

## The Effect of Reward System and Employee Engagement on Employee Performance Through Work Satisfaction as an Intervening Variable at Mbs Hotel Medan

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### ABSTRACT

Employee performance at MBS Hotel Medan has not yet reached optimal levels, as reflected in service quality, work punctuality, and variations in employee performance. These issues are presumed to be influenced by the implementation of the Reward System and the level of Employee Engagement among employees. This study aims to analyze the effect of Reward Systems and Employee Engagement on Employee Performance through Job Satisfaction as an intervening variable. This research applied a descriptive quantitative method with a causal approach. Data were collected through questionnaires distributed to 84 employees using the census sampling method. Data analysis employed Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) using SmartPLS. Findings indicate that Reward Systems and Employee Engagement positively and significantly affect Job Satisfaction and Employee Performance, while Job Satisfaction mediates their influence on employee performance

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## **INTRODUCTION**

Employee performance has become one of the strategic issues in human resource management because it is directly associated with organizational productivity, service quality, operational effectiveness, and long-term business sustainability (Mathis & Jackson, 2022). Organizations that fail to optimize employee performance are likely to experience declining productivity, reduced work quality, and difficulties in achieving organizational goals. In the hospitality industry, employee performance plays an essential role because organizational success is strongly influenced by employees' interactions and service quality delivered to customers. MBS Hotel Medan, as a company operating in the hospitality sector, faces challenges in managing human resources effectively to ensure employees can perform optimally and contribute to organizational objectives. Employee performance is not solely measured by task completion but also by work quality, responsibility, teamwork, and adaptability toward organizational demands (Robbins & Judge, 2021).

Preliminary observations conducted at MBS Hotel Medan indicate that employee performance has not yet reached an optimal level. Although employees generally complete assigned tasks, several performance dimensions still require improvement, including work quality, timeliness in task completion, responsiveness in serving customers, and compliance with standard operating procedures (SOP). Several employees also continue to experience difficulties in maintaining consistency in work outcomes and service quality. These conditions indicate that employee performance remains concentrated on individual task accomplishment rather than broader dimensions such as service effectiveness, collaboration, and responsibility required in the hospitality industry.

One factor influencing employee performance is the Reward System. Reward System refers to financial and non-financial rewards provided by organizations to appreciate employees' contributions and achievements. Reward systems include salaries, bonuses, incentives, recognition, promotion opportunities, and career development programs. Effective reward systems can improve employee motivation, commitment, and productivity because employees perceive that their efforts are recognized and valued fairly (Armstrong, 2020). However, preliminary findings at MBS Hotel Medan indicate that several employees perceive that reward implementation lacks transparency, consistency, and fairness, particularly regarding incentives, recognition, and career development opportunities. Such conditions may negatively affect employee motivation and ultimately reduce employee performance.

Another important factor affecting employee performance is Employee Engagement. Employee Engagement reflects employees' emotional, psychological, and behavioral attachment toward their work and organization. Employees with higher engagement levels generally demonstrate greater enthusiasm, stronger dedication, and higher involvement in work activities. Higher employee engagement has been associated with increased productivity, stronger organizational commitment, and improved work outcomes (Saks, 2020). However, preliminary observations at MBS Hotel Medan suggest that some employees still experience relatively low levels of engagement, particularly in

terms of enthusiasm, emotional attachment to the organization, and full involvement in work activities.

In organizational behavior studies, the relationship between Reward System, Employee Engagement, and Employee Performance may not always occur directly. Job Satisfaction may act as an important mechanism explaining how organizational rewards and employee involvement improve performance outcomes. Job satisfaction refers to employees' positive feelings regarding their jobs, workplace conditions, supervisory support, relationships with colleagues, and career development opportunities. Employees with higher levels of job satisfaction tend to exhibit stronger motivation, organizational commitment, and work performance (Spector, 2020).

Previous studies demonstrated that Reward System and Employee Engagement positively influence employee performance and job satisfaction. Effective reward practices improve employee motivation and performance, while stronger employee engagement enhances commitment and productivity (Armstrong, 2021; Saks, 2021). Nevertheless, empirical findings regarding these relationships remain inconsistent. Some studies reported direct relationships between Reward System, Employee Engagement, and employee performance, whereas other studies indicated indirect relationships through mediating variables (Chatterjee et al., 2023). Furthermore, studies specifically examining Job Satisfaction as an intervening variable in the relationship between Reward System, Employee Engagement, and Employee Performance remain limited, particularly within the Indonesian hospitality industry (Giousmpasoglou et al., 2021).

This study contributes theoretically by enriching the human resource management literature regarding the relationships among Reward System, Employee Engagement, Job Satisfaction, and Employee Performance in the hospitality sector. Practically, this study is expected to provide implications for MBS Hotel Medan in designing effective human resource management strategies aimed at improving reward practices, strengthening employee engagement, enhancing job satisfaction, and ultimately improving employee performance. Therefore, this study aims to analyze the effect of Reward System and Employee Engagement on Employee Performance through Job Satisfaction as an intervening variable at MBS Hotel Medan.

## **LITERATURE REVIEW**

### **Reward System on Job Satisfaction**

Reward System refers to financial and non-financial rewards provided by organizations to recognize employees' contributions and achievements, including salaries, incentives, bonuses, recognition, and promotion opportunities (Armstrong, 2020). According to Equity Theory proposed by Adams (1965), employees evaluate fairness by comparing their contributions with the rewards they receive. Employees who perceive fairness in reward distribution tend to experience higher satisfaction levels because they believe that their efforts are appropriately recognized by the organization. Herzberg's Two Factor Theory also explains that rewards and recognition function as motivational factors capable of increasing employees' satisfaction and motivation (Herzberg, 1966).

Putra et al. (2022), Sari and Nugroho (2023), and Rahman et al. (2024) found that Reward System positively influences employee job satisfaction. Therefore, a more effective Reward System is expected to improve Job Satisfaction.

H1: Reward System has a positive effect on Job Satisfaction.

### **Employee Engagement on Job Satisfaction**

Employee Engagement refers to employees' emotional, psychological, and behavioral attachment toward their work and organization (Saks, 2020). According to Work Engagement Theory developed by Schaufeli and Bakker (2004), employees with high engagement levels characterized by vigor, dedication, and absorption are more likely to experience positive feelings and satisfaction at work. Employees who actively participate and feel emotionally connected with their organizations tend to have stronger enthusiasm and fulfillment in their jobs. Wijaya et al. (2023), Lestari et al. (2022), and Santoso (2024) found that Employee Engagement positively affects Job Satisfaction. Therefore, stronger Employee Engagement is expected to improve Job Satisfaction.

H2: Employee Engagement has a positive effect on Job Satisfaction.

### **Reward System on Employee Performance**

Reward System represents organizational efforts to motivate employees through financial and non-financial compensation based on performance and contributions (Armstrong, 2020). According to Expectancy Theory proposed by Vroom (1964), employees tend to exert greater effort when they believe that their performance will lead to desirable rewards. Employees who perceive that rewards are aligned with their contributions are more motivated to improve work quality and productivity. Prasetyo et al. (2022), Firmansyah (2023), and Sari and Nugroho (2024) found that Reward System positively affects employee performance. Therefore, a better Reward System is expected to improve Employee Performance.

H3: Reward System has a positive effect on Employee Performance.

### **Employee Engagement on Employee Performance**

Employee Engagement reflects employees' involvement and commitment toward their work and organizational goals (Saks, 2020). According to Kahn's Employee Engagement Theory (1990), employees who are emotionally and psychologically engaged tend to contribute greater effort and energy in completing work responsibilities. Employees with stronger engagement generally demonstrate higher productivity, responsibility, and work effectiveness. Lestari et al. (2022), Nugraha (2023), and Fauzi et al. (2024) found that Employee Engagement positively affects Employee Performance. Therefore, stronger Employee Engagement is expected to improve Employee Performance.

H4: Employee Engagement has a positive effect on Employee Performance.

### **Job Satisfaction on Employee Performance**

Job Satisfaction refers to employees' positive feelings regarding their work, work environment, relationships with supervisors and colleagues, and career opportunities (Spector, 2020). According to Herzberg's Two Factor Theory (1966), employees who experience greater satisfaction through motivational factors such as achievement, recognition, and career development tend to exhibit better work outcomes. Employees with higher job satisfaction generally show stronger motivation, commitment, and productivity. Sari and Nugroho (2023), Hidayat (2022), and Handayani et al. (2024) found that Job Satisfaction positively influences Employee Performance. Therefore, higher Job Satisfaction is expected to improve Employee Performance.

H5: Job Satisfaction has a positive effect on Employee Performance.

### **Reward System on Employee Performance through Job Satisfaction**

According to Expectancy Theory proposed by Vroom (1964), employees become motivated when they perceive that rewards are linked to their efforts and performance outcomes. Reward systems not only directly influence employee performance but also create positive feelings and satisfaction among employees, which subsequently improve performance outcomes. Rahman et al. (2024) and Putra et al. (2022) found that Job Satisfaction mediates the relationship between Reward System and Employee Performance. Therefore, Job Satisfaction is expected to mediate the relationship between Reward System and Employee Performance.

H6: Job Satisfaction mediates the positive effect of Reward System on Employee Performance.

### **Employee Engagement on Employee Performance through Job Satisfaction**

Based on Social Exchange Theory proposed by Blau (1964), employees who receive positive treatment and feel emotionally attached to their organizations tend to reciprocate with positive attitudes and behaviors. Employee Engagement creates stronger commitment and emotional attachment, which enhance employees' job satisfaction and ultimately improve work performance. Wijaya et al. (2023), Nugraha (2023), and Rahmawati and Siregar (2022) found that Job Satisfaction mediates the relationship between Employee Engagement and Employee Performance. Therefore, Job Satisfaction is expected to mediate the relationship between Employee Engagement and Employee Performance.

H7: Job Satisfaction mediates the positive effect of Employee Engagement on Employee Performance.

Based on the theoretical review, empirical phenomena, and previous studies, this study proposes that Reward System and Employee Engagement influence Employee Performance directly and indirectly through Job Satisfaction as an intervening variable. Reward System and Employee Engagement are important factors in improving employees' satisfaction and performance. Therefore, the conceptual framework of this study can be illustrated as follows:

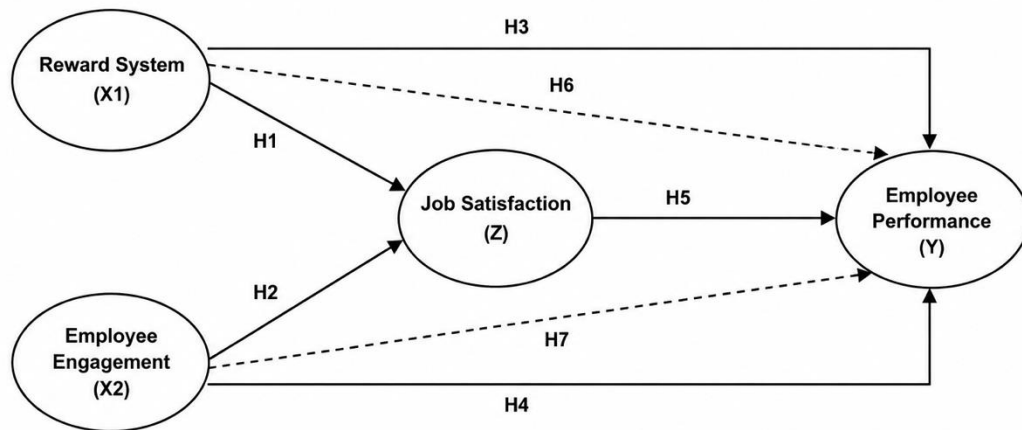


Figure 1. Conceptual Framework

## METHODOLOGY

This study employed a quantitative approach with an explanatory research design to examine the effect of Reward System and Employee Engagement on Employee Performance through Job Satisfaction as an intervening variable. The study was conducted from December 2025 to June 2026 at MBS Hotel Medan, located at Jl. Guru Patimpus No.57, Silalas, Medan Baru District, Medan City, North Sumatra, Indonesia. The population consisted of all employees of MBS Hotel Medan, totaling 84 employees. Since the population size was relatively small, this study applied a census (saturated sampling) technique in which all members of the population were used as research respondents.

Data were collected through questionnaires, interviews, and documentation. Reward System was measured using indicators of incentives, bonuses, allowances, and recognition; Employee Engagement was measured through vigor, dedication, and absorption dimensions; Job Satisfaction was measured through supervision, co-worker relationships, job characteristics, and career development opportunities; while Employee Performance was measured using indicators of work quality, work quantity, timeliness, and responsibility. All variables were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Data analysis was conducted using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS version 4. The analysis included measurement model evaluation through convergent validity, discriminant validity, Composite Reliability, Average Variance Extracted (AVE), and Cronbach's Alpha. Furthermore, the structural model evaluation was performed using path coefficients, coefficient of determination ( $R^2$ ), predictive relevance ( $Q^2$ ), and mediation analysis through bootstrapping procedures to examine direct and indirect relationships among variables.

## RESEARCH RESULTS

This section presents the findings of the study conducted to examine the effect of Reward System and Employee Engagement on Employee Performance through Job Satisfaction as a mediating variable. Using the Structural Equation Modeling-Partial Least Squares (PLS-SEM) approach, the analysis results describe the strength of the relationships among variables, both direct and indirect. All testing results serve as the basis for answering the research questions and providing empirical evidence regarding the role of Reward System, Employee Engagement, and Job Satisfaction in improving employee performance at MBS Hotel Medan.

### Validity and Reliability

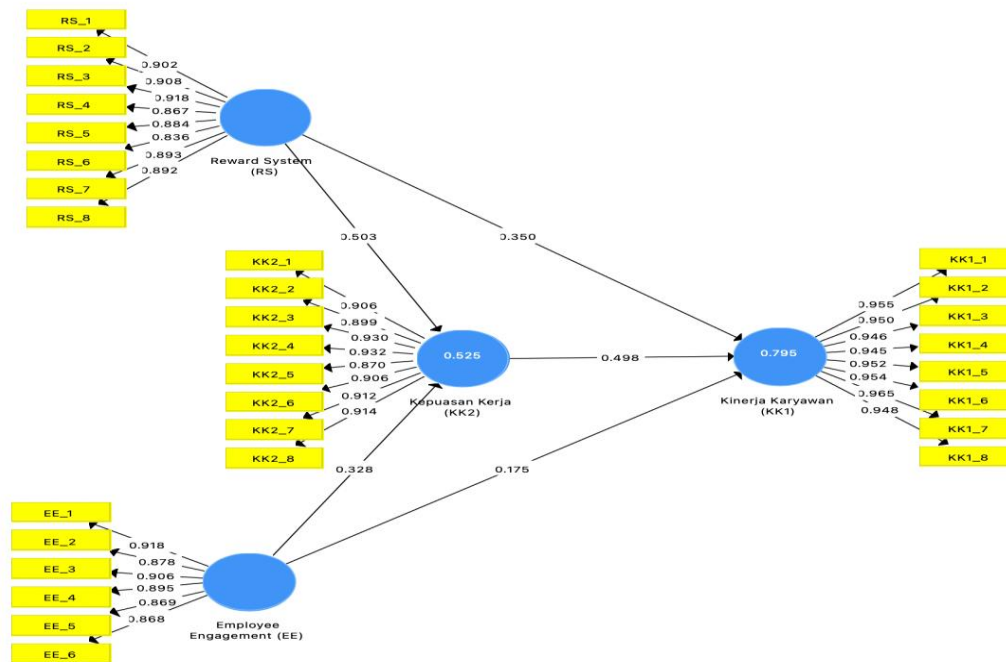


Figure 2. Loading Factor Full Model

Figure 2 presents the Full Model Loading Factor, illustrating the relationships between latent variables and their indicators. The model consists of four latent variables, namely Reward System (X1), Employee Engagement (X2), Job Satisfaction (Z), and Employee Performance (Y), where each construct is measured using several indicators. The model also illustrates both direct and indirect relationships among variables, where Job Satisfaction acts as a mediating variable in the relationship between Reward System and Employee Engagement toward Employee Performance. The loading factor values indicate the extent to which each indicator represents its respective latent construct within the measurement model and reflect the strength of the relationship between indicators and their corresponding latent variables.

Table 1. Validity and Reliability Test

Indicator	Variable	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability (rho_A)
RS_1	Reward System (X <sub>1</sub> )	0.902	0.788	0.961	0.963
RS_2		0.908			
RS_3		0.918			
RS_4		0.867			
RS_5		0.884			
RS_6		0.836			
RS_7		0.893			
RS_8		0.892			
EE_1	Employee Engagement (X <sub>2</sub> )	0.918	0.790	0.947	0.949
EE_2		0.878			
EE_3		0.906			
EE_4		0.895			
EE_5		0.869			
EE_6		0.868			
KK1_1	Employee Performance (Y)	0.955	0.906	0.985	0.985
KK1_2		0.950			
KK1_3		0.946			
KK1_4		0.945			
KK1_5		0.952			
KK1_6		0.954			
KK1_7		0.965			
KK1_8		0.948			
KK2_1	Job Satisfaction (Z)	0.906	0.826	0.970	0.971
KK2_2		0.899			
KK2_3		0.930			
KK2_4		0.932			
KK2_5		0.870			
KK2_6		0.906			
KK2_7		0.912			
KK2_8		0.914			

The validity and reliability test results presented in Table 1 indicate that the measurement model demonstrates excellent psychometric properties. All indicators have outer loading values above the recommended threshold of 0.70, indicating strong convergent validity and adequate indicator reliability. The loading factor values for Reward System range from 0.836 to 0.918, Employee Engagement from 0.868 to 0.918, Employee Performance from 0.945 to 0.965, and Job Satisfaction from 0.870 to 0.932. In addition, the Average Variance Extracted (AVE) values for Reward System (0.788), Employee Engagement (0.790), Employee Performance (0.906), and Job Satisfaction (0.826) exceed the minimum threshold of 0.50, confirming that each construct explains more than 50% of the variance of its indicators.

From the reliability perspective, the Cronbach's Alpha values for Reward System (0.961), Employee Engagement (0.947), Employee Performance (0.985), and Job Satisfaction (0.970) indicate high internal consistency and construct reliability. Furthermore, the Composite Reliability values for Reward System (0.967), Employee Engagement (0.958), Employee Performance (0.987), and Job Satisfaction (0.974) also exceed the recommended threshold of 0.70,

demonstrating satisfactory reliability across all constructs. The rho\_A values for Reward System (0.963), Employee Engagement (0.949), Employee Performance (0.985), and Job Satisfaction (0.971) further support the reliability of the constructs. Overall, these findings confirm that the measurement model satisfies the required validity and reliability criteria and is appropriate for further structural model analysis.

**Heterotrait-monotrait (HTMT)**

Table 2. Discriminant validity - Heterotrait-monotrait ratio (HTMT)

Research Variables	Reward System (RS)	Employee Engagement (EE)	Employee Performance (EP)	Job Satisfaction (JS)
Reward System (RS)	-			
Employee Engagement (EE)	0.523	-		
Employee Performance (EP)	0.788	0.661	-	
Job Satisfaction (JS)	0.687	0.603	0.850	-

Based on Table 2, the discriminant validity test results indicate that all constructs demonstrate acceptable discriminant validity, showing that each construct is empirically distinct from one another. The correlation value between Reward System and Employee Engagement is 0.523, indicating a moderate relationship between both constructs. Meanwhile, Reward System shows correlations of 0.788 with Employee Performance and 0.687 with Job Satisfaction, suggesting that Reward System has a relatively stronger relationship with Employee Performance and Job Satisfaction. Furthermore, the correlation values between Employee Engagement and Employee Performance and Job Satisfaction are 0.661 and 0.603, respectively, indicating moderate relationships among these constructs. The strongest relationship was found between Job Satisfaction and Employee Performance, with a correlation value of 0.850, suggesting a strong association between employees' satisfaction levels and their work performance. Overall, the findings indicate that the constructs used in this study are conceptually and empirically distinct, with no indication of excessive overlap among variables. Therefore, all constructs satisfy the discriminant validity requirement and are considered appropriate for further structural model analysis in examining the direct and indirect relationships among Reward System, Employee Engagement, Job Satisfaction, and Employee Performance.

**R-Square**

Table 3. R Square

Research Variables	R Square	Adjusted R Square
Employee Performance (EP)	0.795	0.788
Job Satisfaction (JS)	0.525	0.514

Based on Table 3, the R-Square value for Employee Performance is 0.795, indicating that 79.5% of the variance in Employee Performance can be explained by the independent variables in this study, namely Reward System and

Employee Engagement, along with Job Satisfaction as a mediating variable. Meanwhile, the Adjusted R-Square value of 0.788 reflects the adjustment for the number of predictor variables included in the model, thereby reducing the possibility of overestimating the predictive ability of the model. These results indicate that the model has strong explanatory power in explaining variations in Employee Performance.

Furthermore, the R-Square value for Job Satisfaction is 0.525, indicating that 52.5% of the variance in Job Satisfaction can be explained by Reward System and Employee Engagement. The Adjusted R-Square value of 0.514 is slightly lower but still indicates a moderate explanatory relationship among the variables. These findings suggest that although a substantial proportion of the variance in Employee Performance and Job Satisfaction can be explained by the proposed model, there are still other factors outside the model that may influence both variables. Factors affecting Employee Performance may include training and development, organizational commitment, work discipline, work stress, and work-life balance. Meanwhile, factors influencing Job Satisfaction may include leadership style, work environment, work motivation, organizational culture, and workload, thereby providing opportunities for future studies.

**F-Square**

Table 4. F Square

Variables	Reward System (RS)	Employee Engagement (EE)	Employee Performance (EP)	Job Satisfaction (JS)
Reward System (RS)	-	-	0.320	0.398
Employee Engagement (EE)	-	-	0.096	0.170
Employee Performance (EP)	-	-	-	0.575
Job Satisfaction (JS)	-	-	-	-

Based on Table 4, Job Satisfaction has the largest effect on Employee Performance, with an F-Square value of 0.575, indicating a large effect size. Reward System also demonstrates a large effect on Job Satisfaction, with an F-Square value of 0.398. Furthermore, Reward System shows a moderate effect on Employee Performance, with an F-Square value of 0.320. Meanwhile, Employee Engagement has a moderate effect on Job Satisfaction, with an F-Square value of 0.170, while its direct effect on Employee Performance is relatively small, with an F-Square value of 0.096.

These findings indicate that Job Satisfaction plays an important role in strengthening the relationship between Reward System, Employee Engagement, and Employee Performance. The stronger effects of Reward System and Employee Engagement on Job Satisfaction compared to some of their direct effects on Employee Performance suggest that Job Satisfaction acts as an important mechanism through which both variables contribute to improving employee performance.

**Path Coefficients**

Table 5. Path Coefficients

Research Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values	Hypothesis
Direct Effects						
Reward System (RS) → Job Satisfaction (JS)	0.503	0.500	0.086	5.822	0.000	Accepted
Employee Engagement (EE) → Job Satisfaction (JS)	0.328	0.335	0.093	3.521	0.000	Accepted
Reward System (RS) → Employee Performance (EP)	0.350	0.354	0.083	4.214	0.000	Accepted
Employee Engagement (EE) → Employee Performance (EP)	0.175	0.180	0.068	2.587	0.000	Accepted
Job Satisfaction (JS) → Employee Performance (EP)	0.498	0.491	0.089	5.595	0.000	Accepted
Indirect Effects						
Reward System (RS) → Job Satisfaction (JS) → Employee Performance (EP)	0.250	0.244	0.057	4.361	0.000	Accepted
Employee Engagement (EE) → Job Satisfaction (JS) → Employee Performance (EP)	0.163	0.165	0.058	2.815	0.005	Accepted

Based on the results presented in Table 5 (Path Coefficients), all relationships among variables show positive and significant effects. Reward System positively affects Job Satisfaction, with a coefficient value of 0.503, a t-statistics value of 5.822, and a p-value of 0.000. In addition, Employee Engagement also positively affects Job Satisfaction, with a coefficient value of 0.328, a t-statistics value of 3.521, and a p-value of 0.000. Reward System positively affects Employee Performance, with a coefficient value of 0.350, a t-statistics value of 4.214, and a p-value of 0.000. Likewise, Employee Engagement positively affects Employee Performance, with a coefficient value of 0.175, a t-statistics value of 2.587, and a p-value of 0.000. Furthermore, Job Satisfaction positively affects Employee Performance, with a coefficient value of 0.498, a t-statistics value of 5.595, and a p-value of 0.000.

Regarding the indirect effects, Reward System positively affects Employee Performance through Job Satisfaction, with a coefficient value of 0.250, a t-statistics value of 4.361, and a p-value of 0.000. Similarly, Employee Engagement positively affects Employee Performance through Job Satisfaction, with a coefficient value of 0.163, a t-statistics value of 2.815, and a p-value of 0.005. These findings indicate that Job Satisfaction is able to mediate the relationship between

Reward System, Employee Engagement, and Employee Performance. Since both direct and indirect effects remain significant, Job Satisfaction functions as a partial mediating variable in the proposed research model.

## **DISCUSSION**

The findings indicate that Reward System has a positive and significant effect on Job Satisfaction at MBS Hotel Medan. This suggests that employees who perceive rewards as fair and appropriate tend to experience higher levels of job satisfaction. In the context of MBS Hotel Medan, bonuses, incentives, allowances, and recognition were perceived by employees as important forms of appreciation for their work contributions and achievements. The descriptive findings revealed that employees considered bonus allocation and recognition as important aspects that increase their motivation and satisfaction because they feel that their efforts and responsibilities are appropriately rewarded. In addition, employees perceived that the company had started to consider individual work outcomes in distributing rewards, creating perceptions of fairness and appreciation. These findings support Equity Theory proposed by Adams, which explains that employees evaluate fairness by comparing their contributions with rewards received from the organization. The results are consistent with studies conducted by Putra et al. (2022), Sari and Nugroho (2023), and Rahman et al. (2024), which found that Reward System positively affects Job Satisfaction.

The study also found that Employee Engagement has a positive and significant effect on Job Satisfaction. Employees who demonstrate stronger emotional attachment and involvement in their work tend to experience higher levels of satisfaction. In MBS Hotel Medan, employees demonstrated engagement through their commitment to serving guests, pride in being part of the organization, enthusiasm in carrying out work responsibilities, and their ability to remain productive despite working under pressure. The findings also indicated that employees enjoyed their work and perceived their work activities as meaningful experiences. Within the hospitality industry, where work demands and multitasking activities are relatively high, employees who feel emotionally attached to their work tend to experience stronger satisfaction. These findings support Work Engagement Theory developed by Schaufeli and Bakker, which explains that employees with higher levels of vigor, dedication, and absorption tend to demonstrate more positive work attitudes and satisfaction. The findings are consistent with studies conducted by Wijaya et al. (2023), Lestari et al. (2022), and Santoso (2024), which found that Employee Engagement positively affects Job Satisfaction.

Furthermore, Reward System was found to have a positive and significant effect on Employee Performance. Employees who receive rewards based on their contributions and work outcomes tend to demonstrate stronger motivation and better performance. In MBS Hotel Medan, bonuses were perceived as an important factor that encouraged employees to complete work responsibilities more effectively. Employees also perceived that recognition and appreciation from management increased their confidence and encouraged them to improve their work quality and productivity. In addition, incentives and work allowances were

considered important because they supported employee welfare within the hospitality environment, which involves flexible working hours and relatively high work demands. These findings support Expectancy Theory proposed by Vroom, which explains that employees become motivated when they believe their efforts and performance will lead to desirable rewards. The findings are consistent with studies conducted by Prasetyo et al. (2022), Firmansyah (2023), and Sari and Nugroho (2024), which found that Reward System positively affects Employee Performance.

In addition, Employee Engagement was also found to have a positive and significant effect on Employee Performance. Employees with stronger work engagement tend to demonstrate greater responsibility, enthusiasm, and commitment toward achieving organizational objectives. In MBS Hotel Medan, employees demonstrated high engagement through their commitment to maintaining service quality, pride in being part of the organization, enthusiasm at work, and their ability to remain productive under work pressure. Employees who enjoyed their work also tended to become more focused and effective in completing their responsibilities. Since hospitality organizations depend heavily on service quality, employee involvement and emotional attachment become important factors in improving performance outcomes. These findings support Employee Engagement Theory proposed by Kahn, which explains that employees who are emotionally and psychologically engaged in their work tend to contribute more positively toward organizational performance. The findings are consistent with studies conducted by Lestari et al. (2022), Nugraha (2023), and Fauzi et al. (2024), which found that Employee Engagement positively affects Employee Performance.

The study further revealed that Job Satisfaction has a positive and significant effect on Employee Performance. Employees who feel satisfied with their work environment tend to demonstrate stronger motivation and better work outcomes. In MBS Hotel Medan, employees perceived promotion opportunities, clear work direction from supervisors, harmonious relationships with co-workers, and opportunities for training and self-development as important factors contributing to their job satisfaction. Employees also perceived that supportive work relationships and job suitability improved their comfort at work and encouraged them to perform better. In hospitality organizations, where teamwork and service quality are essential, employees with higher satisfaction levels are more likely to maintain productivity and provide better service performance. These findings support Herzberg's Two-Factor Theory, which explains that motivational factors such as achievement, recognition, and development opportunities contribute positively to employee performance. The findings are consistent with studies conducted by Sari and Nugroho (2023), Hidayat (2022), and Handayani et al. (2024), which found that Job Satisfaction positively affects Employee Performance.

The mediation analysis revealed that Job Satisfaction significantly mediates the effects of Reward System and Employee Engagement on Employee Performance. The findings indicate that Reward System and Employee Engagement become more effective in improving Employee Performance when they successfully create greater levels of job satisfaction among employees. In MBS

Hotel Medan, rewards such as bonuses, incentives, recognition, and allowances improved employees' satisfaction because employees felt appreciated and supported by the organization. Similarly, stronger employee engagement through commitment, enthusiasm, emotional attachment, and involvement in work activities increased employees' satisfaction and ultimately strengthened performance outcomes. Therefore, Job Satisfaction functions as an important mechanism linking Reward System and Employee Engagement with Employee Performance. These findings emphasize the importance of organizational strategies focused on improving reward practices, strengthening employee engagement, and maintaining employee satisfaction to achieve higher employee performance at MBS Hotel Medan.

## **CONCLUSION AND RECOMMENDATION**

Based on the findings of this study, Reward System and Employee Engagement have positive and significant effects on Job Satisfaction and Employee Performance at MBS Hotel Medan. Job Satisfaction also has a positive and significant effect on Employee Performance. Furthermore, Job Satisfaction significantly mediates the effects of Reward System and Employee Engagement on Employee Performance, indicating that higher job satisfaction strengthens employee performance improvement.

The findings suggest that MBS Hotel Medan should strengthen its Reward System by ensuring fairness in bonuses, incentives, allowances, and employee recognition. In addition, the company should improve Employee Engagement by encouraging employee involvement, strengthening communication, and creating a supportive work environment. These strategies are expected to increase Job Satisfaction and ultimately improve Employee Performance.

## **FUTURE RESEARCH**

This study has several limitations that should be considered. First, the research was conducted only at MBS Hotel Medan, which may limit the generalizability of the findings to other organizations or industries. Second, this study focused only on Reward System, Employee Engagement, Job Satisfaction, and Employee Performance, while other factors such as leadership style, work environment, work motivation, organizational culture, and workload may also influence employee performance and job satisfaction. Third, this study employed a cross-sectional design, which limits the ability to observe changes in employee perceptions and behavior over time.

Therefore, future research is recommended to involve broader research settings across different industries and organizational characteristics to improve the generalizability of the findings. Future studies are also encouraged to incorporate additional variables and apply longitudinal approaches to provide a more comprehensive understanding of the factors influencing employee performance and job satisfaction.

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