

The Influence of Work Discipline, Work Environment and Work Motivation on Employee Performance with Reward as an Intervening Variable

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Abstract: This research aims to test and analyze the influence of work discipline, work environment, and work motivation on employee performance with rewards as an intervening variable at PT. XYZ. This research was motivated by fluctuations in the achievement of monthly operational targets which were not yet optimal in the Kotabumi Unit as well as gaps in the results of previous research (research gaps) related to the determining factors of employee performance. The research method used is a quantitative approach with a causality design. The population in this study was 106 employees. Sampling used a saturated sampling method (census), so that all members of the population were used as research respondents. The data analysis technique uses the Structural Equation Modeling (SEM) method based on Partial Least Square (PLS) with the help of SmartPLS software version 4.1.1.8. The research results show that directly, work discipline and rewards have a positive and significant effect on employee performance. Work discipline and work motivation have also been proven to have a positive and significant effect on rewards. In contrast, the work environment and work motivation were found not to have a significant direct influence on employee performance. The work environment also has no significant effect on rewards. In testing the mediation effect, rewards were unable to mediate the influence of work discipline or work environment on employee performance. The main findings of this research prove that rewards are able to perfectly mediate the influence of work motivation on employee performance (perfect / full mediation). This main empirical contribution indicates that the abstract potential of internal enthusiasm (motivation) of employees cannot necessarily improve work performance independently, but must be bridged by real reward instruments in the form of incentives based on work volume so that it can be accelerated into concrete work productivity in the field.

Keywords : Work Discipline, Information Technology, Public Service Effectiveness

1. Introduction

Employee performance remains one of the most critical determinants of organizational sustainability and competitiveness. In contemporary organizations, human resources represent a strategic asset capable of generating operational efficiency, innovation, and long-term organizational success. The achievement of organizational objectives depends largely on employees' ability to perform their duties effectively, efficiently, and consistently in accordance with established standards. Consequently, organizations continuously seek to identify factors that can enhance employee performance and contribute to superior organizational outcomes. Employee performance refers to the quality and quantity of work achieved by employees in carrying out responsibilities assigned to them within a specified period. High-performing employees contribute positively to organizational productivity, customer satisfaction, and organizational growth. Conversely, poor employee performance can lead to operational inefficiencies, reduced service quality, increased costs, and failure to achieve strategic objectives. Therefore, understanding the determinants of employee performance has become an important topic in human resource management research.

Several studies have identified work discipline, work environment, motivation, and reward systems as important predictors of employee performance. Work discipline reflects employees' willingness to comply with organizational rules, regulations, and procedures. Employees with high levels of discipline tend to demonstrate greater responsibility, punctuality, and commitment to organizational goals. A disciplined workforce enables organizations to maintain operational stability and achieve higher productivity levels. According to Bayhaqi et al. (2025), work discipline significantly improves employee performance by fostering accountability and efficiency. However, contrary findings by Sunatar (2022) indicate that work discipline does not significantly influence employee performance, suggesting that the relationship may be context-dependent.

Another important determinant of employee performance is the work environment. The work environment encompasses both physical and non-physical conditions that influence employees while performing their duties. Physical factors include workplace facilities, equipment availability, safety conditions, lighting, temperature, and workplace layout. Non-physical aspects include interpersonal relationships, communication quality, teamwork, and organizational climate. A supportive work environment enhances employee comfort, reduces work-related stress, and increases productivity. Murtiyoko and Tama (2025) found that a positive work environment significantly improves employee performance. However, Syahada (2024) reported that certain physical work environment indicators did not significantly affect employee performance, highlighting inconsistencies in previous findings.

Motivation is also widely recognized as a crucial factor influencing employee performance. Motivation represents the internal and external forces that stimulate employees to achieve organizational goals. Motivated employees generally exhibit higher enthusiasm, persistence, creativity, and commitment in performing their tasks. Motivation can arise from various sources, including recognition, career opportunities, compensation, and supportive leadership. Putri and Dunggio (2024) demonstrated that work motivation positively affects employee performance. Conversely, Nurulhuda and Dewi (2025) found that motivation does not significantly influence employee performance, indicating the need for further investigation regarding the mechanisms through which motivation contributes to performance outcomes.

In addition to these factors, reward systems have attracted considerable attention in human resource management literature. Rewards represent organizational appreciation for employee contributions and achievements. Effective reward systems encourage employees to maintain high performance levels, strengthen organizational commitment, and improve job satisfaction. Rewards can be financial, such as bonuses and incentives, or non-financial, including recognition, promotion opportunities, and career development programs. According to Ridwansyah et al. (2025), rewards positively and significantly influence employee performance. Nevertheless, Fatimah (2025) reported that rewards do not significantly affect employee performance, suggesting that contextual factors may influence the effectiveness of reward systems.

The present study was conducted at PT. Xyz, a national private company operating in the electrical construction and technical service sector and serving as a contractual partner of PT PLN (Persero). As a service-oriented organization, PT. Xyz heavily relies on employee performance to ensure operational effectiveness and maintain service quality. Employee performance directly influences the company's ability to fulfill contractual obligations, achieve operational targets, and sustain business competitiveness.

Preliminary observations revealed performance inconsistencies across operational units within the company, particularly between the Tanjung Karang and Kotabumi units in Lampung Province. Operational performance data from February to November 2025 indicate significant disparities in target achievement between these two units.

Table 1. Operational Performance Achievement of PT. Xyz in 2025

Month	Tanjung Karang (%)	Kotabumi (%)
November 2025	95.08	90.87
October 2025	92.54	80.16
September 2025	90.87	78.73
August 2025	94.70	80.57
July 2025	94.61	85.04
June 2025	92.49	78.67
May 2025	91.86	69.94

April 2025	89.69	68.86
March 2025	94.04	76.12
February 2025	105.81	96.91

Source: Internal Data of PT. Xyz(2026)

The data demonstrate substantial performance differences between the two units. Tanjung Karang achieved an average performance rate of 94.17%, while Kotabumi recorded only 80.59%. Considering that the operational target is set at 100% each month, the Kotabumi unit consistently underperformed. The largest performance gap occurred in April and May 2025, when Kotabumi achieved only 68.86% and 69.94%, respectively. These findings suggest the existence of significant human resource management challenges within the Kotabumi unit. One of the major factors contributing to lower performance is inadequate work discipline. Internal attendance records between August and November 2025 revealed an average employee tardiness rate of 14.5% in Kotabumi compared to only 4.2% in Tanjung Karang. Field observations further indicated that several technicians failed to comply with attendance procedures and frequently arrived late at service locations, resulting in delays in responding to electrical service disruptions. Such disciplinary issues negatively affected compliance with Service Level Agreements (SLAs) established by PT PLN.

Another factor relates to deficiencies in the work environment. Field observations identified limited availability of essential technical equipment, including Megger and Earth Tester devices. Several existing instruments were outdated and required sharing among technical crews, causing delays in operational activities. Furthermore, inadequate maintenance of operational vehicles frequently disrupted field operations. Although employees reported relatively harmonious interpersonal relationships, the lack of sufficient physical facilities was perceived as a significant obstacle to effective job performance. Employee motivation also emerged as a critical concern. Preliminary surveys indicated that approximately 58% of technicians experienced work burnout due to demanding workloads and insufficient managerial support. Interviews revealed that emergency assignments were often communicated verbally without adequate consideration of employees' physical and psychological conditions. As motivation declined, employees demonstrated reduced willingness to pursue performance targets and participate actively in operational activities.

The company's reward system further contributed to these challenges. PT. Xyz implements a piece-rate reward system in which financial incentives depend entirely on actual work output and target achievement. Consequently, employee motivation directly affects reward attainment. Preliminary survey findings showed that approximately 75% of employees considered the existing incentive system unattractive due to delayed payment processes and perceived inequities in reward distribution. The weakening effectiveness of rewards appeared to reduce employee commitment and overall performance. Beyond organizational phenomena, this study is also motivated by inconsistencies in previous empirical findings. Existing studies have reported contradictory results regarding the influence of work discipline, work environment, motivation, and rewards on employee performance. These inconsistencies suggest the existence of additional mechanisms that may explain how these variables interact to influence performance outcomes.

This study addresses three primary research gaps. First, an empirical gap exists due to persistent disciplinary issues, inadequate work facilities, declining motivation, and dissatisfaction with reward systems within PT. Xyz. Second, a contextual gap emerges from the significant performance disparity between the Tanjung Karang and Kotabumi units. Third, a theoretical gap arises from conflicting findings regarding the relationships among work discipline, work environment, motivation, reward systems, and employee performance.

To address these gaps, this study proposes a mediation model in which reward functions as an intervening variable linking work discipline, work environment, and work motivation to employee performance. The inclusion of reward as a mediating mechanism is based on the assumption that employees who exhibit high discipline, work within supportive environments, and possess strong motivation are more likely to achieve rewards, which subsequently enhance their performance.

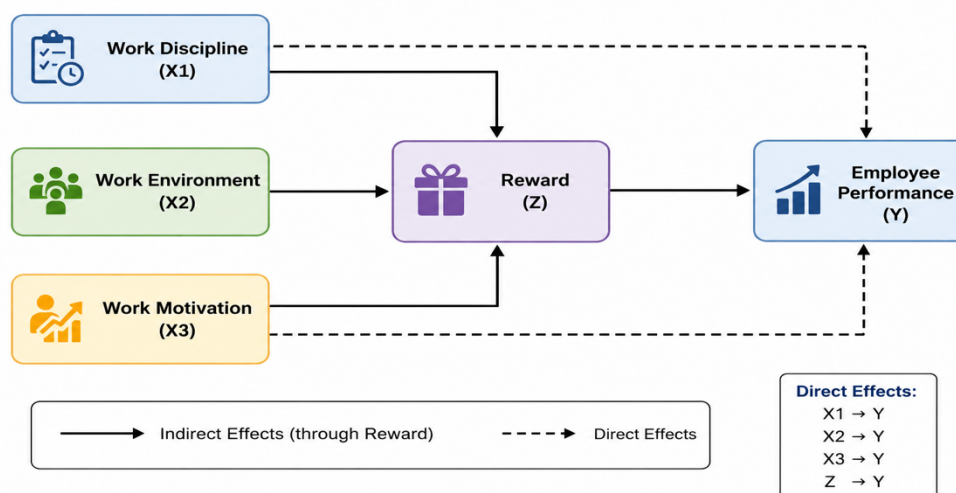
The novelty of this study lies in its examination of reward as an intervening variable within the context of an Indonesian electricity service company. Previous studies have generally focused on the direct effects of work discipline, work environment, motivation, and rewards on employee performance. However, limited attention has been given to the mediating role of reward in explaining the relationship between these antecedent variables and employee performance.

Therefore, this study aims to investigate the influence of work discipline, work environment, and work motivation on employee performance, while simultaneously examining the mediating role of reward at PT. Xyz. The findings are expected to contribute both theoretically to human resource management literature and practically to organizational strategies for improving employee performance through effective reward systems.

2. Research Methodology

2.1 Research Design

This study employed a quantitative explanatory research design to investigate the causal relationships among work discipline, work environment, work motivation, reward, and employee performance. The explanatory approach was selected because it enables the examination of direct and indirect effects among variables through a structural model. The study was conducted at PT. Xyz, an Indonesian private company operating in the electricity service and construction sector and serving as a contractual partner of PT PLN (Persero). The company was selected because its operational activities rely heavily on employee performance and target achievement systems, making it a relevant context for examining the role of discipline, work environment, motivation, and reward in influencing performance outcomes. The research framework positions work discipline (X1), work environment (X2), and work motivation (X3) as exogenous variables, employee performance (Y) as the endogenous variable, and reward (Z) as a mediating variable.



Source: Developed by the Authors (2026)

2.2 Population and Sample

The population consisted of all employees of PT. Xyz, totaling 106 employees. The workforce includes administrative personnel, technical staff, and technicians who simultaneously perform driving responsibilities. Given the relatively small population size, this study employed a census or saturated

sampling technique, whereby all members of the population were included as research respondents. Consequently, the final sample consisted of 106 employees.

Table 1. Population Distribution

Employee Category	Number of Employees
Administration Staff	55
Technicians	28
Technician-Drivers	23
Total	106

Source: PT. Xyz(2026)

The use of saturated sampling minimizes sampling error and ensures comprehensive representation of organizational members.

2.3 Data Collection Procedure

Primary data were collected through structured questionnaires distributed directly to employees. The questionnaire items were developed based on established theories and empirical studies in human resource management and organizational behavior. All indicators were measured using a five-point Likert scale ranging from:

Response Category	Score
Strongly Disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly Agree	5

Secondary data were obtained from company reports, organizational documents, previous studies, books, and peer-reviewed journal articles relevant to the research variables.

2.4 Variable Measurement

The constructs and measurement indicators were adapted from previous validated studies.

Table 2. Operationalization of Variables

Variable	Indicators	Sources
Work Discipline (X1)	Attendance, compliance with work regulations, adherence to work standards, ethical behavior	Manullang et al. (2022)
Work Environment (X2)	Peer relationships, supervisor-subordinate relationships, teamwork	Natania & Martha (2023); Siagian & Khair (2018)
Work Motivation (X3)	Physiological needs, safety needs, social needs	Adinda et al. (2023); Indharwan & Adiwaty (2021)
Reward (Z)	Salary and bonus, welfare benefits, career development, psychological and social recognition	Setiarini et al. (2025); Triadi & Ekawaty (2021)
Employee Performance (Y)	Target achievement, productivity, work output quality	Arifin et al. (2022); Eistiana & Destiningsih (2021)

All constructs were modeled as reflective latent variables.

2.5 Data Analysis Technique

The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS version 4.1.1.8. PLS-SEM was chosen because it is suitable for predictive research, mediation analysis, and complex models involving multiple latent variables.

The structural equations are specified as follows:

Reward Model

$$Z = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

Employee Performance Model

$$Y = \alpha_2 + \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + \beta_4 Z + \varepsilon_2$$

where:

- X_1 = Work Discipline
- X_2 = Work Environment
- X_3 = Work Motivation
- Z = Reward
- Y = Employee Performance
- ε = Error term

3.6 Measurement Model Assessment (Outer Model)

The measurement model was evaluated through validity and reliability testing.

Convergent Validity

Convergent validity was assessed using:

1. Outer Loading ≥ 0.70
2. Average Variance Extracted (AVE) ≥ 0.50

Indicators failing to meet the minimum threshold were considered for elimination.

Discriminant Validity

Discriminant validity was assessed using:

1. Fornell–Larcker Criterion
2. Cross Loading Analysis
3. Heterotrait-Monotrait Ratio (HTMT)

According to Hair et al. (2022), HTMT values below 0.90 indicate satisfactory discriminant validity.

Reliability

Reliability was evaluated through:

Criteria	Threshold
Cronbach's Alpha	≥ 0.70
Composite Reliability	≥ 0.70

These measures indicate the internal consistency of the latent constructs.

3.7 Structural Model Assessment (Inner Model)

The structural model was evaluated using several criteria.

Coefficient of Determination (R^2)

The explanatory power of the model was assessed through R^2 values.

According to Hair et al. (2022):

R ² Value	Interpretation
0.75	Strong
0.50	Moderate
0.25	Weak

Predictive Relevance (Q²)

Predictive relevance was examined using the blindfolding procedure.

A model is considered predictive when:

$$Q^2 > 0$$

Higher Q² values indicate better predictive capability.

Effect Size (f²)

The relative contribution of each exogenous variable was evaluated through effect size:

f ² Value	Interpretation
0.02	Small
0.15	Medium
0.35	Large

Collinearity Assessment

Multicollinearity was examined through Variance Inflation Factor (VIF).

A VIF value below 5.0 indicates the absence of critical collinearity issues.

3.8 Hypothesis Testing and Mediation Analysis

Hypothesis testing was conducted using the bootstrapping procedure with 5,000 subsamples.

The significance criteria were:

1. T-statistic > 1.96
2. P-value < 0.05

The mediation analysis followed the contemporary approach proposed by Preacher and Hayes (2008) and Hair et al. (2022). The significance of indirect effects was evaluated through bootstrapping rather than relying solely on direct-effect significance.

The mediation outcomes were classified as:

1. **Full Mediation:** Significant indirect effect with non-significant direct effect.
2. **Partial Mediation:** Significant indirect and direct effects.
3. **No Mediation:** Non-significant indirect effect.

This approach provides a more robust assessment of the mediating role of reward in explaining how work discipline, work environment, and work motivation influence employee performance.

3. Results and Discussion

3.1. Research Results

This section presents the research data profile, the data analysis procedures and stages, and the results of data processing. The findings obtained from the analysis are subsequently used to test and answer the proposed research hypotheses.

3.1.2. Descriptive Analysis

Descriptive analysis was conducted to describe respondents' responses to each research variable. The results provide an overview of respondents' perceptions regarding the condition of each variable examined in this study.

3.1.2.1. Respondent Demographics

The demographic characteristics of respondents were classified based on age, gender, and educational background.

1. Respondents' Age

Age is often considered a factor reflecting employee performance and productivity. The distribution of respondents by age is presented in Table 4.2.

Table 4.2. Respondent Distribution by Age

No.	Age Category	Number of Employees	Percentage
1	Up to 25 years	35	33.02%
2	More than 25 to 30 years	28	26.42%
3	More than 30 to 40 years	29	27.36%
4	More than 40 to 50 years	11	10.38%
5	More than 50 years	3	2.83%
Total		106	100%

Source: Primary data processed by the authors (2026)

Based on Table 4.2, the majority of respondents were relatively young employees. The largest proportion belonged to the age group of up to 25 years (33.02%), followed by employees aged 31–40 years (27.36%) and 26–30 years (26.42%). Collectively, approximately 86.8% of the 106 employees were under 40 years old, while employees aged above 50 years represented only 2.83% of the total workforce. These findings indicate a productive workforce dominated by younger generations.

2. Gender

Gender may influence employee behavior and work-related activities within an organization. The distribution of respondents by gender is presented in Table 4.3.

Table 4.3. Respondent Distribution by Gender

No.	Gender	Number of Employees	Percentage
1	Male	106	100%
2	Female	0	0%
Total		106	100%

Source: Primary data processed by the authors (2026)

As shown in Table 4.3, all respondents were male employees, accounting for 100% of the total sample. No female respondents were included in the study. Consequently, the workforce composition in this operational unit is entirely male-dominated. This condition is attributable to the nature of field-based technical work, where technician positions are generally assigned to male employees.

3. Educational Background

Educational attainment is often associated with an individual's competence and capability. The distribution of respondents based on their highest educational qualification is presented in Table 4.4.

Table 4.4. Respondent Distribution by Educational Background

No.	Educational Level	Number of Employees	Percentage
1	Senior High School or Equivalent	91	85.85%
2	Diploma III	3	2.83%
3	Diploma IV/Bachelor's Degree	12	11.32%
Total		106	100%

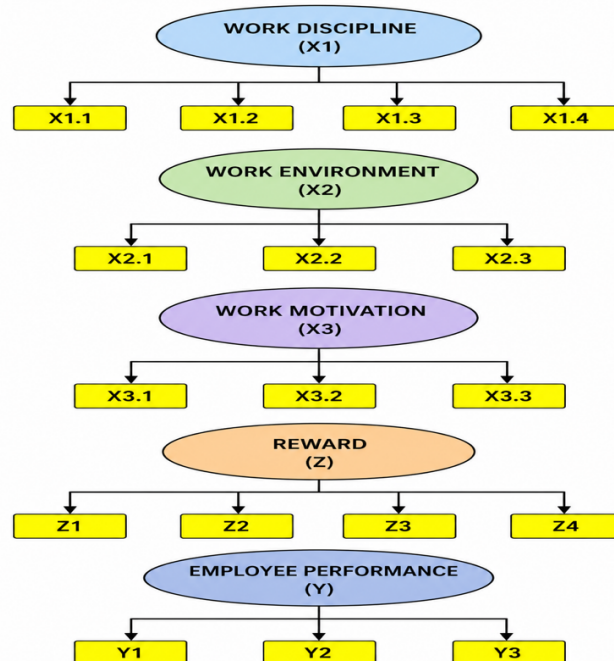
Source: Primary data processed by the authors (2026)

Based on Table 4.4, the majority of employees held a senior high school qualification or equivalent, comprising 91 employees (85.85%) of the total workforce. Employees with higher education qualifications represented a considerably smaller proportion, including 12 employees (11.32%) with Diploma IV/Bachelor's degrees and only 3 employees (2.83%) with Diploma III qualifications. These findings indicate that the workforce structure is predominantly composed of employees with secondary-level educational backgrounds.

3.1.2.4. Outer Model Specification

The outer model specification describes the relationship between latent variables and their respective indicators. This model illustrates how each observed indicator reflects its underlying construct. In the measurement model, indicators are represented by yellow boxes, while the directional arrows indicate the relationship between latent variables and their measurement indicators.

Figure 4.2. Outer Model



Source: Authors' elaboration based on SmartPLS output (2026).

Figure 4.2 demonstrates that the latent construct of Work Discipline is measured by four indicators (X1.1, X1.2, X1.3, and X1.4). Work Environment is measured by three indicators (X2.1, X2.2, and X2.3), while Work Motivation is represented by three indicators (X3.1, X3.2, and X3.3). Furthermore, the construct of Reward is measured through four indicators (Z1, Z2, Z3, and Z4). Finally, Employee Performance is measured using three indicators (Y1, Y2, and Y3).

3.1.3. Data Analysis and Hypothesis Testing

This section explains the procedures used to process, analyze, and present the research data. In addition, hypothesis testing is conducted to examine the relationships among the proposed constructs and determine whether the research hypotheses are supported.

3.1.3.1. Measurement Model Assessment (Outer Model)

The measurement model was evaluated through validity and reliability assessments. Validity testing consisted of convergent validity and discriminant validity, while reliability testing was evaluated using Composite Reliability and Cronbach's Alpha.

1. Validity Assessment

In PLS-SEM, construct validity is evaluated through two stages: convergent validity and discriminant validity.

a. Convergent Validity

Convergent validity assessment was conducted using two criteria: outer loading and Average Variance Extracted (AVE).

1) Outer Loading

The convergent validity test was performed using SmartPLS version 4.1.1.8. An indicator is considered valid when its loading factor exceeds 0.70.

Table 4.7. Outer Loading Results

Latent Variable	Indicator	Loading Factor	Interpretation
Work Discipline	X1.1	0.893	Valid
	X1.2	0.935	Valid
	X1.3	0.951	Valid
	X1.4	0.946	Valid
Work Environment	X2.1	0.920	Valid
	X2.2	0.912	Valid
	X2.3	0.957	Valid
Work Motivation	X3.1	0.891	Valid
	X3.2	0.908	Valid
	X3.3	0.926	Valid
Employee Performance	Y1	0.950	Valid
	Y2	0.947	Valid
	Y3	0.936	Valid
Reward	Z1	0.891	Valid
	Z2	0.825	Valid
	Z3	0.826	Valid
	Z4	0.867	Valid

Source: Processed primary data (2026).

As presented in Table 4.7, all indicators achieved loading factors above the recommended threshold of 0.70. Therefore, all indicators satisfy the requirements of convergent validity and adequately represent their respective latent constructs.

2) Average Variance Extracted (AVE)

The AVE values are presented in Table 4.8.

Table 4.8. Average Variance Extracted (AVE)

Variable	AVE
Work Discipline	0.868
Employee Performance	0.892
Work Environment	0.865
Work Motivation	0.825
Reward	0.727

Source: Processed primary data (2026).

The AVE values for all constructs exceed the recommended threshold of 0.50. Specifically, Work Discipline (0.868), Employee Performance (0.892), Work Environment (0.865), Work Motivation (0.825), and Reward (0.727) all demonstrate satisfactory convergent validity. Therefore, all constructs meet the AVE criterion.

b. Discriminant Validity

Discriminant validity assesses whether a construct is empirically distinct from other constructs within the model (Hair et al., 2022). This study evaluates discriminant validity using Cross Loadings, Heterotrait-Monotrait Ratio (HTMT), and the Fornell-Larcker Criterion.

1) Cross Loading

An indicator should load higher on its assigned construct than on other constructs.

Table 4.9. Cross Loading Results

Indicator	WD	WE	WM	EP	RW
X1.1	0.893	0.766	0.670	0.732	0.656
X1.2	0.935	0.718	0.564	0.771	0.605
X1.3	0.951	0.758	0.637	0.820	0.670
X1.4	0.946	0.775	0.650	0.766	0.648
X2.1	0.759	0.920	0.645	0.647	0.657
X2.2	0.754	0.912	0.813	0.702	0.720
X2.3	0.745	0.957	0.718	0.604	0.674
X3.1	0.650	0.755	0.891	0.638	0.712
X3.2	0.561	0.623	0.908	0.622	0.731
X3.3	0.634	0.755	0.926	0.658	0.746
Y1	0.822	0.697	0.705	0.950	0.733
Y2	0.779	0.684	0.667	0.947	0.709
Y3	0.748	0.607	0.620	0.936	0.710
Z1	0.504	0.581	0.682	0.625	0.891
Z2	0.615	0.549	0.625	0.649	0.825
Z3	0.695	0.723	0.749	0.681	0.826
Z4	0.530	0.644	0.670	0.628	0.867

Notes: WD = Work Discipline; WE = Work Environment; WM = Work Motivation; EP = Employee Performance; RW = Reward. The results indicate that each indicator loads highest on its intended construct compared to other constructs. Therefore, discriminant validity is established.

c. Heterotrait-Monotrait Ratio (HTMT)

Table 4.10. HTMT Results

Latent Variable	WD	EP	WE	WM	RW
Work Discipline	-				
Employee Performance	0.879	-			
Work Environment	0.865	0.751	-		
Work Motivation	0.735	0.768	0.841	-	
Reward	0.761	0.840	0.812	0.818	-

Source: Processed primary data (2026).

All HTMT values are below the conservative threshold of 0.90, indicating satisfactory discriminant validity. Consequently, no overlap exists among the latent constructs.

Table 4.11. Fornell-Larcker Criterion

Variable	WD	EP	WE	WM	RW	$\sqrt{\text{AVE}}$
Work Discipline	1.000	0.830	0.810	0.677	0.693	0.932
Employee Performance	0.830	1.000	0.702	0.704	0.760	0.944
Work Environment	0.810	0.702	1.000	0.783	0.737	0.930
Work Motivation	0.677	0.704	0.783	1.000	0.803	0.908
Reward	0.693	0.760	0.737	0.803	1.000	0.853

Source: Processed primary data (2026).

The square root of AVE for each construct exceeds its correlations with other constructs, confirming discriminant validity according to the Fornell-Larcker criterion.

2. Reliability Assessment

Reliability was assessed using Cronbach's Alpha and Composite Reliability.

Table 4.12. Reliability Results

Variable	Cronbach's Alpha	Composite Reliability
Work Discipline	0.949	0.922
Employee Performance	0.940	0.903
Work Environment	0.922	0.845
Work Motivation	0.894	0.886
Reward	0.874	0.843

Source: Processed primary data (2026).

All Cronbach's Alpha values exceed 0.70, and all Composite Reliability values are greater than 0.70, indicating excellent internal consistency and reliability across all constructs. Therefore, the measurement model satisfies the requirements of validity and reliability and is suitable for further structural model evaluation.

3.2 Discussion

This section provides an in-depth interpretation of the quantitative hypothesis testing results obtained through Structural Equation Modeling (SEM) based on Partial Least Squares (PLS-SEM) using SmartPLS version 4.1.1.8. The discussion systematically relates the empirical findings from PT. Xyz, Lampung, to established theories in organizational behavior and human resource management, as well as previous empirical studies. The discussion aims to evaluate the consistency between empirical findings and the proposed research hypotheses. Specifically, the analysis examines both direct and

indirect effects among the study variables, including the effects of work discipline, work environment, work motivation, reward, and employee performance, as well as the mediating role of reward in explaining the relationships among these variables. Based on the hypothesis testing results and SmartPLS analysis, the findings are discussed as follows.

3.2.1. The Effect of Work Discipline on Employee Performance (H1)

The structural model estimation revealed that the path coefficient between Work Discipline and Employee Performance was 0.651. The corresponding T-statistic was 6.458, exceeding the critical value of 1.96, while the P-value was 0.000, which is below the significance level of 0.05. Furthermore, the indicator “Compliance with Work Standards/SOPs” (X1.3) recorded the highest mean score of 4.500. These findings demonstrate that Work Discipline has a strong and statistically significant positive effect on Employee Performance at PT. Xyz. The relatively large coefficient indicates that discipline is the primary determinant of employee performance variation within the company. As a contractor engaged in electrical maintenance and construction services in partnership with PT PLN (Persero), the company operates within a highly regulated environment characterized by strict deadlines and safety procedures. Therefore, employee compliance with Standard Operating Procedures (SOPs), punctuality, and reporting discipline directly contributes to operational effectiveness and monthly performance targets. From a managerial perspective, the company should maintain this performance driver by strengthening digital attendance monitoring systems and enhancing supervisory control mechanisms. Consistent with the Human Resource Management framework proposed by Manullang et al. (2022), closer supervision and stricter enforcement of operational regulations are necessary to sustain employee discipline and organizational performance.

3.2.2. The Effect of Work Discipline on Reward (H2)

The results indicate that Work Discipline positively influences Reward with a path coefficient of 0.209, a T-statistic of 1.978, and a P-value of 0.048. Consequently, H2 is supported. This finding suggests that PT. Xyz incorporates employee behavioral compliance into its reward evaluation system. Employees who consistently demonstrate punctuality, attendance discipline, and adherence to organizational regulations receive recognition from supervisors. However, the relatively small coefficient indicates that discipline is viewed primarily as a basic job requirement rather than a major determinant of financial incentives. To enhance employee engagement, management should integrate operational discipline into formal non-financial reward systems. Programs such as “Employee of the Month” could be introduced to recognize employees with exemplary attendance records and superior compliance with occupational safety procedures, thereby fostering intrinsic motivation without significantly increasing organizational costs.

4.2.3. The Effect of Work Environment on Employee Performance (H3)

The direct effect of Work Environment on Employee Performance produced a path coefficient of -0.171, a T-statistic of 1.372, and a P-value of 0.170. Therefore, H3 is rejected. The insignificant relationship can be explained by the occupational characteristics of the respondents. More than 75% of employees work as technicians and technician-drivers whose primary responsibilities are performed outdoors. Consequently, physical office conditions such as interior design, office layout, or aesthetic facilities have little functional relevance to their daily productivity in the field. Given this context, management should prioritize investments in operational infrastructure rather than office aesthetics. Resources may be more effectively allocated toward upgrading technical equipment, maintaining operational vehicles, and improving field-support facilities that directly influence employee effectiveness and safety.

3.2.4. The Effect of Work Environment on Reward (H4)

The path coefficient between Work Environment and Reward was 0.128, with a T-statistic of 0.953 and a P-value of 0.341. Thus, H4 is rejected. This finding indicates that workplace comfort and social relationships among employees are not considered key determinants of reward allocation within the company. Instead, reward systems are primarily based on measurable productivity outcomes and performance indicators. Therefore, management should maintain transparency in compensation policies and ensure that reward distribution remains linked to objective performance criteria rather than subjective perceptions of workplace comfort.

3.2.5. The Effect of Work Motivation on Employee Performance (H5)

The direct relationship between Work Motivation and Employee Performance yielded a path coefficient of 0.135, a T-statistic of 1.002, and a P-value of 0.316. Consequently, H5 is rejected. These findings suggest that psychological enthusiasm, personal aspirations, and social needs fulfillment alone are insufficient to improve employee performance in a highly technical and risk-intensive industry. In the electrical services sector, performance outcomes are determined more by adherence to technical procedures and operational standards than by motivational factors alone. Accordingly, management should reconsider motivation programs that rely solely on verbal encouragement. Instead, motivational initiatives should be integrated with tangible performance-based incentives capable of translating employee enthusiasm into measurable productivity improvements.

3.2.6. The Effect of Work Motivation on Reward (H6)

The results demonstrate a strong positive relationship between Work Motivation and Reward, with a path coefficient of 0.562, a T-statistic of 6.143, and a P-value of 0.000. Therefore, H6 is accepted. The large coefficient indicates that employees' motivational needs are strongly associated with expectations regarding organizational rewards. Considering that most employees are young workers with secondary-level educational backgrounds, financial incentives represent an important source of extrinsic motivation. Management should capitalize on this relationship by implementing transparent incentive schemes, including overtime compensation, performance bonuses, and productivity-based rewards. Transparency in reward calculations can strengthen employees' motivation and commitment to organizational goals.

3.2.7. The Effect of Reward on Employee Performance (H7)

The analysis shows that Reward positively affects Employee Performance with a path coefficient of 0.327, a T-statistic of 2.493, and a P-value of 0.013. Accordingly, H7 is supported. This finding confirms that reward systems function as effective motivational instruments within PT. Xyz. When employees receive fair compensation, overtime payments, and performance incentives, they respond by increasing productivity and maintaining service quality. Therefore, performance-based incentives should be positioned as supplementary compensation above the basic salary structure. Such an approach can enhance productivity while maintaining compliance with labor regulations concerning minimum wage requirements.

3.2.8. The Mediating Role of Reward in the Relationship between Work Discipline and Employee Performance (H8)

The indirect effect of Work Discipline on Employee Performance through Reward was 0.068, with a T-statistic of 0.760 and a P-value of 0.447. Therefore, H8 is rejected. This result indicates that Reward does not mediate the relationship between Work Discipline and Employee Performance. Employee discipline directly contributes to performance outcomes without requiring additional

motivational mechanisms through rewards. In the electrical services industry, discipline is perceived as a fundamental requirement for occupational safety and job retention rather than a behavior performed solely to obtain rewards.

3.2.9. The Mediating Role of Reward in the Relationship between Work Environment and Employee Performance (H9)

The indirect effect of Work Environment on Employee Performance through Reward yielded a path coefficient of 0.042, a T-statistic of 1.616, and a P-value of 0.106. Therefore, H9 is rejected. Since neither the direct effect of Work Environment on Reward nor the direct effect of Work Environment on Employee Performance was significant, the mediation mechanism also failed to achieve significance. This finding suggests that improvements in workplace conditions do not substantially influence field operational performance, either directly or indirectly through reward mechanisms.

3.2.10. The Mediating Role of Reward in the Relationship between Work Motivation and Employee Performance (H10)

The indirect effect of Work Motivation on Employee Performance through Reward produced a path coefficient of 0.184, a T-statistic of 2.399, and a P-value of 0.016. Therefore, H10 is accepted. This finding represents the primary theoretical contribution of the study. The results indicate the existence of full mediation, whereby Work Motivation does not directly influence Employee Performance but significantly affects performance through Reward. In other words, employees' internal motivation alone is insufficient to generate higher performance. Instead, motivation must be transformed into concrete behavioral outcomes through tangible rewards. Financial incentives, productivity bonuses, and performance-based compensation act as critical mechanisms that convert psychological motivation into measurable operational productivity. This finding supports contemporary motivation theories emphasizing that employee behavior is strongly influenced by expected rewards. For PT. Xyz, a transparent incentive system linked to Service Level Agreement (SLA) achievements and operational performance targets can serve as an effective strategy for enhancing employee productivity.

3.3. Managerial Implications

Based on the structural model evaluation, which produced an adjusted R^2 of 0.763 for Employee Performance and 0.690 for Reward, several managerial implications can be proposed. First, management should prioritize strengthening employee discipline, as it emerged as the most influential predictor of performance. Digital attendance systems, real-time work-order monitoring, and enhanced supervisory mechanisms should be considered to improve operational efficiency and service responsiveness. Second, although the Work Environment variable was statistically insignificant, management should continue fostering positive interpersonal relationships and effective team coordination, particularly among field technicians. Investments should focus on operational support facilities rather than office aesthetics, given the outdoor nature of employees' work activities.

Third, management should optimize reward systems by aligning them with employee performance and motivational needs. Transparent incentive schemes, performance-based bonuses, and fair compensation policies are essential for enhancing employee commitment and productivity. The evidence of full mediation further highlights that reward mechanisms play a critical role in transforming employee motivation into tangible performance outcomes. Overall, the findings suggest that organizational efforts to improve employee performance should focus primarily on strengthening work discipline and designing effective reward systems while ensuring fairness, transparency, and alignment with operational objectives.

4. Conclusions

4.1. Conclusion

This study examined the direct and indirect effects of work discipline, work environment, and work motivation on employee performance through reward as a mediating variable at PT. Xyz, Lampung. Using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach with SmartPLS 4.1.1.8, the findings provide several important insights into employee performance management within the electricity service and infrastructure sector. The results indicate that work discipline is the strongest determinant of employee performance. Work discipline significantly influences employee performance ($\beta = 0.651$, $p < 0.001$), demonstrating that compliance with organizational regulations, punctuality, and adherence to operational procedures play a critical role in improving employee productivity. Furthermore, work discipline also has a positive and significant effect on reward allocation ($\beta = 0.209$, $p = 0.048$), suggesting that disciplined employees are more likely to receive organizational recognition and incentives.

The study also reveals that work motivation significantly affects reward ($\beta = 0.562$, $p < 0.001$), indicating that motivated employees tend to pursue organizational rewards more actively. However, work motivation does not directly influence employee performance ($\beta = 0.135$, $p = 0.316$). Instead, reward serves as a significant mediator that transforms employee motivation into actual performance outcomes. In contrast, the work environment does not significantly affect either reward or employee performance. These findings suggest that, within the operational context of PT. Xyz, where most employees perform outdoor technical tasks, workplace environmental conditions are less influential than behavioral and motivational factors. Reward significantly influences employee performance ($\beta = 0.327$, $p = 0.013$), confirming its strategic role in enhancing productivity. Mediation analysis further demonstrates that reward fully mediates the relationship between work motivation and employee performance. However, reward fails to mediate the effects of work discipline and work environment on employee performance. Overall, the proposed model explains 76.3% of the variance in employee performance and 69.0% of the variance in reward, indicating strong explanatory and predictive capabilities. These findings highlight the importance of integrating work discipline and performance-based reward systems to improve organizational effectiveness in labor-intensive service industries.

4.2. Theoretical Implications

This study contributes to the human resource management and organizational behavior literature by providing empirical evidence regarding the role of reward as a mediating mechanism between employee attitudes and performance outcomes. First, the findings reinforce the assumptions of reinforcement theory and expectancy theory, which emphasize that employee behavior is strengthened through organizational rewards. The significant relationship between reward and employee performance confirms that employees are more likely to improve their productivity when they perceive rewards as attainable and fair. Second, this study extends previous research by demonstrating a full mediation effect of reward in the relationship between work motivation and employee performance. This finding suggests that employee motivation alone may not automatically generate higher performance unless it is supported by tangible organizational incentives. Third, the insignificant role of the work environment challenges traditional assumptions suggesting that workplace conditions always influence employee performance. In highly technical and field-based industries, operational discipline and reward systems appear to be more important determinants of performance than workplace environmental factors. Finally, the study enriches the growing body of SEM-PLS literature by validating a model that integrates work discipline, work environment, work motivation, reward, and employee performance within the context of electricity service operations in Indonesia.

4.3. Practical Implications

The findings provide several managerial implications for PT. Xyz and organizations operating in similar industries.

Strengthening Work Discipline

Given that work discipline emerged as the strongest predictor of employee performance, management should prioritize initiatives aimed at improving compliance with operational procedures and attendance regulations. Digital attendance systems, real-time monitoring technologies, and stricter enforcement of Standard Operating Procedures (SOPs) may help improve operational efficiency.

Optimizing Reward Systems

Since reward significantly influences employee performance and fully mediates the relationship between motivation and performance, organizations should develop transparent and performance-based reward mechanisms. Incentive systems should be clearly linked to measurable Key Performance Indicators (KPIs), service quality standards, and operational achievements.

Enhancing Employee Motivation through Incentives

Management should integrate motivational programs with tangible rewards rather than relying solely on verbal encouragement or motivational seminars. Financial incentives, performance bonuses, recognition awards, and career advancement opportunities may effectively convert employee motivation into measurable performance outcomes.

Resource Allocation Efficiency

Considering the insignificant effect of the work environment, management should carefully evaluate investments related to workplace aesthetics and office renovation. Resources may be allocated more effectively toward operational equipment, safety facilities, technical training, and field-support infrastructure that directly contribute to employee productivity.

4.4. Limitations of the Study

Several limitations should be acknowledged when interpreting the findings of this study. First, although the model explains a substantial proportion of employee performance variance ($R^2 = 0.763$), approximately 23.7% of the variance remains unexplained, indicating the existence of other influential factors not included in the model. Second, the sample characteristics were relatively homogeneous, consisting predominantly of male employees working in technical field operations. Therefore, the findings may not be fully generalizable to organizations with different workforce structures, industries, or occupational characteristics. Third, the study employed a cross-sectional research design, limiting the ability to capture behavioral changes and causal relationships over time. Employee attitudes and performance may evolve due to organizational changes, economic conditions, or career development processes. Fourth, all variables were measured using self-reported questionnaires, which may introduce common method bias and social desirability bias despite efforts to ensure anonymity and confidentiality. Finally, the study focused on a single company operating in one geographical area, which may limit the external validity of the findings.

4.5. Recommendations for Future Research

Future studies are encouraged to expand and refine the proposed research model in several ways. First, researchers should investigate additional predictors of employee performance, including leadership style, organizational culture, occupational safety climate, job satisfaction, employee

engagement, workload, technical competency, and psychological well-being. Second, longitudinal research designs should be employed to examine how work discipline, motivation, reward, and performance relationships evolve over time, thereby providing stronger causal evidence. Third, future studies may adopt mixed-method approaches by combining quantitative surveys with qualitative interviews to obtain deeper insights into employee perceptions and organizational practices. Fourth, researchers are encouraged to utilize objective performance indicators, such as Key Performance Indicators (KPIs), productivity records, and operational performance reports, to reduce the risk of common method bias. Finally, comparative studies across industries, organizations, and regions would enhance the generalizability of the findings and provide a broader understanding of how reward systems influence employee performance in different organizational contexts.

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