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The Impact of Work Environment, Communication, and Rewards on Employee Performance at The Hajj Financial Management Agency

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ABSTRACT

The management of hajj pilgrimage funds by the Government of Indonesia requires high professionalism and accountability. The declining trend in employee performance at the Hajj Financial Management Agency (BPKH) in 2022, marked by a reduction in "Outstanding" qualifications, highlights the need for improvements in the work environment, communication, and reward systems. This investigation intends to evaluate the impact of work environment, communication, and rewards on employee performance at BPKH. A quantitative approach was employed, collecting data through questionnaires distributed to 111 permanent employees, determined using Slovin's formula from a total population of 153. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reflect that work environment, communication, and rewards significantly affect employee performance. This research contributes to the development of human resource management literature, particularly in the public sector. The study recommends enhancing ergonomic work facilities, fostering transparent internal communication, and implementing performance-based reward systems. These strategies are expected to encourage employee adaptation, collaboration, and the creation of a work culture that sustainably improves employee performance at BPKH.

INTRODUCTION

As the country with the largest Muslim population globally, Indonesia holds a significant Hajj quota annually allocated by the Government of the Kingdom of Saudi Arabia. This necessitates effective and efficient Hajj organization and management by the government. During the 1445 H/2024 Hajj season, the Indonesian Government and House of Representatives (DPR RI) set the Hajj Pilgrimage Cost (BPIH) at IDR 93.4 million per pilgrim (Sekretaris Kabinet RI, 2023). However, prospective pilgrims bear the Hajj Travel Cost (Bipih), with the remainder subsidized by the Hajj Financial Management Agency (BPKH) (Nur, 2023). For 2024, the BPIH of IDR 93.4 million comprises an average Bipih payment of IDR 56.04 million (60%) by pilgrims and a subsidy from the Benefit Value (Nilai Manfaat) by BPKH averaging IDR 37.36 million (40%). Figure 1 illustrates the trends and composition of BPIH sourced from Bipih and the Benefit Value provided by BPKH.

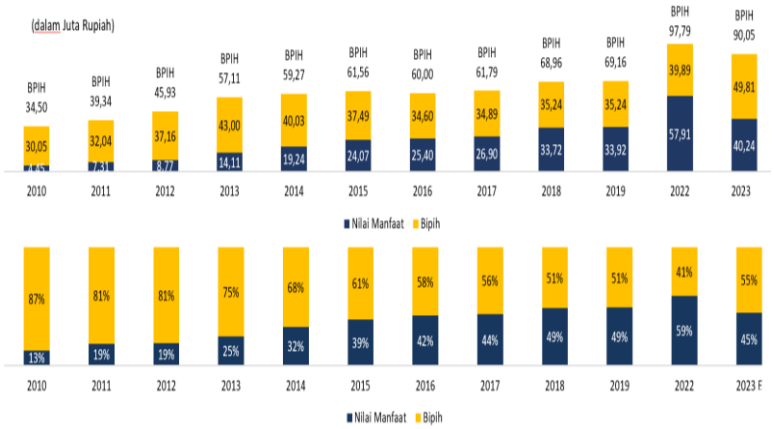

Figure 1. Trend and Composition of Hajj Operational Costs (BPIH) from 2010 to 2023
Source: Internal Data, BPKH Finance Division (2024)

In Figure 1, it is evident that over the past five years, the contribution of BPKH in the form of Benefit Value subsidies has averaged nearly 50% of the Hajj Pilgrimage Cost (BPIH), peaking at 59% during the 2022 Hajj season. This underscores the critical role and contribution of BPKH in generating optimal Benefit Value through the management and development of Hajj funds, thereby alleviating the financial burden on pilgrims. BPKH is under significant scrutiny to perform its duties effectively and efficiently (Sekretaris Kabinet RI, 2023). This effectiveness and efficiency are influenced by employee performance quality, motivation, and satisfaction, which are contingent upon the organization's leadership style (Soetirto et al., 2023). The performance of BPKH employees serves as a key indicator of the institution's success in managing Hajj funds, meeting the expectations of millions of Muslims in Indonesia. Over the past three years (2020–2022), BPKH has conducted individual employee performance evaluations, with the results summarized in Table 1. In 2020, the percentage of employees classified as "Outstanding" was 20.37%, which rose significantly to 38.89% in 2021. However, in 2022, this figure experienced a sharp decline to 11.11%.

Table 1. Summary of Individual Employee Performance Evaluation Results for the Period 2020–2022

Year	Qualification of Performance				
	Outstanding	Very Good	Good	Average	Poor
2020	20,37%	50,00%	27,78%	0,93%	0,93%
2021	38,89%	50,93%	8,33%	1,85%	0,00%
2022	11,11%	62,04%	26,85%	0,00%	0,00%

Source: Internal Data, Human Resources Division, BPKH (2022)

Meanwhile, the "Very Good" category showed consistent improvement, rising from 50.00% in 2020 to 50.93% in 2021, and further increasing to 62.04% in 2022. This indicates that despite the decline in the "Outstanding" rating, there was growth in the "Very Good" rating. The "Good" category experienced fluctuations, with 27.78% in 2020, dropping to 8.33% in 2021, and rebounding to 26.85% in 2022. The "Average" and "Low"

categories remained relatively stable and very low throughout the three years, demonstrating that most employees fell into higher performance categories. The significant decline in the "Outstanding" qualification in 2022 is a phenomenon that warrants attention and improvement from BPKH management.

Field observations regarding areas for improvement at BPKH were addressed by 37 employees (24.18%) who are permanent staff, out of a total of 153 permanent employees. Responses from these employees were clustered, and the top three clusters of variables identified are as follows:

Table 2. Field Observation Results

Variable Cluster	Number of Respondents	Percentage (%)
Work Environment	35	94.59
Communication	11	29.73
Rewards	9	24.32

Source: Pre-Survey Results, processed (2024)

The field observation results in Table 2 reveal that most respondents (94.59%) consider the work environment as the primary factor requiring improvement by BPKH management. This underscores the importance of clear policies and procedures, a positive workplace atmosphere, and adequate work facilities for employees. Mahardhika and Wulansari (2023), in their study on the impact of the work environment on employee performance at PT. Taspen (Persero) Semarang Branch Office, highlighted that both physical and non-physical work environments significantly affect employee performance. A conducive work environment, whether physical or non-physical, is acknowledged as a critical element in enhancing employee performance. Bayu and Wahyuningtyas (2022) further noted that a comfortable work environment boosts engagement, satisfaction, and work motivation. Meanwhile, Az'zahra and Indiyati (2024), in their research at the LPI Al-Muttaqin Foundation in Tasikmalaya City, found that work discipline and the work environment significantly impact employee performance.

Additionally, the results in Table 2 indicate that 29.73% of respondents regard communication as an essential variable. Effective communication between leadership and employees, as well as coordination across departments, plays a vital role in supporting operational efficiency and fostering harmonious working relationships. Efficient communication can reduce misunderstandings and conflicts while enhancing teamwork. Mandal and Sarathy (2018), as cited in Fernando and Wulansari (2020), emphasized that effective communication contributes to building trust and harmonious working relationships within teams. The importance of communication in organizational management includes both formal and informal channels. Informal communication should not be overlooked and must be considered critical to ensuring efficient information flow throughout the organization (Tijjani, 2023). Triansyah et al. (2023) further revealed that effective communication is crucial for improving employee performance by increasing job satisfaction and reducing errors. Good communication ensures that employees receive

the information they need to perform their tasks optimally while feeling valued and supported by management.

Additionally, the field observation results in Table 2 indicate that 24.32% of respondents consider the rewards variable to be important. Putri et al. (2022) demonstrated that rewards and recognition have a significant impact on employee performance in companies across Indonesia. Properly administered rewards and recognition not only enhance job satisfaction but also motivate employees to work harder and achieve higher performance levels. As a motivational tool, rewards play a role in influencing work behavior and increasing employee engagement within the organization. Both intrinsic and extrinsic rewards significantly affect employee performance. Research by Manzoor et al. (2021) showed that intrinsic rewards, such as recognition and appreciation, contribute positively and significantly to employee motivation and performance. Similarly, Luthia and Sathiamoorthy (2021) found that rewards and recognition provided by organizations significantly influence employee engagement and performance. Appropriate rewards and recognition enhance employees' sense of value and motivation, ultimately leading to improved performance.

As stated previously discussion, this study explores the "Influence of Work Environment, Communication, and Rewards on Employee Performance at BPKH." The research aims to evaluate the quality of the work environment, the effectiveness of communication, and the fairness of the reward system at the Hajj Financial Management Agency (BPKH) as factors influencing employee performance. This study makes a significant contribution to the literature on human resource management in the public sector, particularly in the context of Hajj fund management in Indonesia. The uniqueness of this study lies in its integrated approach to three variables—work environment, communication, and rewards—as determinants of employee performance in a non-ministerial government organization such as BPKH, the only public legal entity in Indonesia managing Hajj funds.

The study highlights the role of internal organizational factors in enhancing employee performance in a public sector setting characterized by stringent regulations and public service objectives. Furthermore, the use of PLS-SEM for data analysis provides a more accurate and comprehensive quantitative approach to identifying relationships among variables. The findings of this study not only enrich theories related to human resource management and employee performance but also offer practical recommendations for BPKH to implement strategic policies. These include optimizing the work environment, strengthening internal communication, and improving the performance-based reward system for both individuals and teams.

RESEARCH METHOD

Type of Research

This study will employ a quantitative analysis framework. The characteristics of this approach are detailed in Table 3 below.

Table 3. Characteristics of the Quantitative Research Approach

Characteristic	Type
Method	Quantitative
Objective	Descriptive
Type of Investigation	Causal
Researcher Involvement	Non-interventional
Unit of Analysis	Individual
Time Horizon	Cross-Sectional

Source: Processed by the Researcher (2024)

Research Stages

In conducting the research, sequential stages must be followed to achieve objective results and conclusions. According to Sugiyono (2023), the stages of quantitative research begin with formulating the problem, followed by establishing a theoretical foundation as the basis for hypothesis development. Once the hypothesis is formulated, data collection is carried out, involving the development and testing of instruments based on the determined population and sample. The collected data is then analyzed during the data analysis stage, ultimately leading to conclusions and recommendations. These stages ensure a systematic and structured approach to obtaining reliable and valid research outcomes.

Population and Sample

The author defines the entire permanent staff of BPKH as of December 31, 2023, totaling 153 individuals, as the study population. Sampling was conducted due to resource constraints, including time, effort, and budget, which made it impractical to study the entire population (Sugiyono, 2023). To obtain a representative sample from the specified population, the Slovin formula was applied as follows:

$$\boldsymbol{n = \frac{N}{1 + N\,(e^2)}}$$

Explanation:

n = Sample size

N = Population size

e^2 = Margin of error

The author set a margin of error at 5%, recognizing that the results of the study cannot achieve absolute perfection. Using the population size of 153 individuals as the basis for calculation, the sample size was determined as follows:

$$\boldsymbol{n = \frac{153}{1 + 153\,(0,05^2)}}$$

$$\boldsymbol{n = \frac{153}{1 + 153\,x\,0,0025}}$$

$$\boldsymbol{n = \frac{153}{1,3825}}$$

$$\boldsymbol{n = 110,67}$$

n=110.67, which is rounded to 111 respondents.

The calculation provides a representative sample size, ensuring that the findings accurately reflect the characteristics of the population while accounting for practical research limitations.

Data Collection and Sources

This study utilizes both primary and secondary data. Primary data is collected through surveys conducted using online and offline questionnaires. Secondary data is gathered from internal documents of BPKH's work units.

RESULTS AND DISCUSSION

Data Analysis

This assessment employs SmartPLS 4 version 4.1.0.9 to conduct data analysis using the PLS-SEM method. PLS-SEM analysis comprises two primary sub-models: the measurement model (outer model) and the structural model (inner model). The measurement model, also known as the outer model, describes how observed variables (manifest variables) represent the latent variables being measured. Meanwhile, the structural model, or inner model, focuses on estimating the relationships between latent variables or constructs in the study (Ghozali & Kusumadewi, 2023).

Outer Model

The outer model is designed to evaluate the validity and reliability of indicators in measuring unobservable latent constructs. Three key criteria are used in outer model testing: **convergent validity**, **discriminant validity**, and **internal consistency reliability**. The results of these evaluations are detailed below.

Convergent Validity

The initial step in examining the research results involves evaluating the outer loadings of all indicators used. The evaluation results for outer loadings in this study's model are presented in **Figure 3** and **Table 4** below.

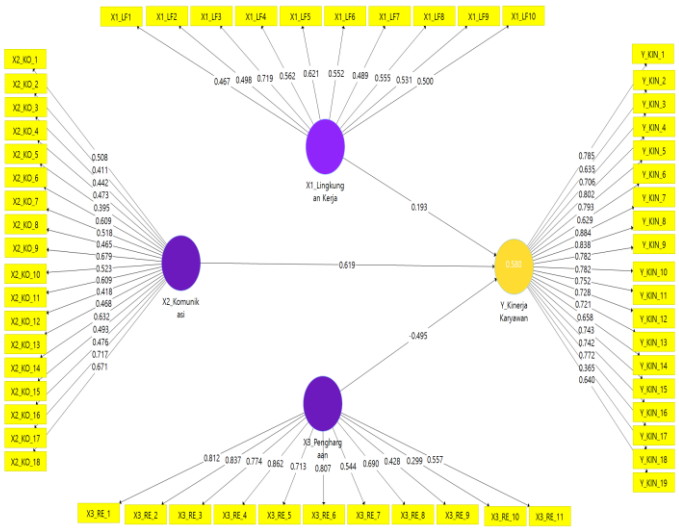

Figure 3. Outer Loading Results
(Source: Processed by the Researcher, 2024)

Table 4. Outer Loadings Values

Indicator	X1_ Work environment	X2_ Communication	X3_ Appreciation	Y_ Employee Performance	Remark
X1_LF1	0,467	-	-	-	Valid
X1_LF2	0,498	-	-	-	Valid
X1_LF3	0,719	-	-	-	Valid
X1_LF4	0,562	-	-	-	Valid
X1_LF5	0,621	-	-	-	Valid
X1_LF6	0,552	-	-	-	Valid
X1_LF7	0,489	-	-	-	Valid
X1_LF8	0,555	-	-	-	Valid
X1_LF9	0,531	-	-	-	Valid
X1_LF10	0,500	-	-	-	Valid
X2_KO_1	-	0,508	-	-	Valid
X2_KO_2	-	0,411	-	-	Valid
X2_KO_3	-	0,442	-	-	Valid
X2_KO_4	-	0,473	-	-	Valid
X2_KO_5	-	0,395	-	-	Invalid
X2_KO_6	-	0,609	-	-	Valid
X2_KO_7	-	0,518	-	-	Valid
X2_KO_8	-	0,465	-	-	Valid
X2_KO_9	-	0,679	-	-	Valid
X2_KO_10	-	0,523	-	-	Valid
X2_KO_11	-	0,609	-	-	Valid
X2_KO_12	-	0,418	-	-	Valid
X2_KO_13	-	0,468	-	-	Valid
X2_KO_14	-	0,632	-	-	Valid
X2_KO_15	-	0,493	-	-	Valid
X2_KO_16	-	0,476	-	-	Valid
X2_KO_17	-	0,717	-	-	Valid
X2_KO_18	-	0,671	-	-	Valid
X3_RE_1	-	-	0,812	-	Valid
X3_RE_2	-	-	0,837	-	Valid
X3_RE_3	-	-	0,774	-	Valid
X3_RE_4	-	-	0,862	-	Valid
X3_RE_5	-	-	0,713	-	Valid
X3_RE_6	-	-	0,807	-	Valid
X3_RE_7	-	-	0,544	-	Valid
X3_RE_8	-	-	0,690	-	Valid
X3_RE_9	-	-	0,428	-	Valid
X3_RE_10	-	-	0,299	-	Invalid

X3_RE_11	-	-	0,557	-	Valid
Y_KIN_1	-	-	-	0,785	Valid
Y_KIN_2	-	-	-	0,635	Valid
Y_KIN_3	-	-	-	0,706	Valid
Y_KIN_4	-	-	-	0,802	Valid
Y_KIN_5	-	-	-	0,793	Valid
Y_KIN_6	-	-	-	0,629	Valid
Y_KIN_7	-	-	-	0,884	Valid
Y_KIN_8	-	-	-	0,838	Valid
Y_KIN_9	-	-	-	0,782	Valid
Y_KIN_10	-	-	-	0,782	Valid
Y_KIN_11	-	-	-	0,752	Valid
Y_KIN_12	-	-	-	0,728	Valid
Y_KIN_13	-	-	-	0,721	Valid
Y_KIN_14	-	-	-	0,658	Valid
Y_KIN_15	-	-	-	0,743	Valid
Y_KIN_16	-	-	-	0,742	Valid
Y_KIN_17	-	-	-	0,772	Valid
Y_KIN_18	-	-	-	0,365	Invalid
Y_KIN_19	-	-	-	0,640	Valid

(Source: Processed by the Researcher, 2024)

Based on the analysis of outer loadings (Hair et al., 2022), the convergent validity of indicators is evaluated based on their contribution to the latent constructs. Indicators with an outer loading value of ≥ 0.708 are deemed valid, while those with values < 0.400, such as X2_KO_5 (0.395), X3_RE_10 (0.299), and Y_KIN_18 (0.365), are directly removed due to insufficient contribution. Indicators with values ranging between 0.400–0.708 may be retained if they continue to support Composite Reliability (CR) and Average Variance Extracted (AVE). The evaluation results indicate that indicators such as X1_LF_9 (0.531), X2_KO_2 (0.411), and Y_KIN_12 (0.728) were removed to enhance both convergent and discriminant validity. Conversely, indicators with high values, such as X3_RE_4 (0.862) and Y_KIN_7 (0.884), were excluded due to their potential to dominate other constructs, which could disrupt the model's balance. This refinement simplifies the model, ensuring that each construct remains proportional, supports discriminant validity, and reduces excessive correlations among constructs (as assessed through the HTMT ratio). The final model satisfies criteria for convergent validity, discriminant validity, and reliability, as recommended by Hair et al. (2022) and Fornell & Larcker (1981).

The updated research model is presented in Figure 4, and the revised outer loading values are shown in Table 5 below.

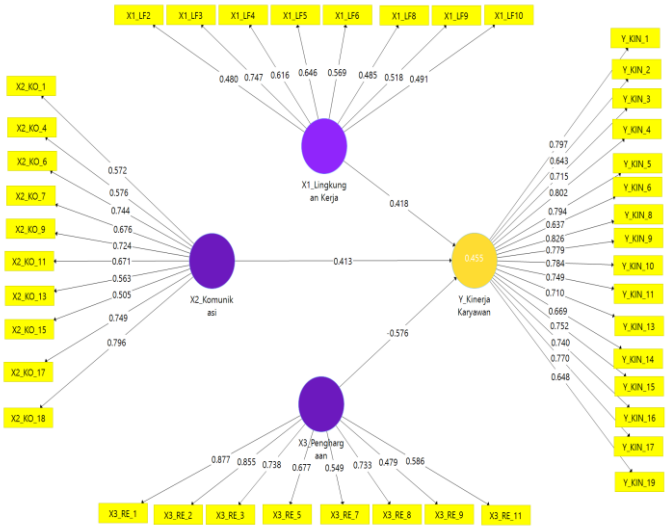

Figure 4. Modified Testing Model
(Source: Processed by the Researcher, 2024)

Table 5. Outer Loadings After Modification

Indicator	X1_ Work environment	X2_ Communication	X3_ Appreciation	Y_ Kinerja_ Employee	Remark
X1_LF_1	0,475	-	-	-	Valid
X1_LF_2	0,499	-	-	-	Valid
X1_LF_3	0,728	-	-	-	Valid
X1_LF_4	0,572	-	-	-	Valid
X1_LF_5	0,641	-	-	-	Valid
X1_LF_6	0,551	-	-	-	Valid
X1_LF_7	0,471	-	-	-	Valid
X1_LF_8	0,531	-	-	-	Valid
X1_LF_10	0,493	-	-	-	Valid
X2_KO_1	-	0,598	-	-	Valid
X2_KO_3	-	0,598	-	-	Valid
X2_KO_4	-	0,718	-	-	Valid
X2_KO_5	-	0,666	-	-	Valid
X2_KO_6	-	0,474	-	-	Valid
X2_KO_7	-	0,705	-	-	Valid
X2_KO_8	-	0,753	-	-	Valid
X2_KO_9	-	0,558	-	-	Valid
X2_KO_10	-	0,592	-	-	Valid
X2_KO_11	-	0,553	-	-	Valid
X2_KO_15	-	0,614	-	-	Valid
X2_KO_16	-	0,668	-	-	Valid
X2_KO_17	-	0,592	-	-	Valid
X2_KO_18	-	0,670	-	-	Valid
X3_RE_1	-	-	0,890	-	Valid
X3_RE_2	-	-	0,854	-	Valid

X3_RE_3	-	-	0,753	-	Valid
X3_RE_5	-	-	0,690	-	Valid
X3_RE_7	-	-	0,551	-	Valid
X3_RE_8	-	-	0,719	-	Valid
X3_RE_11	-	-	0,596	-	Valid
Y_KIN_1	-	-	-	0,797	Valid
Y_KIN_2	-	-	-	0,724	Valid
Y_KIN_3	-	-	-	0,791	Valid
Y_KIN_4	-	-	-	0,759	Valid
Y_KIN_5	-	-	-	0,637	Valid
Y_KIN_6	-	-	-	0,641	Valid
Y_KIN_9	-	-	-	0,724	Valid
Y_KIN_10	-	-	-	0,717	Valid
Y_KIN_11	-	-	-	0,775	Valid
Y_KIN_13	-	-	-	0,756	Valid
Y_KIN_14	-	-	-	0,677	Valid
Y_KIN_15	-	-	-	0,766	Valid
Y_KIN_16	-	-	-	0,743	Valid
Y_KIN_17	-	-	-	0,663	Valid

(Source: Processed by the Researcher, 2024)

Based on Table 5, all indicators in the model meet the validity criteria as outlined by Hair et al. (2022). The highest outer loading value is observed for X3_RE_1 (0.890), while the lowest is for X1_LF_7 (0.471). According to Hair et al. (2022), an outer loading value of ≥ 0.708 indicates significant contribution, whereas values between 0.400–0.708 may still be retained if they support Composite Reliability (CR) and AVE. In this study, no indicators have an outer loading below 0.400, and thus, all indicators are retained. The evaluation of convergent validity continues by calculating the AVE to assess the correlation among indicators within the same construct, as presented in Table 6.

Table 6. AVE Value

Variable	Average Variance Extracted (AVE)
X1_Work Environment	0,310
X2_Communication	0,400
X3_Appreciation	0,534
Y_Employee Performance	0,542

(Source: Processed by the Researcher, 2024)

Based on Table 6, the AVE value for the Rewards variable (X3) is 0.534, and for Employee Performance (Y) it is 0.542, both exceeding the recommended threshold of 0.5, indicating sufficient convergent validity. However, the AVE values for Work Environment (X1) at 0.310 and Communication (X2) at 0.400 fall below the suggested threshold. Despite this, Hair et al. (2022) state that an AVE below 0.5 does not necessarily warrant the removal of a construct, especially when Cronbach's Alpha and CR exceed 0.7. Given that the internal reliability values for both Work Environment and

Communication exceed the threshold (as presented in Table 9), the indicators for these constructs are retained to avoid compromising content validity and theoretical significance.

Discriminant Validity

Discriminant validity ensures that each construct in the study is unique and distinct. The assessment is conducted using the Fornell-Larcker Criterion, which compares the AVE values with the correlations between constructs. Discriminant validity is confirmed when the square root of the AVE for a construct is greater than its correlation with any other constructs. Another method used is the HTMT (Heterotrait-Monotrait Ratio), which measures the degree of similarity between constructs. Discriminant validity is established when the HTMT ratio falls below the recommended threshold, typically 0.85 or 0.90 depending on the context. Both methods are crucial in SEM to ensure that indicators accurately measure their intended constructs without overlap. The results of the Fornell-Larcker and HTMT calculations are presented in Table 7 and Table 8, respectively.

Table 7. Fornell Larcker Criterion

Variabel	X1_Environmental Influence	X2_Communication	X3_Appreciation	Y_Employee Performance
X1_Environmental Influence	0,557			
X2_Communication	0,536	0,633		
X3_Appreciation	0,432	0,417	0,731	
Y_Employee Performance	0,402	0,405	-0,198	0,736

(Source: Processed by the Researcher, 2024)

Based on the analysis in Table 7, all constructs in this study meet the discriminant validity criteria as outlined by the Fornell-Larcker Criterion. The square root of the AVE for each construct is higher than its correlations with other constructs. The constructs of Work Environment, Communication, Rewards, and Employee Performance demonstrate clear distinctions, with no overlap between constructs. Thus, adequate discriminant validity has been achieved, ensuring that each construct in the model uniquely and accurately reflects its respective concept.

Table 8. HTMT Ratio

Variabel	X1_Environmental Influence	X2_Communication	X3_Appreciation	Y_Employee Performance
X1_Environmental Influence				
X2_Communication	0,657			
X3_Appreciation	0,636	0,577		
Y_Employee Performance	0,456	0,339	0,204	

(Source: Processed by the Researcher, 2024)

Based on the HTMT calculations in Table 8, all HTMT values between variables are below the threshold of 0.85, as recommended by Henseler et al. (2015) in Hair et al. (2022). The low HTMT values indicate the absence of excessive correlations between constructs, confirming that discriminant validity through the HTMT approach has been achieved. Consequently, this research model ensures that constructs are clearly distinct, with no overlap between variables, supporting the reliability and accuracy of the study's results.

Internal Consistency Reliability

Internal consistency reliability evaluates the reliability of constructs in the SEM model through CR and Cronbach's Alpha. CR accounts for the weighting of indicators, providing a more accurate estimate, while Cronbach's Alpha offers a conservative estimate by assuming uniform contribution across indicators. Both methods establish a minimum threshold of 0.7 as an indicator of a reliable and valid construct. The reliability values for the research model are presented in Table 9.

Table 9. Cronbach's Alpha Value and CR

Variable	Cronbach's alpha	Composite reliability
X1_Work Environment	0,732	0,736
X2_Communication	0,892	0,894
X3_Appreciation	0,872	1,115
Y_Employee Performance	0,939	0,942

(Source: Processed by the Researcher, 2024)

Based on Table 9, the Cronbach's Alpha values for all variables exceed the threshold of 0.70, indicating good internal consistency and reliability of the questionnaire. The analysis reveals the following: X1_Work Environment (0.732), X2_Communication (0.892), X3_Rewards (0.872), and Y_Employee Performance (0.939). The Composite Reliability (CR) values also demonstrate adequate reliability, with X1_Work Environment (0.736), X2_Communication (0.894), and Y_Employee Performance (0.942) falling within the acceptable range of 0.70–0.90. However, the Composite Reliability for X3_Rewards (1.115) exceeds 1.0, indicating potential redundancy among indicators. Despite this, discriminant validity remains satisfied according to the Fornell-Larcker and HTMT criteria. Thus, the X3_Rewards construct is retained in the model, ensuring the overall validity and reliability of the research framework.

Inner Model

Collinearity Issues

According to Ghozali and Kusumadewi (2023), collinearity occurs when independent variables exhibit dominant correlations in regression analysis, potentially destabilizing estimates and reducing the validity of results. This issue is identified through multicollinearity analysis using the Variance Inflation Factor (VIF). A VIF value below 5 is considered safe, while a value exceeding 10 indicates serious collinearity issues that require corrective actions. The VIF calculation results are presented in Table 10.

Table 10. Nilai VIF

No	Indicator	VIF	No	Indicator	VIF	No	Indicator	VIF
1	X1_LF_10	1,473	21	X2_KO_8	1,433	41	Y_KIN_4	3,681
2	X1_LF_2	1,588	22	X2_KO_9	1,706	42	Y_KIN_5	3,966
3	X1_LF_3	1,562	23	X3_RE_1	2,934	43	Y_KIN_6	2,085
4	X1_LF_4	1,474	24	X3_RE_11	1,715	44	Y_KIN_9	3,189
5	X1_LF_5	1,521	25	X3_RE_2	3,396			
6	X1_LF_6	1,505	26	X3_RE_3	2,269			
7	X1_LF_7	1,82	27	X3_RE_5	2,186			
8	X1_LF_8	2,013	28	X3_RE_7	1,675			
9	X1_LF_1	1,595	29	X3_RE_8	1,569			
10	X2_KO_1	2,424	30	Y_KIN_1	2,923			
11	X2_KO_10	2,06	31	Y_KIN_10	2,898			
12	X2_KO_11	1,951	32	Y_KIN_11	2,581			
13	X2_KO_15	2,589	33	Y_KIN_13	2,168			
14	X2_KO_16	1,583	34	Y_KIN_14	3,24			
15	X2_KO_17	2,215	35	Y_KIN_15	3,152			
16	X2_KO_18	2,823	36	Y_KIN_16	2,961			
17	X2_KO_3	2,509	37	Y_KIN_17	3,002			
18	X2_KO_4	2,895	38	Y_KIN_19	2,057			
19	X2_KO_6	4,195	39	Y_KIN_2	2,618			
20	X2_KO_7	4,558	40	Y_KIN_3	3,194			

(Source: Processed by the Researcher, 2024)

Based on Table 10, the collinearity test results indicate that all VIF values are ≤ 5, confirming that there are no collinearity issues among the indicators within the variables.

Coefficient of Determination – R^2

R^2 measures the extent to which the model explains the diversity in the dependent variable caused by the independent variables. R^2 values range from 0 to 1, where a score nearing 1 reflects a strong model with high explanatory power, while a value near 0 reflects low explanatory ability. The R^2 calculation results are presented in Table 11.

Table 11. R-Square Value

Variabel	R-square	R-square adjusted
Y_Employee Performance	0,443	0,428

(Source: Processed by the Researcher, 2024)

Based on Table 11, the R-square value of 0.443 indicates that the model explains 44.3% of the variance in employee performance, which is categorized as moderate (0.3–0.7) according to Ghozali and Kusumadewi (2023). The adjusted R-square value of 0.428 provides a more conservative estimate, still demonstrating the model's adequate predictive power.

Hypothesis Testing

Hypothesis testing was conducted using Smart PLS-4 and the bootstrapping method, involving collinearity and coefficient of determination (R^2) analysis. The decision to accept or reject a hypothesis is as indicated by the path analysis results coefficient. The null hypothesis states that changes occur due to random error, while the

alternative hypothesis indicates significant differences between groups. Acceptance of the null hypothesis suggests no significant difference, whereas acceptance of the alternative hypothesis indicates a significant change or difference (Hair et al., 2022). The conclusions drawn from the hypothesis testing are presented in Figure 5. The direct relationships between variables are evaluated using the Path Coefficient and T-Statistics, as well as the Path Coefficient and P-Values. The results of these evaluations are presented in Table 12 and Table 13, respectively, as shown below.

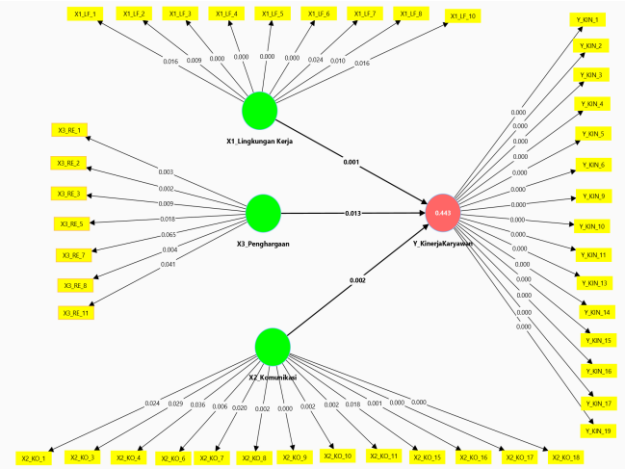

Figure 5. Hypothesis Testing Results
(Source: Processed by the Researcher, 2024)

Table 12. Path Coefficient and T-Statistics for Direct Relationships Between Variables

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)
X1_Work Environment -> Y_Employee Performance	0,421	0,369	0,126	3,340
X2_Communication -> Y_Employee Performance	0,409	0,387	0,135	3,027
X3_Appreciation -> Y_Employee Performance	-0,550	-0,398	0,222	2,482

(Source: Processed by the Researcher, 2024)

Table 13. Path Coefficient dan P-Values for Direct Relationships Between Variables

Variabel	Path Coefficient	P values	Remark
X1_Work Environment > Y_Employee Performance	0,421	0,001	Accepted
X2_Communication > Y_Employee Performance	0,409	0,002	Accepted
X3_Appreciation > Y_Employee Performance	-0,550	0,013	Accepted

(Source: Processed by the Researcher, 2024)

From the analyzed data, the model shows positive T-statistics values for each relationship between variables. With a sample size (n) of 111 and three independent variables (k), the degree of freedom (df) is 108. At a 5% significance threshold, the T-Table value is 1.982, and a p-value ≤ 0.05 is considered significant. Table 13 summarizes the findings as follows:

1. Work Environment exhibits a positive and significant influence on Employee Performance, with a p-value of 0.001.
2. Communication exhibits a positive and significant on Employee Performance, with a p-value of 0.002.
3. Rewards have a negative significant influence on Employee Performance, with a p-value of 0.013.

Discussion

The findings of this study reveal that work environment, communication, and rewards significantly influence the performance of BPKH employees. A conducive work environment at BPKH significantly contributes to improving employee performance, aligning with the findings of Bayu and Wahyuningtyas (2024). Their study emphasizes that a positive work environment enhances motivation, satisfaction, and employee performance. These results are also consistent with the research by Sedarmayanti (2017) and Soetjipto, as cited in Astuti and Rahardjo (2021), which highlights the critical role of both physical and non-physical aspects in supporting employee productivity. BPKH employees benefit from good workplace facilities and positive interpersonal relationships, suggesting that improving the quality of the work environment can further drive performance and organizational achievements. This study also reveals that effective communication at BPKH contributes positively and significantly to employee performance, consistent with the findings of Setyawati et al. (2023), Luthia and Sathiamoorthy (2021), and Triansyah et al. (2023). These studies emphasize that clear and open communication enhances employee engagement, satisfaction, and productivity. The research by Mas and Haris (2020) similarly underscores the importance of vertical, horizontal, formal, and informal communication in fostering alignment and understanding across the organization.

The results at BPKH demonstrate the presence of transparent information sharing and good collaboration, strengthening working relationships and reducing misunderstandings. These findings align with previous studies that highlight the role of communication in improving efficiency, decision-making, and trust. Enhancing communication, particularly in terms of openness and feedback, holds potential to further improve employee performance at BPKH.

Finally, the study indicates that rewards have a negative and significant influence on employee performance at BPKH, suggesting a mismatch between the reward system and employee expectations. Inequities in bonus distribution or lack of recognition have adversely affected motivation and productivity, consistent with the findings of Putri et al. (2022) and Luthia and Sathiamoorthy (2021). Tsauri (2020) similarly emphasizes that disproportionate financial rewards and insufficient non-financial recognition can diminish satisfaction and intrinsic motivation. At BPKH, the findings reveal a dominance of financial rewards, while non-financial aspects such as recognition and career development opportunities are overlooked, reinforcing these observations. Previous

studies support the notion that inappropriate reward systems can negatively impact employee engagement and performance.

In conclusion, improvements in fairness, recognition, and balance between financial and non-financial rewards have the potential to reverse this negative influence, fostering increased motivation and enhancing employee performance at BPKH

CONCLUSION

This study demonstrates that the work environment and communication at BPKH are categorized as moderately good and effective but still require improvement, particularly in aspects of comfort, privacy, and informal communication. The reward system implemented is perceived as moderately fair but inadequate, especially in terms of non-financial rewards, which negatively impact employee performance. Overall, employee performance is also categorized as moderately good but is influenced by a suboptimal work environment, less-than-effective communication, and a perceived lack of fairness in the reward system. The findings show that the work environment and communication have a positive and significant influence on employee performance, whereas rewards exert a negative influence. Improvements in the work environment, communication, and reward systems—especially in terms of non-financial recognition—have the potential to enhance employee performance at BPKH. This study can serve as a reference for future research by incorporating additional variables, including Job Satisfaction or Organizational Commitment, to provide more holistic insights. Furthermore, employing qualitative methods is recommended to gain a deeper understanding of employees' perspectives on the work environment, communication, and rewards.

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