

## CHAPTER II

### LITERATURE REVIEW

#### A. Theoretical Framework

##### 1. Herzberg Two Factor Theory

Luthans (2006) states that the theory developed by Herzberg is known as the "Two Factor Model" of motivation, namely motivational factors and hygiene or "maintenance" factors. This theory explains that motivational factors are internal impulse to achieve intrinsic achievement, while hygiene factors are extrinsic or impulses that come from outside the self. One of the challenges in understanding and applying Herzberg's theory is to accurately calculate which factors are more powerful in one's life, whether intrinsic or extrinsic.

Herzberg's theory provides two important contributions to organizational leaders in motivating employees. First, this theory is more explicit than Maslow's theory of hierarchy of needs, especially regarding the relationship between needs in job performance. Second, this framework evokes the application model, job enrichment. In this theory, there are two factors that encourage motivated employees. The first is intrinsic factors. It is the driving force that arises from within each person. The second is extrinsic factors. It is the impulse that comes from outside a person, especially from the organization where he works.

Herzberg concluded that there were two conclusions from his study, namely extrinsic and intrinsic factors.

- a. Extrinsic factors are also called dissatisfaction or hygiene factors which include wages, job security, working conditions, status, company procedures, quality of providers, and relationships between coworkers and superiors with subordinates. The existence of these conditions does not always make employees motivated. However their absence caused dissatisfaction.
- b. While intrinsic factors are also called motivators which include intrinsic conditions, including achievement, progress, recognition, the work itself, responsibility, the possibility to develop. With this condition will produce good work performance.

According to Luthans (2006) Herzberg named employees who were satisfied with motivators, while employees were dissatisfied with the term hygiene.

1) Hygiene / Extrinsic Factors

- a) Company Policy
- b) Supervision
- c) Salary
- d) Interpersonal Relations
- e) Working Conditions

2) Motivation / Intrinsic

- a) Achievement
- b) Expectation of
- c) Job itself

d) Responsibility for the

e) Progress

## 2. Equity Theory

According to Tjahjono (2007) states that equity theory was developed by Adam in 1963 which explains that individuals compare their business ratios and the rewards of others who are considered similar. This motivational theory is based on the assumption that people are motivated by the desire to be treated fairly at work. The perception of justice explains various attitudes and work behaviors. Every individual hopes that they will get a fair exchange of business and rewards from the organization. The main components of this theory are input, results, comparable people and justice and injustice.

According to Adam (1965) indicates that people who discover that they are in an inequitable relationship attempt to reduce their resultant distress by restoring either “actual” or “psychological/perceived” equity to their relationship.

According to McFarlin and Sweeney (1992) equity theory asserts that employees compare their inputs and outcomes with the inputs and outcomes of relevant others. Inputs are what they invest into their job and outcomes are what they receive in return

According to Handoko (2003) equity theory explains distributive and procedural justice shows on employee perceptions of reasonableness and balance of input they give in the form of experience, training, education,

and the appreciation they receive for what they give. An employee will be more likely to ask for wages according to what they have done.

### 3. Contingency Theory

According to Fiedler (1967) contingency theory assumes that the leader's contribution to the effectiveness of group performance depends on the way or style of leadership and suitability of the situation at hand. Content theory is related to management control systems in which a company has a tendency to change according to the company's environmental conditions. Performance measurement, performance standards and the relationship of rewards to performance greatly affect the management control system in the contingency theory approach to its design use. The effect is as follows:

#### a. Effect of Contingency Theory in Organizational Design

The design of an organization is strongly influenced by the uncertainty in which every organization has a structure whose function is different in every level of management (managers and employees). In the organizational structure has a strong mechanism to ensure the assigned tasks have been carried out consistently and provide coordination limits on each organizational unit that exists. The segmentation of activities into subsets handled by each manager in the responsibility centers is a major aspect of formal organizational structure.

## b. Effect of Contingency Theory in Management Control System

Contingency theory in management accounting shows an attempt to identify a control system that is appropriate for a particular situation. The process of identifying uncertainty is important and can assess the effect of uncertainty on the design of management control systems. The following uncertainty variables need to be considered in the management control system :

### 1) Environment

The management control system is strongly influenced by the external environment and the business environment in which the company operates, for this reason it is necessary to pay attention and adjust to the characteristics of the business environment to finalize the control system.

### 2) Technology

The management control system used in an organizational unit will always be related to technology. Technology becomes very important and needs to be considered, such as information technology. The principles of management in the era of technology are influenced by factors knowledge workers (making optimum use of information technology capabilities) and information capabilities to provide information sharing facilities.

### 3) Measure

Company size is an important factor that influences the organization structure. The things that must be considered in the size of an organization in uncertainty is that it can respond to environmental desires quickly, encourage innovation and have a level of flexibility that can adjust to change.

### 4) Strategy

Strategies are created in order to realize the achievement of the organization's vision, without the right strategy will cause failure in realizing that vision. Uncertainty in the business environment has a role for the strategy to determine the continuity of the company's growth. Modification of the strategy is also needed to suit the changing environment and company conditions (Sugiyanto and Saleh, 2003).

## 4. Employee Performance

According to Saleem, et al (2019) Employee performance can be measured by leaders through various mechanisms, such as looking at the tasks performed by an employee effectively and efficiently.

According to Rita, *et al* (2018) employees have their own interests and needs that must be met. Organizations can encourage or help to realize these interests and needs in the hope that the employee or individual can give a positive impact on organizational goals. Companies can pay

attention to the motivational aspects that employees have in working so that these goals are easily achieved.

According to Mangkunegara (2009) performance or work performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

## 5. Job Satisfaction

According to Luthans (2006) job satisfaction is an affective, cognitive and evaluative attitude which influences positive emotions that come from the assessment of work or individual work experience. The good performance given by employees to the company can be seen from job satisfaction.

According to Hao, et al (2016) job satisfaction is mainly driven from factors such as salary, the design of the work, promotion opportunities, quality of supervisor and co-workers.

According to Johnson and Sohi (2014) job satisfaction can be understood as a person's emotional state in reflecting positive and pleasant feelings towards the work being done. Job satisfaction will be fulfilled if there are many awards obtained from the activities carried out.

Tansel and GaziOğLu (2014) states that higher job satisfaction may be due to improvements in the objective aspects of the job either because of reduced expectations or because dissatisfying aspects of the job are downplayed while pleasing aspects are given greater weight. Job

satisfaction also related with individual subjective which have assessing in different aspect of job.

## 6. Intrinsic Motivation

According to Handoko (2001) intellectual motivation is motivation or encouragement that arises from within the individual himself without any coercion from others, but on the basis of his own volition. For example, self actualization need (desire to actualize yourself). Intrinsic motivation is impulse coming from within an individual who is aware of the importance of the work he does. This motivation can occur because the individual likes his job or considers that work to provide many benefits in the future. Nawawi (2001) state that for example an employee who works solely because they feel have the opportunity to actualize or realize their full realization.

According to Stringer, et al (2011) , intrinsic motivation is the importance of feeling good, gaining new skills and abilities, job security, chances to learn new things, promotion, accomplishment, freedom, praise from supervisor and friendship.

According to Cooper (2014) intrinsic motivation is the motivation to do something for its own sake, for the sheer enjoyment of the task itself. In intrinsic motivation people will feel motivated mainly by the interests, pleasures, satisfaction and challenges of the work itself.

According to Gkorezis and Kastritsi (2017), increasing intrinsic motivation can occur if employees believe their expectations about work



will or have been fulfilled. Conversely, intrinsic motivation can decrease if they feel that expectations have not been met.

According to Pawirosumarto, et al (2017) motivation is a drive from within or outside. Motivation has an impact on individual behavior. From the motivation that someone has, it can determine the speed of someone in completing the work.

#### 7. Extrinsic Motivation

According to Handoko (2001) extrinsic motivation is an impulse that arises as a result of influences from outside the individual, whether because of stimuli or stimuli, orders or even coercion from other people, so that in such conditions a person wants to do an action or work for example: reward and punishment.

According to Zhang, et al (2016), extrinsic motivation arises when employees do not find anything interesting from their work, so it requires some type of extrinsic motivation.

According to Nawawi (2001), extrinsic motivation comes from outside the individual so that someone wants to do something. Extrinsic motivation can make a person carry out work optimally where the impulse is obtained from outside the individual, for example, dedicated to the work because of high wages or salary, position or position that is honorable or has great power, praise, punishment.

#### 8. Procedural Justice of Compensation in the Distribution of Medical Fees

According to Palupi, et al (2019) procedural justice focuses on the

company's operational policies, the level of fairness in the company's policy process which can have an impact on member satisfaction.

According to Kundu, et al (2019) Procedural justice can be done by maximizing the benefits of diversity and minimizing the potential hazards that exist on the part of employees. This can be realized by creating conditions that allow employees to contribute their perspectives and reduce potential conflicts by strengthening organizational identity, fostering behavior that is not easily paired and respectful.

According to Tjahjono (2011) procedural justice is a fair mechanism to obtain the expected welfare. Procedural justice is organizational justice that is related to the decision making procedures by organizations aimed at its members.

According to Meliala, *et al* (2006) there are several factors influence the acceptance of medical services or services:

- a. The time for payment of services is unclear
- b. There is a transparency in the mechanism of sharing and determining the index
- c. There are parties who have not been involved in the formulation of a service sharing system that has been used previously which cause injustice and ignorance of the distribution system.

## **B. Previous Research And Hypotheses Development**

### **1. The Effect of Intrinsic Motivation on the Job Satisfaction**

Based on Herzberg's two factors theory saying that intrinsic

motivation is a driving force within a person to work well, if employees are motivated, then they will make positive choices to do something that can later satisfy them. Herzberg's theory also concluded that motivation influences employee satisfaction. If a leader wants to provide motivation for his employees, then the factors that need to be emphasized are the factors that can cause a sense of satisfaction, especially motivation factors that are internal.

Musoli and Palupi (2018) explain that intrinsic motivation is the nature of an employee. It is not because of the demands of his task or his work, but based on the desire to continue to be better. Of course this employee provides value added to the organization. Value Added provided by employees who have high intrinsic motivation will increase job satisfaction. In line with the prior researches by Budianto, et al (2013) which have found that intrinsic motivation has positive influence on job satisfaction.

Based on the description of the explanation above, the hypothesis that can be proposed is:

H<sub>1</sub>: Intrinsic motivation has positive influence on job satisfaction

## 2. The Effect of Extrinsic Motivation on the Job Satisfaction

Based on Herzberg's two factors theory saying that extrinsic motivation is motivation that comes from outside the self, salary, interpersonal relations, working conditions, supervision and company policy are external factors which if they are not fulfilled will cause

dissatisfaction of employees.

Musoli and Palupi (2018) state that extrinsic motivation has a strong role to encourage the success of employee in completing all their work or tasks. Of course this employee provides value added to the organization. Value added given by employees who have high extrinsic motivation will certainly increase job satisfaction. In line with the prior researches by Budianto, et al (2013) which have found that intrinsic motivation has positive influence on job satisfaction.

Based on the description of the explanation above, the hypothesis that can be proposed is:

H<sub>2</sub>: Extrinsic motivation has positive influence on job satisfaction

### 3. The Effect of Procedural Justice Compensation in Distribution Medical Fees on the Job Satisfaction

Based on equity theory emphasizes that individuals compare the input and output of their work with the input and output of others, and then respond to eliminate any injustices. This causes the emergence of feelings of satisfaction or dissatisfaction. If the compensation procedures in a company are felt to be good and satisfying, then the employee's job satisfaction will increase.

Procedural justice in the distribution of medical fees is related to contingency theory which management control system is needed in existing problems. The director must know what control system is in accordance with the conditions being faced. Technology is an important

thing that must be considered, such as information technology. With the existence of information technology that can help employees know the system of distribution medical fees and help employees giving their opinions about the medical services. If this goes well, employees will be satisfied because they already know how the system of distribution medical fees and can giving their opinions quickly and accurately.

Tjahjono (2008) emphasized that procedural justice is a fair mechanism to obtain the expected welfare. Empirically, a number of studies have explained that procedural fairness has a positive impact on satisfaction (Tjahjono and Atmojo, 2016; Sulaefi, 2017).

Based on the description of the explanation above, the hypothesis that can be proposed is:

H<sub>3</sub>: Procedural justice in distribution of medical fees has positive influence on job satisfaction

#### 4. The Effect of Intrinsic Motivation on the Employee Performance

Based on Herzberg's two factors theory that intrinsic motivation is an encouragement arising from within an employee to do a good job with the aim of achieving higher performance. So it can be assumed that the higher the motivation of employees at work, it will improve the performance of these employees.

Musoli and Palupi (2018) state that intrinsic motivation is important because it causes individuals to work hard and enthusiastically to achieve optimal results. Organizations do not only expect abilities, and skills, but

the most important thing is the willingness to work diligently and desire to achieve maximum work results. The purpose of intrinsic motivation is if it is successfully achieved it will improve employee performance. In line with the prior researches by Iriani (2010) which have found that intrinsic motivation has positive influence on employee performance.

Based on the description of the explanation above, the hypothesis that can be proposed is:

H<sub>4</sub>: Intrinsic motivation has positive influence on employee performance.

#### 5. The Effect of Extrinsic Motivation on the Employee Performance

Based on Herzberg's two factors theory, it is stated that extrinsic motivation is an impulse arising from outside oneself of an employee to do a good job in hopes of getting more salary, position or power. Therefore it can be assumed that the higher the motivation of employees at work, the higher the improvement of the employee performance.

Musoli and Palupi (2018) state that Extrinsic motivation can be placed as a fundamental part of management activities, so that everything can be shown to direct the potential and power of human labor by creating a high level of enthusiasm and increasing togetherness in carrying out individual and group tasks in an organization. In this connection the implementation of the task or work charged to him then motivation acts as a driver of willingness and desire to work according to its size. In line with the prior researches by Iriani (2010) which have found that intrinsic motivation has positive influence on employee performance, but not in line with Musoli

and Palupi (2018) which found extrinsic motivation variables do not have a significant effect on employee performance variables.

Based on the description above, the hypothesis that can be proposed is:

H<sub>5</sub>: Extrinsic motivation has positive influence on employee performance

#### 6. The Effect of Procedural Justice Compensation in Distribution Medical Fees on the Employee Performance

Based on equity theory related to procedural justice compensation that if employees feel the company has treated employees fairly in the payroll process, then employee performance will also improve. This is because the process and procedures for compensation are in accordance with the goals and values of the employees themselves.

Procedural justice in the distribution of medical fees is related to contingency theory which management control system is needed in existing problems. The director must know what control system is in accordance with the conditions being faced. Technology is an important thing that must be considered, such as information technology. With the existence of information technology that can help employees know the system of distribution medical fees and help employees giving their opinions about the medical services. If this goes well, employees will be satisfied because they already know how the system of distribution medical fees and can giving their opinions quickly and accurately. After feeling satisfied with the procedural justice, it can influence employee performance improvement.

Tjahjono and Atmojo (2016) which proves that procedural justice has no significant effect on performance. However, it is different from research conducted by Widiastuti and Aisyah (2016) prove that procedural justice has positive effect on employee performance. Procedural justice involves a system, where if employees are arranged with a clear system, it will most likely have an impact on outcomes such as employee performance.

Based on the description above, the hypotheses that can be proposed is:

H<sub>6</sub>: Procedural justice in distribution medical fees has positive influence on employee performance

#### 7. The Effect of Job Satisfaction on the Employee Performance

Job satisfaction is an important element in improving employee performance. Therefore the company must pay attention to the job satisfaction of its employees. Based on Herzberg's two factors theory, it is stated that motivational factors are the work it self, achievement, advancement, recognition, and responsibility. It can be said that if the motivational factors have been met, employees will feel satisfied. Hence, it will also effect their performance.

Musoli and Palupi (2018) state that company leaders in both profit-oriented and non-profit organizations must pay attention to and be morally responsible for the job satisfaction of their employees because high employee job satisfaction will have an impact on improving employee performance and productivity in achieving organizational



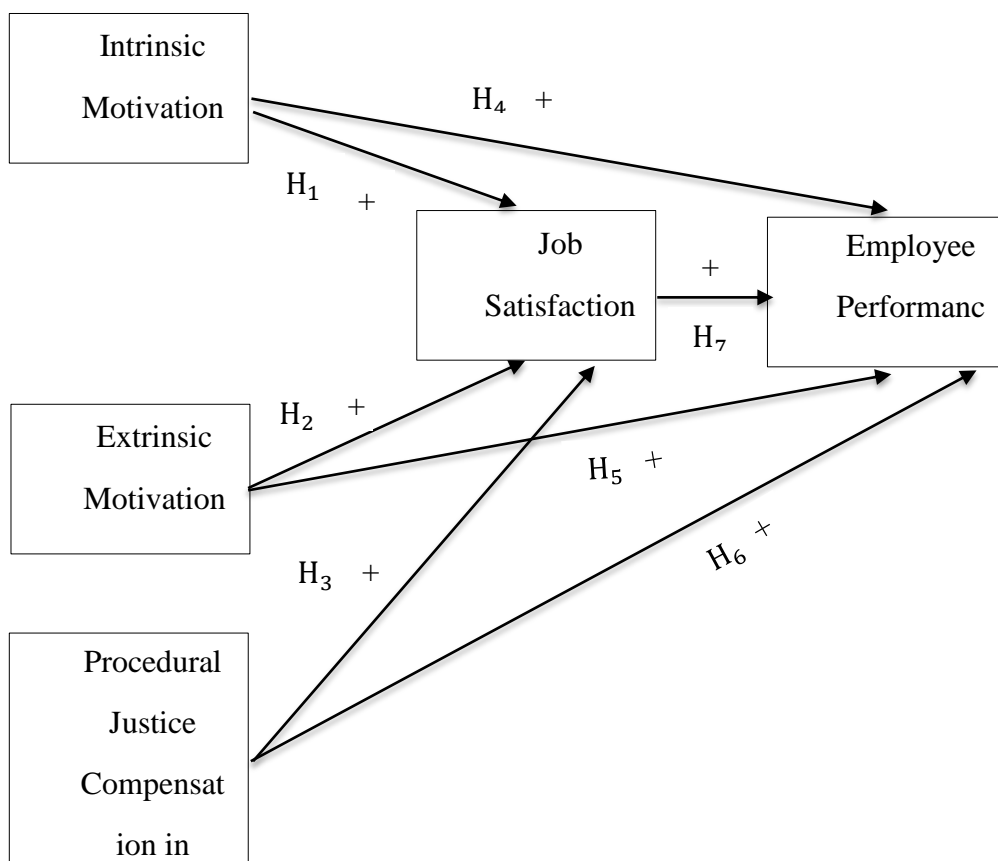
goals. In line with the prior researches by Budianto, *et al* (2013) found job satisfaction has a positive influence on employee performance.

Based on the description above explanation hypothesis that can be raised is:

H<sub>7</sub>: Job satisfaction has positive influence on employee performance

### C. Research Model

Based on the theoretical studies strengthened by previous research, so the framework can be formulated as follows:



**Figure 2.1**  
**Research Model**