focusing attention on competency development in accordance with the demands of each type of industry, as stated by Horton above, is also a major concern in the research conducted by Tovey, which states that it is very difficult to find values in "Distinctive" employee competencies by using a "Generic" approach, this is caused by: 1) the nature of the business or industry itself, which requires competencies that are different from other industries, 2) types of work in a series of processes within the industry that have functions and responsibilities different, and 3) the company or work unit where the employee is located [32]. Clearly, there is no one type of competency that can be precisely or precisely needed or can be applied to different types of work, therefore identification of what competencies are needed to carry out certain tasks is quite crucial [33].

Many experts and researchers do definitions according to their perspectives, scientific background, and the results of empirical research on competencies. Various definitions of competencies from experts that were successfully obtained by researchers are:

**Table 2. The Competence Concept**

Number	The Competence Concept
[34]	Something that concerns a person's functions, roles, duties, skills, abilities or personal qualities
[35]	Something that underlies a person's characteristics which consists of motives, talents, skills, and aspects related to social roles, or knowledge possessed by someone
[27]	Certain behavior of an individual, which is shown by how the individual reacts to the environment of his company.
[36]	Personal characteristics of a

	person and how they use them in their work and profession
[37]	Characteristics that underlie a person to be able to show a good work performance in the field of work, role or certain situation
[38]	skills in managing interpersonal relationships from employees who provide services to customers

Based on the opinions of experts who carried out previous research, in this study, employee competency was seen from several characteristics, such as: enthusiasm for achievement, initiative, self-confidence, orientation to quality, self-control, concern for customer satisfaction, group work and collaboration, and build working relationships.

### The Employee Performance Concept

Work performance or performance is interpreted as building a center in the psychology/organization industry [39] [40][41]. Many of the employee selection is based on the premise of choosing from many of their applicants who tend to show better work results (compared to those who are not selected). Many training programs are designed to improve job performance. Individual assessments are carried out to identify their strengths and weaknesses in order to design training programs and for optimal placement decisions.

Performance appraisal, is an attempt to determine feedback and / or even assess the services of an employee to pay for and determine employee performance information systems. In other words, work performance or employee performance is how to build something that is a center of much work psychology. Thus, it is important to know what requires that the construct of employee performance is interesting to be studied further by studying the competencies and compensation expected by a manager.

Many definitions of employee performance have been proposed industry [39] [40][41]. In order to understand them further, employee performance refers to scalable actions, behaviors and outcomes of employees involved and contributing to company goals. Apart from abstract definitions, how do we know what is employee performance? To answer this question the researcher has applied several combinations of one of the following four approaches:

**First**, researchers have reviewed the measure of work performance used in different contexts and are trying to synthesize what dimensions construct employee performance. This method is quite rational in synthesizing and the possibility of constructing a theory,

however, will be influenced by focus, interest and maybe even bias from individual researchers doing the theory.

**Second**, researchers rely on analytical work techniques to explain behavior and related dimensions for employee performance. In this approach, standard job analysis techniques are used to find out what makes employee performance[41].

That several dimensions that are performance appear in the context of critical analysis, task analysis, and analytic analysis of other work. However, although there is much to be said about analyzing work and thus finding binding behavior in work, quite often the performance dimensions are obtained using job analysis, but have differed from those obtained using other empirical methods. Structure is an important factor or the criticality of ranking does not reflect the dimensions of actual behavior on the job.

**Third**, researchers have developed the dimensions of the hypothesis, collected data about these steps, and analyzed data factors [42]. This is (way and empirical) most directly assessing the dimensions of the performance domain. Unfortunately, this empirical approach is limited by the number and type of steps included in the data collection stage.

Viswesvaran, Ones, and Schmidt [43] propose the principle for performance appraisal and argue that comprehensive specifications of the domains of performance constructs can be obtained by compiling all measures of work performance that have been used in occupational psychology which still contains literature from the last eighty years.

**Fourth**, Welbourne, Johnson, and Erez [44] felt called upon by developing organizational theory to determine what content constructs are. Organizational theory further explains the performance construct born of the difference between assignments and performance contextually. Distinguishing between contextual tasks and performance is aligned with the postulated social and technical systems for creating organizations.

Binning & Barrett [45] show a performance model that aims to reveal dimensions at different levels, about the developmental context of performance dimensions characterized, as: (1) stand alone, certain, or (2) part of a set larger than dimension. After reviewing several dimensions that have been developed independently (for example, prosocial behavior), this study reviews a more comprehensive model of performance itself.

Thus, contextually there is a relationship between competence, compensation with employee performance, with several premises, namely:

1. Competence is formed from the synergy of character, behavior, self-concept, motives, knowledge and skills that influence character, attitudes, behaviors and abilities and willingness to face work that ultimately affect their work performance.[46][47]
2. Competence can be used as a reference for a particular individual behavior, namely how they carry out activities and conduct responses in an organization, especially in the scope of work that is their responsibility[26][29]
3. Compensation can motivate employees if they believe that good performance will result in high compensation and the compensation is very valuable to him[3].
4. Performance as the appearance of work behavior which is characterized by the flexibility of motion and work order according to the procedure so that results are obtained that meet the requirements of quality, speed and quantity [26][48].
5. Performance as a pattern of actions implemented to achieve goals, measured by comparison with various

standards [26][48].

6. The participation of clerk employees in the retail business in providing services is a guide for customers to the services provided, including how they dress, look, behave and behave can affect the buyer's perception of services received [49].
7. Compensation as an award or reward given to motivate workers to work high productivity which will have an impact on the level and quality of life of workers who will determine the performance of workers. [50].

Based on the premises which are the evidences of the experts mentioned above, a hypothesis can be formulated in this study. Competence and compensation affect the performance of employees both simultaneously and partially.

### III. RESEARCH METHOD

The method used in this study is explanatory survey method. Based on the research objectives to be achieved, the type of research used is verification and explanatory research that tests and explains employee performance as a result of changes in competency and compensation factors; and then test the empirical model.

This study uses data from the perception of Marketing Managers during the period 2016 to 2018. The population as the unit of analysis in this study is marketing managers who are active in Retail companies in Indonesia.

The variables examined in this study are: **Competence**, including: commitment to the company, desire for achievement, cooperation, proactivity, leadership, and discipline; **Compensation**, including: direct compensation and indirect compensation; and **Employee Performance**, including: quality of work, quantity of work, understanding of work procedures, creativity, cooperation, delegating ability, initiative, and personal quality.

Determination of the sample in this study was carried out in one stage, namely determining the sample marketing manager supervisor with maximin method. The observation unit in this study is a retail company that belongs to the Department Store and Supermarket categories, so that not all retail markets in Indonesia are designated as observation units.

In accordance with data obtained from the Ministry of Industry there are 329 marketing managers who work in retail companies operating in Indonesia, which consist of several categories, but which are the units of observation in this study are 21 Department Stores and Supermarkets.

Whether or not a questionnaire is used, which is known as Discriminating Power. The criteria for testing validity and reliability in this study refer to 2 (two) points:

**First**, *Discriminating Power Test Criteria* of [51]:

**Table 3. Discriminating Power Test Criteria**

<b>r-Value</b>	<b>p-Value</b>	<b>Description</b>
> 0	< α	item can be used
> 0	> α	item cannot be used
= 0	= α	item cannot be used

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$< 0$	$< \alpha$	item needs to be checked for error possibility
$< 0$	$\geq \alpha$	item cannot be used

Second, Criteria used as follows:

**Table 4. Instrument Validity and Reliability Test Criteria**

Validity	Reliability	Model	Note
.5	.8	Good	Good
.3	.7	Acceptable	Fair
.2	.6	Marginal	Still can be used
.1	.5	Poor	Bad

Data collection techniques were carried out by indirect communication techniques with instruments in the form of questionnaires and documentation study guides. Data analysis techniques use *Structural Equation Modeling* (SEM).

### IV. FINDINGS AND DISCUSSION

#### Statistical Description

An overview of employee competency conditions, Compensation Management, and Employee Performance of Indonesian Retail Companies. Table 6, 7, 8 and 9.

**Table 6. Recapitulation of Results Reached By Each Variable**

Variable	WMS (%)
Competence ( $X_1$ )	74,55
Compensate ( $X_2$ )	69,43
Performance (Y)	80,10

**Table 7. Weighted Mean Score Result Competence Variable  $X_1$**

Dimension & Indicator (No Item)	WMS (%)
<b>Commitment to the Company:</b>	
Employee Needs for the company (1)	60,00
Determine priority scale (2)	68,87
Knowledge of company goals (3)	77,32
<b>Average</b>	<b>68,73</b>
<b>Desire to Achieve</b>	
Results that exceed the standard results (4)	75,88
Results that exceed standard size (5)	78,35
Results exceed standards success (6)	79,18
Results that exceed standards that is challenging (7)	77,73
Results that exceed standards ever achieved (8)	80,21
<b>Average</b>	<b>78,27</b>
<b>Cooperation</b>	
Ability to work in teamwork (11)	76,91
Ability to be part of the team (12)	75,46
Diagonal capability across functions/parts (13)	72,58
Ability to cross teamwork in one function/part (14)	73,20
<b>Average</b>	<b>74,54</b>

<b>Proactive</b>	
Initiative (15)	68.04
Improve the performance (16)	74.43
Preventing emergence problem (17)	70.10
Creating opportunities (18)	73.61
<b>Average</b>	<b>71.55</b>
<b>Leading</b>	
Take part in the team (19)	78,35
Use authority & position authority (20)	75,05
Sub Number of Leads	76,70
<b>Discipline</b>	
Finish the job on time (21)	75,05
<b>Average</b>	<b>75,05</b>
<b>TOTAL</b>	<b>74,55</b>

**Table 8. Weighted Mean Score Result Compensate Variable ( $X_2$ )**

Dimension & Indicator (No Item)	%
<b>Direct Compensate:</b>	
Salary/Wages (1)	60,00
Incentive (2)	68,84
<b>Average</b>	<b>64,42</b>
<b>Indirect Compensate</b>	
Occupational Health Insurance (3)	75,88
Maintenance costs (4)	78,35
Transport Allowance (5)	79,18
Meal allowances (6)	77,73
Salary payment during off work (7)	80,21
Work uniform (8)	89,93
Holiday allowance (9)	73,24
Cooperative Union (10)	63,46
Saving and loan cooperative (11)	69,23
Appreciation (12)	73,14
<b>Average</b>	<b>76,04</b>
<b>TOTAL</b>	<b>70,23</b>

**Table 9. Weighted Mean Score Result Employee Performance Variables (Y)**

Dimension & Indicators (No Item)	WMS (%)
<b>1. Work Quality</b>	
Conformity to the amount of work done with the standard set (1)	66.60
Match the amount of time used with the time available (2)	88.66
Match the correct number of errors made (3)	75.46
<b>Average</b>	<b>76.91</b>
<b>2. Work Quantity</b>	
Accuracy of work accuracy with the standard set (4)	65.98
Conformity to the perfection of work with the standards set (5)	78.14
<b>Average</b>	<b>72.06</b>
<b>3. Work Procedure Understanding</b>	
Knowledge of employee work (6)	96.49
Knowledge of the work environment of employees (7)	91.75
Knowledge is related to direct supervisor (8)	96.29
Knowledge of the institution where you work (9)	76.70
<b>Rata-rata</b>	<b>90.31</b>
<b>4. Creativity</b>	
The ability to test existing ideas related to work (10)	63.92
The ability to develop existing ideas related to work (11)	92.37
The ability to find/create new ideas related to work (12)	77.94
<b>Rata-rata</b>	<b>78.08</b>
<b>5. Teamwork</b>	
The ability to work with others is related to work (13)	76.49
The ability to work with commanders related to work (14)	94.85
The ability to work with the Team is related to work (15)	75.67
<b>Average</b>	<b>82.34</b>
<b>6. Delegating Ability</b>	
The ability of pilots to follow instructions (16)	76.91
The ability of pilots to follow policies (17)	94.85

The ability of the pilot to be trusted by the commander (18)	71.55
<b>Rata-rata</b>	<b>81.10</b>
<b>7. Initiative</b>	
Conformity between work spirit and initiative (19)	76.70
<b>Average</b>	<b>76.70</b>
<b>8. Personal Quality</b>	
Appropriateness of capabilities with pilot leadership progress (20)	74.85
Suitability with private pilot socialization (21)	74.43
Suitability with the integrity of the pilot (22)	75.67
<b>Average</b>	<b>74.98</b>
<b>Total</b>	<b>80.10</b>

**Inferential Analysis**

Based on the results of data processing with the help of computer services with the LISREL program the results of hypothesis testing are obtained as shown in the following table:

**Table 10. The impact of X1 and X2 to Y**

Koefisien R	p-Value	F Change & t	R <sup>2</sup>	Ket
X1 & X2 → Y = .684	.000	103,699	.468	H <sub>0</sub> Reject
X1 → Y = .436	.000	4.359	.119	H <sub>0</sub> Reject
X2 → Y = .268	.000	2.673	.072	H <sub>0</sub> Reject

Source: Data is processed by the author (2015)

Referring to Table 10, it is proven that the hypothesis states that Competence and compensation affect employee performance both simultaneously and partially.

The results of this study are still relevant to the results of research by Robertson[52] who concluded that competence and compensation were able to increase the productivity of companies and individuals.

Another thing stated by Best [53] that one of the important factors that can be a measure of the success of an entity in its efforts to remain in the industry is the ability of the business entity to provide services to its customers.

This is in line with the results of a study conducted by Mersha in the service industry in the United States in 1991 showing that skills in carrying out work, interpersonal skills, courtesy, friendliness, tolerance and pleasant attitude are dimensions of service quality that very important, especially for intensive services, where front-line employees become key individuals[12]. Mersha's opinion is in accordance with the opinion of Walker [13] in Johnston who states that the main determinant in service delivery is product reliability, quality and delivery system supported by good employee service.

Based on simultaneous hypothesis testing between competence and compensation for employee performance has a strong enough influence. This shows that the simulta between competence and compensation is very important in improving the performance of salespeople in accordance with the Kandola statement in Hannon [47] which states that currently competency is the basis for world-class companies in their business strategy setting. While Greene [54] succeeded in proving that the accumulation of competencies that exist in an organization can be directed into a factor of competitive advantage for a company. In addition, the research conducted by Birdir[55] supports the importance of competencies as a reference in evaluating a performance and

reference in determining compensation. Salesperson competencies need to be accompanied by reasonable compensation because competency alone is not necessarily able to improve high performance and vice versa that giving reasonable compensation does not necessarily improve the performance of salespeople. Therefore the simultancy between competency and compensation has a very decisive role in improving employee performance.

**V. CONCLUSION**

Employee competencies and compensation received by employees simultaneously and partially have a significant effect on employee performance. This shows that the high and low competencies of employees and good management of compensation can affect employee performance. Thus, competency has decisive implications for improving employee performance but competency alone is not enough without accompanied by good compensation management, meaning that implementation in a simultant and partial manner between competence and compensation is very important so that employee performance can be optimally improved.

Partially the employee competency variables have significant implications with the moderate category, while the compensation management variables received by employees have a significant influence on the weak category.

Employee competency and compensation simultaneously and partially have a significant effect on the market share of retail companies with a fairly strong category, but partially these two variables have a significant effect on the weak category, meaning that employees in retail companies still have no competency and those who have competence not yet fully implemented, so that it has less implications for improving employee performance. Furthermore compensation has not been managed properly, especially indirect compensation, such as incentives. The influence of employee competency is greater than the compensation received by employees for market share, but the difference is not too significant, so both have almost the same implications for market share.

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