

The Effect of Compensation, Work Discipline, Work Environment, and Psychological Workload on Employee Performance: Evidence from Kiyo Coffee Shop, Bandar Lampung

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ABSTRACT

Employee performance is a central determinant of service quality and customer experience in the coffee shop sector, where employees are required to deliver products accurately, respond to customers promptly, and maintain service consistency under time pressure. This study examines the effects of compensation, work discipline, work environment, and psychological workload on employee performance at Kiyo Coffee Shop Pramuka, Bandar Lampung. A quantitative explanatory design was employed using a census approach involving all available employees. Data were collected through structured questionnaires developed from established human resource management and occupational psychology constructs and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The measurement model demonstrated acceptable convergent validity, with indicator loadings ranging from 0.724 to 0.920 and Average Variance Extracted values exceeding 0.50 for all constructs. The structural model showed strong explanatory power, with an adjusted R-square of 0.897 for employee performance. The results reveal that the work environment has a positive and statistically significant effect on employee performance ($\beta = 0.470$; $t = 2.836$; $p = 0.005$). Compensation has a positive but non-significant effect ($\beta = 0.396$; $p = 0.076$), work discipline has a positive but non-significant effect ($\beta = 0.102$; $p = 0.509$), and psychological workload has a negative but non-significant effect ($\beta = -0.047$; $p = 0.808$). These findings indicate that, in a small-scale coffee shop context, the work environment is the most salient managerial lever for improving employee performance. The study contributes to human resource management literature by contextualizing performance determinants in a local hospitality microbusiness setting and offers practical implications for improving workplace facilities, interpersonal relations, leadership support, and workload management.

Keywords:

employee performance; compensation; work discipline; work environment; psychological workload; coffee shop; human resource management; PLS-SEM

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INTRODUCTION

The coffee shop industry in Indonesia has developed rapidly alongside changes in urban lifestyle, youth consumption patterns, and the growing use of coffee shops as social, study, and work spaces. In this increasingly competitive service environment, business sustainability depends not only on product quality but also on the consistency and quality of employee performance. Employees in coffee shops perform multiple roles simultaneously: preparing beverages, receiving and processing orders, maintaining hygiene standards, communicating with customers, and collaborating with colleagues during peak service hours. These demands make employee performance a strategic issue in hospitality and food-service operations.

Kiyo Coffee Shop Pramuka, located in Bandar Lampung, represents a local coffee outlet that operates in a competitive culinary market. Like many small and medium-sized food-service businesses, Kiyo faces the managerial challenge of

maintaining consistent employee performance despite limited human resources, fluctuating customer volume, long operating hours, and the need for continuous customer-facing service. Performance inconsistency can weaken service standards, reduce customer satisfaction, and ultimately affect business competitiveness.

Human resource management literature suggests that employee performance is shaped by both organizational and psychological factors. Compensation is commonly understood as a combination of financial and non-financial rewards received by employees in exchange for their contributions (Hasibuan, 2017; Milkovich et al., 2014). From the perspective of expectancy theory, employees are more likely to exert effort when they believe that effort leads to performance and that performance will be rewarded with valued outcomes (Vroom, 1964). Work discipline is also relevant because disciplined employees are more likely to comply with work schedules, standard operating procedures, hygiene requirements, and service protocols. In food-service settings, discipline is not merely a matter of obedience but a prerequisite for operational reliability.

The work environment is another determinant of performance. It includes physical conditions, such as lighting, spatial arrangement, cleanliness, temperature, equipment adequacy, and occupational safety, as well as non-physical conditions, including communication patterns, leadership support, coworker relations, and overall team climate (Sedarmayanti, 2011). Herzberg's two-factor theory positions the work environment as a hygiene factor that can prevent dissatisfaction and support work effectiveness when adequately managed (Herzberg et al., 1959). In a coffee shop, where service quality is delivered in real time, workplace comfort and team support can directly influence employees' ability to maintain accuracy, speed, and emotional control.

In addition to organizational factors, psychological workload has received increasing attention in service-sector research. Psychological workload refers to perceived mental and emotional demands arising when job requirements exceed employees' available psychological resources. In customer-facing work, employees often manage queues, complaints, multitasking, time pressure, and emotional display requirements. The Job Demands-Resources framework explains that excessive job demands may deplete energy and impair performance, especially when not balanced by sufficient job resources (Bakker & Demerouti, 2007; Demerouti et al., 2001).

Although these variables have been widely examined in human resource management studies, empirical evidence that integrates compensation, work discipline, work environment, and psychological workload in a small local coffee shop context remains limited. Studies conducted in larger industrial, banking, retail, or formal hospitality organizations may not be directly generalizable to micro and small coffee shop businesses because such businesses operate with fewer employees, less formalized HR systems, and more direct customer interaction. This study addresses that gap by analyzing the direct effects of compensation, work discipline, work environment, and psychological workload on employee performance at Kiyoko Coffee Shop Pramuka, Bandar Lampung.

The objective of this study is to test the extent to which compensation, work discipline, work environment, and psychological workload influence employee performance, both theoretically and empirically. The findings are expected to contribute to the development of human resource management literature in small-

scale service enterprises and provide practical guidance for coffee shop managers in designing more effective employee performance strategies.

Literature Review and Hypothesis Development

1. Employee Performance

Employee performance refers to the quality and quantity of work achieved by an employee in carrying out assigned responsibilities according to organizational standards (Mangkunegara, 2013). Performance is not limited to the amount of work completed; it also includes accuracy, consistency, responsibility, cooperation, initiative, and adherence to service standards. Robbins and Judge (2017) emphasize that performance is influenced by ability, motivation, and opportunity. In a coffee shop context, employee performance can be observed through service speed, order accuracy, product consistency, cleanliness, friendliness, teamwork, and responsiveness during high-demand periods.

2. Compensation and Employee Performance

Compensation is the total reward received by employees in exchange for their contribution to the organization. It includes direct financial compensation, such as salary, wages, incentives, and bonuses, as well as indirect and non-financial rewards such as benefits, recognition, flexible work arrangements, and development opportunities (Hasibuan, 2017; Milkovich et al., 2014; Rivai & Sagala, 2011). A fair and transparent compensation system can strengthen motivation because employees perceive that their effort and contribution are valued.

The theoretical logic connecting compensation and performance is supported by expectancy theory. Employees are motivated when they perceive a clear relationship between effort, performance, and reward (Vroom, 1964). In coffee shop operations, compensation is particularly important because employees often face high service pressure, customer demands, and multitasking responsibilities. When compensation is perceived as fair relative to workload and responsibility, employees may demonstrate stronger commitment and work effort. Therefore, the first hypothesis is proposed as follows: *H1. Compensation has a positive and significant effect on employee performance at Kiyo Coffee Shop Pramuka, Bandar Lampung.*

3. Work Discipline and Employee Performance

Work discipline refers to employees' willingness and ability to comply with rules, procedures, schedules, and behavioral standards in the workplace. It includes punctuality, attendance consistency, compliance with standard operating procedures, responsibility for tasks, and professional behavior toward customers and colleagues (Mangkunegara, 2013; Rivai, 2011; Sutrisno, 2011). Discipline may be preventive, through early compliance with rules, or corrective, through managerial action after violations occur.

In coffee shop operations, discipline supports service consistency. Employees who arrive on time, follow hygiene procedures, maintain work areas, and comply with service standards contribute to smoother operations and reduced service errors. Conversely, poor discipline may lead to delays, inconsistent product quality, and customer dissatisfaction. Thus, the second hypothesis is formulated as follows: *H2. Work discipline has a positive and significant effect on employee performance at Kiyo Coffee Shop Pramuka, Bandar Lampung.*

4. Work Environment and Employee Performance

The work environment consists of physical and non-physical conditions surrounding employees as they perform their duties. The physical environment includes spatial arrangement, equipment, cleanliness, lighting, temperature, ventilation, and occupational safety. The non-physical environment includes interpersonal relations, communication, leadership support, team climate, and organizational culture (Sedarmayanti, 2011). In the service sector, these dimensions influence how comfortably and effectively employees perform under customer-facing pressure.

Herzberg's two-factor theory classifies the physical and social work environment as a hygiene factor. When inadequate, the work environment can create dissatisfaction and performance barriers; when adequate, it provides a foundation for stable work performance (Herzberg et al., 1959). In a coffee shop, a clean, organized, and supportive workplace can help employees manage orders, coordinate tasks, avoid mistakes, and maintain positive customer interactions. Therefore, the third hypothesis is stated as follows: *H3. The work environment has a positive and significant effect on employee performance at Kiyu Coffee Shop Pramuka, Bandar Lampung.*

5. Psychological Workload and Employee Performance

Psychological workload refers to the perceived mental and emotional burden experienced by employees due to time pressure, task complexity, multitasking, customer interaction, emotional regulation, and mismatch between job demands and personal capacity. Workload is not only physical; it also includes cognitive and affective demands that may not be visible externally (Munandar, 2008; Tarwaka, 2011).

The Job Demands-Resources model provides a useful theoretical basis for explaining the relationship between psychological workload and performance. When job demands exceed available resources, employees may experience fatigue, reduced concentration, emotional exhaustion, and performance decline (Bakker & Demerouti, 2007; Demerouti et al., 2001). However, moderate workload can also stimulate focus and engagement when employees have sufficient resources and recovery opportunities. In the coffee shop context, excessive psychological workload may arise from long queues, difficult customers, time pressure, conflicting instructions, and insufficient rest. Thus, the fourth hypothesis is formulated as follows: *H4. Psychological workload has a negative and significant effect on employee performance at Kiyu Coffee Shop Pramuka, Bandar Lampung.*

6. Conceptual Framework

This study proposes a direct-effect model in which compensation, work discipline, work environment, and psychological workload act as independent variables, while employee performance is the dependent variable. The model assumes that compensation, discipline, and work environment positively influence performance, whereas psychological workload negatively influences performance. *H5. Compensation, work discipline, work environment, and psychological workload simultaneously influence employee performance at Kiyu Coffee Shop Pramuka, Bandar Lampung.*

METHOD

This study employed a quantitative explanatory design to examine causal relationships among latent variables. The design is appropriate because the study seeks to test hypotheses concerning the direct effects of compensation, work discipline, work environment, and psychological workload on employee performance.

The population consisted of all employees working at Kiyoo Coffee Shop Pramuka, Bandar Lampung. Because the number of employees was relatively small and accessible, this study used a saturated sampling or census technique, meaning that all population members were included as respondents. This approach was selected to capture the complete working condition of the organization and reduce sampling exclusion within the study setting.

Primary data were collected through a structured questionnaire. Each construct was measured using multiple indicators adapted from human resource management and occupational psychology literature. Compensation was measured through salary and wages, allowances, incentives and bonuses, and perceived fairness. Work discipline was measured through attendance, compliance with regulations, responsibility for duties, and work attitude. Work environment was measured through physical workplace conditions, relationships among employees, relationships with supervisors, and occupational safety. Psychological workload was measured through time pressure, task demands, emotional distress, and perceived fit between workload and ability. Employee performance was measured through work quality, work quantity, responsibility, cooperation, and initiative. Respondents evaluated the statements using a Likert-type scale.

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM was selected because it is suitable for prediction-oriented models involving multiple latent constructs and relatively small samples, provided that the model is theoretically grounded and measurement quality is evaluated systematically (Hair et al., 2022). The analysis proceeded in two stages: assessment of the measurement model and assessment of the structural model. Measurement model evaluation included indicator loadings, convergent validity through Average Variance Extracted (AVE), discriminant validity through cross-loadings, and reliability assessment. Structural model evaluation included adjusted R-square, path coefficients, t-statistics, p-values, and hypothesis testing. A significance level of 5% was used.

RESULTS AND DISCUSSION

1. Outer Loadings

The outer loading analysis indicated that all indicators met the minimum loading threshold. The loading values ranged from 0.724 to 0.920, suggesting that the indicators adequately represented their respective latent constructs. The lowest loading was observed for KP2 (0.724), while the highest loading was observed for BKP4 (0.920).

Construct	Indicator	Loading	Decision
Compensation	KP1	0.856	Valid
Compensation	KP2	0.724	Valid
Compensation	KP3	0.815	Valid
Compensation	KP4	0.782	Valid
Compensation	KP5	0.811	Valid

Construct	Indicator	Loading	Decision
Work Discipline	DK1	0.812	Valid
Work Discipline	DK2	0.756	Valid
Work Discipline	DK3	0.821	Valid
Work Discipline	DK4	0.880	Valid
Work Discipline	DK5	0.769	Valid
Work Environment	LK1	0.873	Valid
Work Environment	LK2	0.832	Valid
Work Environment	LK3	0.760	Valid
Work Environment	LK4	0.786	Valid
Work Environment	LK5	0.815	Valid
Psychological Workload	BKP1	0.796	Valid
Psychological Workload	BKP2	0.788	Valid
Psychological Workload	BKP3	0.750	Valid
Psychological Workload	BKP4	0.920	Valid
Psychological Workload	BKP5	0.855	Valid
Employee Performance	KK1	0.871	Valid
Employee Performance	KK2	0.875	Valid
Employee Performance	KK3	0.831	Valid
Employee Performance	KK4	0.818	Valid
Employee Performance	KK5	0.882	Valid

2. Convergent Validity

Convergent validity was assessed using Average Variance Extracted (AVE). All constructs exceeded the minimum recommended value of 0.50, indicating that each construct explained more than half of the variance in its indicators.

Construct	AVE	Decision
Compensation	0.638	Accepted
Work Discipline	0.654	Accepted
Work Environment	0.663	Accepted
Psychological Workload	0.679	Accepted
Employee Performance	0.732	Accepted

3. Discriminant Validity

Discriminant validity was evaluated by comparing indicator loadings on their assigned construct with their loadings on other constructs. The cross-loading matrix indicated that each indicator had the highest loading on its intended construct, supporting discriminant validity. This result suggests that the constructs in the model measure conceptually distinct dimensions.

4. Structural Model Evaluation

The adjusted R-square value for employee performance was 0.897. This means that compensation, work discipline, work environment, and psychological workload jointly explained 89.7% of the variance in employee performance, while the remaining 10.3% was attributable to variables outside the model. This value indicates strong explanatory and predictive power for the structural model.

Dependent Variable	Adjusted R-square	Model Strength
Employee Performance	0.897	Strong

The direct-effect analysis showed that only the work environment had a statistically significant effect on employee performance. Compensation and work discipline had positive but non-significant effects, while psychological workload had a negative but non-significant effect.

Path	Original Sample (β)	Sample Mean	Standard Deviation	t-statistic	p-value	Decision
Psychological Workload -> Employee Performance	-0.047	-0.042	0.194	0.243	0.808	Not significant
Work Discipline -> Employee Performance	0.102	0.115	0.154	0.661	0.509	Not significant
Compensation -> Employee Performance	0.396	0.368	0.223	1.773	0.076	Not significant
Work Environment -> Employee Performance	0.470	0.463	0.166	2.836	0.005	Significant

Discussion

1. The Effect of Compensation on Employee Performance

The findings show that compensation had a positive but statistically non-significant effect on employee performance. The positive coefficient indicates that better perceived compensation tends to be associated with higher employee performance; however, the relationship was not strong enough to be statistically significant at the 5% level. This result suggests that compensation remains relevant, but it may not be the most immediate determinant of performance in the observed coffee shop context.

A plausible explanation is that employees in small coffee shop businesses may evaluate performance not only through monetary rewards but also through daily working conditions, coworker support, leadership treatment, and emotional comfort. Compensation may operate as a basic expectation rather than a differentiating motivator when salary structures are relatively similar across comparable local service jobs. From the perspective of expectancy theory, compensation influences motivation when employees clearly perceive that improved performance leads to meaningful rewards (Vroom, 1964). If reward-performance links are weak, informal, or not consistently communicated, compensation may not generate a significant performance effect.

2. The Effect of Work Discipline on Employee Performance

Work discipline also had a positive but non-significant effect on employee performance. The positive direction is consistent with the theoretical expectation that punctuality, compliance with procedures, and task responsibility support work effectiveness. However, the lack of statistical significance indicates that discipline alone may not be sufficient to improve performance when other contextual conditions are more dominant.

In a small coffee shop, work discipline may be relatively standardized and expected as a basic requirement. If most employees already comply with schedules, hygiene procedures, and operational rules, variation in discipline may be limited, reducing its statistical explanatory power. Moreover, disciplined behavior may be mediated by other factors such as work environment, leadership, supervision, or job satisfaction. Therefore, management should not treat discipline merely as rule enforcement but integrate it with supportive supervision, clear standard operating procedures, and positive workplace culture.

3. The Effect of Work Environment on Employee Performance

The work environment was the only variable with a positive and statistically significant effect on employee performance. This finding indicates that employees who perceive their workplace as clean, comfortable, safe, supportive, and socially conducive are more likely to perform better. In a coffee shop setting, the work environment directly affects service flow because employees must coordinate rapidly, manage equipment, communicate with customers, and maintain emotional control during peak hours.

This result is theoretically consistent with Herzberg's two-factor theory, which explains that inadequate workplace conditions can create dissatisfaction and reduce work effectiveness (Herzberg et al., 1959). It is also consistent with service management logic: employee performance in hospitality is shaped by the physical and social environment in which service encounters occur. Improvements in workplace layout, equipment readiness, cleanliness, ventilation, lighting, coworker relations, and leadership communication can therefore become practical interventions for improving performance.

5. The Effect of Psychological Workload on Employee Performance

Psychological workload had a negative but non-significant effect on employee performance. The negative coefficient aligns with the theoretical expectation that excessive mental and emotional demands can reduce concentration, motivation, and performance. However, the absence of significance suggests that psychological workload did not emerge as a statistically dominant predictor in this sample.

One explanation is that employees may perceive psychological workload as part of normal service work and may have adapted to daily customer-facing demands. Another possibility is that the effect of psychological workload depends on available job resources, such as coworker assistance, supervisor support, rest opportunities, and manageable task distribution. According to the Job Demands-Resources model, job demands are more harmful when resources are insufficient (Bakker & Demerouti, 2007). Thus, psychological workload may exert a stronger effect under conditions of resource scarcity, prolonged high demand, or unresolved interpersonal conflict.

6. Integrated Interpretation

Overall, the results demonstrate that the work environment is the most influential predictor of employee performance at Kiyo Coffee Shop Pramuka. Although compensation, work discipline, and psychological workload remain theoretically important, their direct effects were not statistically significant in the current model. This pattern suggests that, in small-scale service businesses, daily workplace conditions may be more visible and immediately experienced by employees than formal HR practices. Management should therefore prioritize workplace design, equipment adequacy, cleanliness, team communication, supervisor support, and psychological safety as the foundation for sustained performance improvement.

Theoretical and Managerial Implications

1. Theoretical Implications

This study contributes to human resource management literature by extending the analysis of employee performance determinants to a local coffee shop context. The findings show that theories of motivation, work environment, and workload remain useful but require contextual interpretation in small service businesses. The significant

role of the work environment suggests that microbusiness performance may depend strongly on proximate workplace conditions rather than formal HR systems alone.

2. Managerial Implications

For managers of Kiyo Coffee Shop and similar businesses, the findings imply that improving employee performance should begin with the work environment. Practical actions include improving the physical layout of the bar and kitchen area, ensuring adequate equipment and lighting, maintaining cleanliness and ventilation, strengthening occupational safety procedures, developing supportive communication between supervisors and employees, and building a respectful team climate. Compensation systems should also be reviewed to ensure fairness and transparency, even if compensation was not statistically significant in this model. Discipline should be maintained through clear rules and consistent supervision rather than punitive control alone. Psychological workload should be managed by balancing task distribution, providing adequate rest, supporting employees during peak hours, and addressing customer-related stress.

3. Limitations and Future Research

This study has several limitations. First, it was conducted in a single coffee shop, which limits generalizability to other hospitality or food-service businesses. Second, the use of a census approach was appropriate for the study context but resulted in a small organizational sample. Third, the cross-sectional design captures employee perceptions at one point in time and cannot fully explain changes in performance over time. Fourth, the study focused on direct effects and did not examine potential mediators or moderators such as job satisfaction, motivation, leadership style, organizational commitment, or burnout.

Future studies should involve larger samples across multiple coffee shops or hospitality businesses to improve external validity. Researchers may also examine mediating variables such as job satisfaction and work engagement, or moderating variables such as leadership support and organizational culture. Longitudinal designs would help clarify whether improvements in the work environment produce sustained improvements in employee performance.

CONCLUSION

This study examined the effects of compensation, work discipline, work environment, and psychological workload on employee performance at Kiyo Coffee Shop Pramuka, Bandar Lampung. The results show that the work environment has a positive and significant effect on employee performance, making it the most important predictor in the model. Compensation and work discipline have positive but non-significant effects, while psychological workload has a negative but non-significant effect. The adjusted R-square value of 0.897 indicates that the model has strong explanatory power. These findings suggest that improving employee performance in small coffee shop businesses requires more than compensation and rule enforcement; it requires a comfortable, safe, supportive, and well-organized work environment that enables employees to deliver consistent service quality.

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