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The Influence of Reward and Punishment on Employee Performance: The Mediating Role of Intrinsic Motivation at the Oil Palm Research Center in Medan

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A R T I C L E I N F O

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A B S T R A C T

This study examines the effect of Reward and Punishment on Employee Performance through Intrinsic Motivation as an intervening variable at the Oil Palm Research Center Medan. A quantitative approach with an explanatory research design was employed. The population consisted of 180 employees, and 124 respondents were selected using a simple random sampling technique. Data were collected through questionnaires and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results indicate that Reward has a positive and significant effect on Employee Performance and Intrinsic Motivation. Similarly, Punishment positively and significantly affects Employee Performance and Intrinsic Motivation. Furthermore, Intrinsic Motivation has a positive and significant effect on Employee Performance. The mediation analysis reveals that Intrinsic Motivation significantly mediates the relationships between Reward and Employee Performance as well as between Punishment and Employee Performance. The structural model demonstrates moderate explanatory power, with Reward and Punishment explaining 61.5% of the variance in Intrinsic Motivation, while Reward, Punishment, and Intrinsic Motivation explain 61.0% of the variance in Employee Performance. The findings highlight the importance of effective reward and disciplinary systems in enhancing employee performance through the development of intrinsic motivation

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INTRODUCTION

Human resources are recognized as one of the most valuable organizational assets that contribute significantly to achieving organizational goals and sustaining competitive advantage. According to the Resource-Based View (RBV) theory, organizations can obtain superior performance when they effectively manage valuable, rare, inimitable, and non-substitutable resources, including human resources (Barney, 2021). Therefore, organizations are required to develop appropriate human resource management strategies that can encourage employees to perform optimally and contribute effectively to organizational success.

Employee performance is a critical indicator of organizational effectiveness because it reflects employees' ability to achieve organizational objectives through quality work outcomes, target accomplishment, timeliness, teamwork, and responsibility. High employee performance contributes directly to organizational productivity, innovation, and competitiveness. Conversely, declining employee performance may reduce organizational effectiveness and hinder the achievement of strategic goals. Therefore, understanding the factors that influence employee performance remains an important concern for both practitioners and researchers in the field of human resource management.

The Oil Palm Research Center Medan is one of Indonesia's leading research institutions responsible for conducting research and innovation activities in the palm oil sector. As a knowledge-based organization, the institution depends heavily on the quality and productivity of its employees to achieve research objectives and organizational targets. However, several indicators suggest that employee performance at the Oil Palm Research Center Medan has not yet reached an optimal level. Internal performance data indicate that average employee performance achievement declined from 89.0% in 2023 to 85.6% in 2024 and further decreased to 81.8% in 2025. Similar downward trends were observed across several performance dimensions, including work quality, target achievement, timeliness, teamwork, and job responsibility. Furthermore, preliminary surveys revealed that 60% of employees perceived that their work quality had not met organizational standards, 63.3% reported difficulties in consistently achieving work targets, 56.7% experienced delays in completing tasks, 66.7% reported challenges in teamwork, and 53.3% indicated limitations in fulfilling job responsibilities. These findings suggest that employee performance remains relatively low and requires further investigation.

One factor that may influence employee performance is reward. Reward refers to financial and non-financial compensation provided by organizations in recognition of employees' contributions, achievements, and work outcomes (Armstrong, 2022). Effective reward systems can reinforce desirable work behaviors, improve motivation, and encourage employees to achieve higher performance levels. Nevertheless, preliminary findings at the Oil Palm Research Center Medan indicate that employees still perceive deficiencies in the existing reward system. Approximately 60% of employees reported that compensation was not proportional to their workload, 66.7% stated that performance-based incentives and bonuses were inadequate, 53.3% perceived employee benefits as

insufficient, and 73.3% felt that their work achievements were not properly recognized. These conditions indicate that employees' perceptions of reward remain unfavorable and may contribute to lower performance outcomes.

Another important factor influencing employee performance is punishment. Punishment refers to corrective actions or sanctions imposed on employees who violate organizational regulations or fail to meet performance standards (Afandi, 2021). Properly implemented punishment can improve discipline, accountability, and compliance with organizational policies. However, preliminary observations reveal that employees hold varying perceptions regarding the fairness and effectiveness of punishment practices within the organization. Approximately 43.3% of employees reported that written warnings did not effectively improve work behavior, 56.7% perceived administrative sanctions as unfair, and 70% believed that severe disciplinary actions were not implemented proportionally. Such perceptions may reduce the effectiveness of punishment as a managerial mechanism for shaping employee behavior and performance.

The effects of reward and punishment on employee performance may not occur directly. Intrinsic motivation may serve as an important psychological mechanism explaining how organizational practices influence employee behavior. Intrinsic motivation refers to an individual's internal drive to perform tasks because they are inherently satisfying, meaningful, and personally rewarding (Deci & Ryan, 2020). Employees with high intrinsic motivation tend to demonstrate stronger commitment, greater initiative, higher responsibility, and better work performance. Preliminary surveys conducted at the Oil Palm Research Center Medan revealed that 60% of employees felt they lacked autonomy in completing their work, 63.3% were not fully confident in their ability to perform assigned tasks, and 56.7% did not feel fully accepted within the work environment. These findings indicate that employees' intrinsic motivation remains relatively low and may contribute to declining performance levels.

Previous studies have shown that reward positively influences employee motivation and performance, while punishment can improve discipline and work outcomes when implemented effectively (Khan et al., 2021; Nguyen et al., 2021). Furthermore, several studies found that motivation plays a significant role in improving employee performance (Prabowo et al., 2025; Lestari et al., 2024). However, empirical findings remain inconsistent. Some studies reported a direct and significant effect of reward on employee performance (Yusuf & Amalia, 2023), whereas others found that reward influences performance indirectly through mediating variables such as motivation and job satisfaction (Ariani et al., 2024; Sudiarta et al., 2024). Similarly, studies examining punishment have produced mixed findings regarding its direct and indirect effects on employee performance. These inconsistencies indicate the existence of a research gap requiring further empirical investigation.

In addition, most previous studies have examined work motivation in general as a mediating variable. Research specifically investigating intrinsic motivation as an intervening variable in the relationship between reward, punishment, and employee performance remains limited, particularly in

research institutions. This limitation is important because research organizations depend heavily on employees' internal motivation, creativity, autonomy, and commitment to generate innovative outcomes. Therefore, intrinsic motivation may provide a more comprehensive explanation of how reward and punishment influence employee performance within knowledge-based organizations.

This study contributes theoretically by extending the human resource management literature through the integration of reward, punishment, intrinsic motivation, and employee performance within the Resource-Based View framework. Practically, the findings are expected to provide valuable insights for managers at the Oil Palm Research Center Medan in designing more effective reward and punishment systems, strengthening employees' intrinsic motivation, and improving organizational performance. Therefore, this study aims to analyze the effect of reward and punishment on employee performance through intrinsic motivation as an intervening variable at the Oil Palm Research Center Medan.

LITERATURE REVIEW

Reward on Employee Performance

Reward refers to financial and non-financial compensation provided by organizations to recognize employees' contributions, achievements, and performance, including salaries, incentives, bonuses, recognition, and promotion opportunities (Armstrong, 2022). According to Expectancy Theory proposed by Vroom (1964), employees are motivated to exert greater effort when they believe that good performance will lead to desirable rewards. Employees who perceive rewards as fair and appropriate tend to demonstrate higher commitment and better performance. Yusuf and Amalia (2023), Abdullah et al. (2023), and Khan et al. (2021) found that Reward positively influences Employee Performance. Therefore, a more effective Reward is expected to improve Employee Performance.

H1: Reward has a positive effect on Employee Performance.

Punishment on Employee Performance

Punishment refers to corrective actions or sanctions imposed on employees who violate organizational rules or fail to meet performance standards (Afandi, 2021). According to Reinforcement Theory proposed by Skinner (1953), punishment discourages undesirable behavior and promotes compliance with organizational regulations. Employees who receive fair and appropriate punishment are more likely to improve discipline, responsibility, and work performance. Nasution et al. (2024), Rahman and Hadi (2022), and Hadi et al. (2025) found that Punishment positively influences Employee Performance. Therefore, effective Punishment is expected to improve Employee Performance.

H2: Punishment has a positive effect on Employee Performance.

Reward on Intrinsic Motivation

Reward refers to organizational appreciation given to employees in recognition of their achievements and contributions (Armstrong, 2022). According to Self-Determination Theory proposed by Deci and Ryan (2020), rewards that acknowledge employees' competence and achievements can strengthen intrinsic motivation by fulfilling psychological needs for competence and autonomy. Employees who feel appreciated by their organizations tend to develop stronger internal motivation toward their work. Gagné et al. (2022), Van den Broeck et al. (2021), and Harahap et al. (2024) found that Reward positively influences Intrinsic Motivation. Therefore, a more effective Reward is expected to increase Intrinsic Motivation.

H3: Reward has a positive effect on Intrinsic Motivation.

Punishment on Intrinsic Motivation

Punishment refers to disciplinary actions used by organizations to correct inappropriate employee behavior and ensure compliance with organizational standards (Afandi, 2021). According to Organizational Justice Theory proposed by Greenberg (1990), employees evaluate punishment based on fairness and consistency. Fair and constructive punishment can encourage employees to improve their behavior and maintain motivation, whereas unfair punishment may reduce motivation. Zhang et al. (2023), Gagné et al. (2022), and Van den Broeck et al. (2021) reported that disciplinary practices influence employees' motivation. Therefore, Punishment is expected to influence Intrinsic Motivation.

H4: Punishment has an effect on Intrinsic Motivation.

Intrinsic Motivation on Employee Performance

Intrinsic Motivation refers to an internal drive that encourages individuals to perform work because it is meaningful, enjoyable, and personally satisfying (Deci & Ryan, 2020). According to Self-Determination Theory, intrinsically motivated employees tend to demonstrate greater initiative, commitment, persistence, and responsibility, which contribute to higher performance. Pratama et al. (2023), Gagné et al. (2022), and Santoso and Nugroho (2022) found that Intrinsic Motivation positively influences Employee Performance. Therefore, higher Intrinsic Motivation is expected to improve Employee Performance.

H5: Intrinsic Motivation has a positive effect on Employee Performance.

Reward on Employee Performance through Intrinsic Motivation

According to Social Exchange Theory proposed by Blau (1964), employees tend to reciprocate organizational support and appreciation through positive attitudes and behaviors. Reward can increase employees' intrinsic motivation because employees feel valued and recognized by the organization. Higher intrinsic motivation subsequently encourages employees to perform better. Prabowo et al. (2025), Lestari et al. (2024), and Gagné et al. (2022) found that motivation mediates the relationship between Reward and Employee Performance. Therefore, Intrinsic Motivation is expected to mediate the effect of Reward on Employee Performance.

H6: Intrinsic Motivation mediates the effect of Reward on Employee Performance.

Punishment on Employee Performance through Intrinsic Motivation

According to Cognitive Evaluation Theory proposed by Deci and Ryan (2020), employees' motivational responses to punishment depend on how disciplinary actions are perceived. Constructive and fair punishment can encourage self-improvement, responsibility, and stronger intrinsic motivation. Increased intrinsic motivation subsequently contributes to higher employee performance. Van den Broeck et al. (2021), Zhang et al. (2023), and Hadi et al. (2025) suggested that motivational mechanisms explain the relationship between Punishment and Employee Performance. Therefore, Intrinsic Motivation is expected to mediate the effect of Punishment on Employee Performance.
H7: Intrinsic Motivation mediates the effect of Punishment on Employee Performance.

Based on the theoretical foundations, empirical evidence, and findings from previous studies, this research proposes that Reward and Punishment are important organizational mechanisms that influence Employee Performance. The effectiveness of reward practices and the proper implementation of punishment are expected to encourage employees to perform better by strengthening their Intrinsic Motivation. Employees who receive appropriate recognition and perceive disciplinary actions as fair are more likely to develop stronger internal motivation, which subsequently contributes to improved performance outcomes. Therefore, Intrinsic Motivation is expected to play an important mediating role in explaining the relationship between Reward, Punishment, and Employee Performance. Based on these relationships, the conceptual framework of this study is presented as follows.

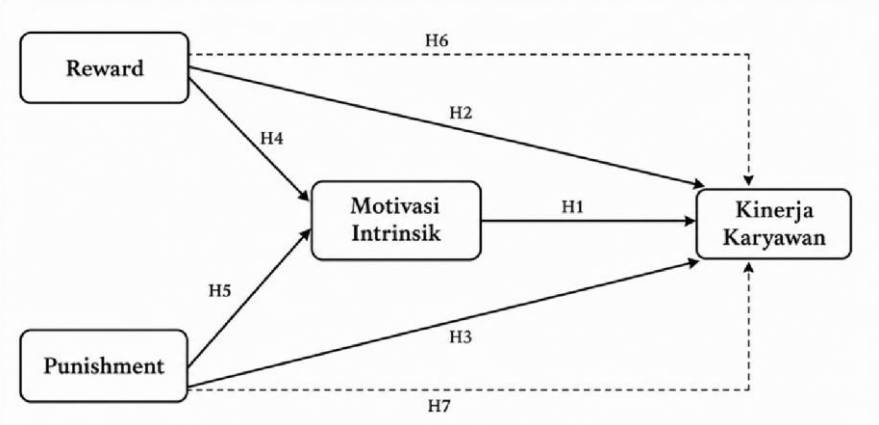

Figure 1. Conceptual Framework

METHODOLOGY

This study employed a quantitative approach with an explanatory research design to examine the effect of Reward and Punishment on Employee Performance through Intrinsic Motivation as an intervening variable. The study was conducted from March 2026 to August 2026 at the Oil Palm Research Center (PPKS) Medan, located on Jalan Brigjend Katamso No. 51, Kampung Baru, Medan Maimun District, Medan City, North Sumatra, Indonesia. The population

consisted of all employees working at the Oil Palm Research Center Medan, totaling 180 employees. The sample size was determined using the Slovin formula with a 5% margin of error, resulting in 124 respondents. A probability sampling technique with a simple random sampling method was employed to ensure that each member of the population had an equal opportunity to be selected as a respondent.

Data were collected through questionnaires, interviews, and documentation. Reward was measured using indicators of incentives, benefits, recognition and appreciation, and career development opportunities. Punishment was measured through indicators of verbal warnings, written warnings, administrative sanctions, and severe disciplinary actions. Intrinsic Motivation was measured using autonomy, competence, and relatedness dimensions. Employee Performance was measured through work quality, work quantity, timeliness, teamwork, and responsibility dimensions. 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 4. The measurement model was evaluated through convergent validity, discriminant validity, Average Variance Extracted (AVE), Composite Reliability, Cronbach's Alpha, and Heterotrait–Monotrait Ratio (HTMT). Furthermore, the structural model was assessed using path coefficients, coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and bootstrapping procedures to examine both direct and indirect effects among Reward, Punishment, Intrinsic Motivation, and Employee Performance.

RESEARCH RESULTS

This section presents the findings of the study conducted to examine the effect of Reward and Punishment on Employee Performance through Intrinsic Motivation as an intervening variable. Using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach, the analysis results explain the magnitude and significance of both direct and indirect relationships among the research variables. The proposed model consists of Reward and Punishment as exogenous variables, Intrinsic Motivation as the intervening variable, and Employee Performance as the endogenous variable. The evaluation of the measurement model and structural model provides empirical evidence regarding the role of Reward, Punishment, and Intrinsic Motivation in influencing Employee Performance at the Oil Palm Research Center Medan.

Validity and Reliability

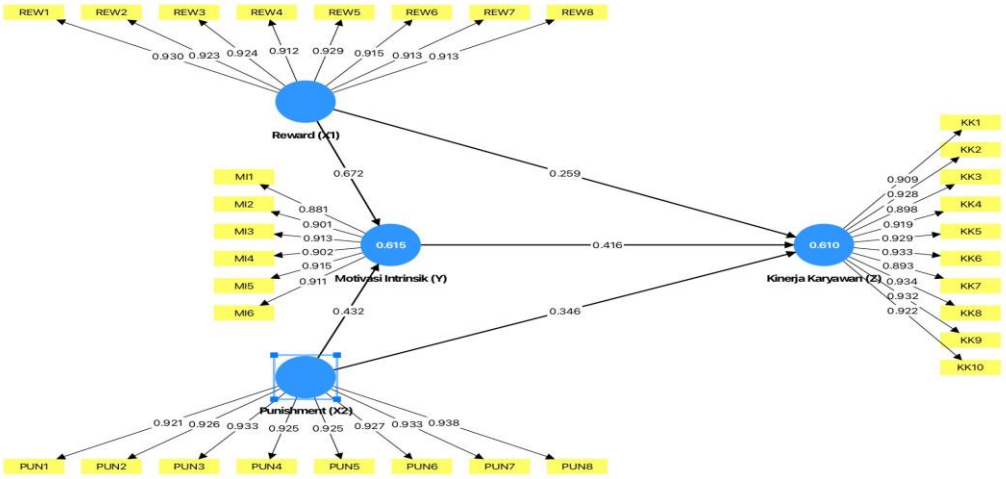

Figure 2. Loading Factor Full Model

Figure 2 presents the Full Model Loading Factor, illustrating the relationships between latent variables and their respective indicators. The model consists of four latent variables, namely Reward (X1), Punishment (X2), Intrinsic Motivation (Z), and Employee Performance (Y), where each construct is measured using several indicators. Reward is measured by 8 indicators (REW1–REW8), Punishment is measured by 8 indicators (PUN1–PUN8), Intrinsic Motivation is measured by 6 indicators (MI1– MI6), and Employee Performance is measured by 10 indicators (KK1–KK10). The model also depicts both direct and indirect relationships among variables, where Intrinsic Motivation serves as an intervening variable in the relationship between Reward and Punishment toward Employee Performance.

The loading factor values shown on each indicator represent the extent to which the indicators reflect their corresponding latent constructs. Higher loading factor values indicate stronger contributions of the indicators in measuring the latent variables. Based on the model, all indicators demonstrate high loading factor values, indicating that they adequately represent their respective constructs within the measurement model.

Furthermore, the path coefficient values displayed between the latent variables represent the magnitude and direction of the structural relationships examined in this study. The model shows that Reward and Punishment influence Employee Performance both directly and indirectly through Intrinsic Motivation. In addition, the coefficient of determination (R^2) values presented within the endogenous constructs indicate the proportion of variance explained by the predictor variables in the structural model.

Table 1. Validity and Reliability Test

Variable	*Indicator*	REW	PUN	MI	KK
Reward (X1)	REW1	0.930			
	REW2	0.923			
	REW3				
	REW4				
	REW5				
	REW6				
	REW7				
	REW8				
Punishment (X2)	PUN1		0.921		
	PUN2		0.926		
	PUN3		0.933		
	PUN4		0.925		
	PUN5		0.925		
	PUN6		0.927		
	PUN7		0.933		
	PUN8		0.938		
Intrinsic Motivation (Z)	MI1			0.881	
	MI2			0.901	
	MI3			0.913	
	MI4			0.902	
	MI5			0.915	
	MI6			0.911	
Employee Performance (Y)	KK1				0.909
	KK2				0.928
	KK3				0.898
	KK4				0.919
	KK5				0.929
	KK6				0.933
	KK7				0.893
	KK8				0.934
	KK9				0.932
	KK10				0.922
		0.924	0.912		
		0.929	0.915		
		0.913	0.913		

The validity and reliability test results presented in Table 1 indicate that the measurement model demonstrates satisfactory 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 range from 0.912 to 0.930, Punishment range from 0.921 to 0.938, Intrinsic Motivation range from 0.881 to 0.915, and Employee Performance range from 0.893 to 0.934. These results confirm that all indicators are capable of representing their respective latent constructs and meet the recommended criteria for convergent validity.

The findings further indicate that all constructs satisfy the validity requirements because each indicator loading exceeds the minimum threshold of 0.70 suggested by Hair et al. (2022). The highest loading value is observed for the indicator PUN8 (0.938) under the Punishment construct, while the lowest loading value is observed for MI1 (0.881) under the Intrinsic Motivation construct. Nevertheless, all loading values remain substantially above the acceptable threshold, demonstrating that the indicators provide reliable and valid measures of their corresponding constructs.

Furthermore, the Reward construct exhibits consistently high loading values ranging from 0.912 to 0.930, indicating that all reward indicators strongly reflect employees' perceptions of organizational rewards. Similarly, the Punishment construct demonstrates loading values between 0.921 and 0.938, suggesting that the indicators effectively capture employees' perceptions of disciplinary practices. The Intrinsic Motivation construct also shows strong indicator reliability, with loading values ranging from 0.881 to 0.915, while the Employee Performance construct records loading values between 0.893 and 0.934, confirming that the indicators adequately measure employees' performance outcomes.

Overall, these findings confirm that the measurement model satisfies the convergent validity requirements and that all indicators are appropriate for further analysis in the structural model. Therefore, no indicators need to be removed from the model, and all constructs can be retained for subsequent reliability assessment, structural model evaluation, and hypothesis testing procedures.

Heterotrait-monotrait (HTMT)

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

Variables	Employee Performance (Y)	Intrinsic Motivation (Z)	Punishment (X2)	Reward (X1)
Employee Performance (Y)	—			
Intrinsic Motivation (Z)	0.749	—		
Punishment (X2)	0.515	0.418	—	
Reward (X1)	0.529	0.677	0.053	—

Based on Table 2, the discriminant validity test results indicate that all constructs demonstrate acceptable discriminant validity, suggesting that each construct is empirically distinct from the others. The correlation value between Employee Performance and Intrinsic Motivation is 0.749, indicating a strong positive relationship between both constructs. This finding suggests that employees with higher levels of intrinsic motivation tend to exhibit better performance outcomes.

Furthermore, Employee Performance shows a correlation of 0.529 with Reward and 0.515 with Punishment, indicating moderate positive relationships between Employee Performance and both organizational practices. These results suggest that employees' performance is associated with the rewards provided by the organization as well as the disciplinary measures implemented within the

workplace. In addition, Intrinsic Motivation demonstrates a correlation of 0.677 with Reward, indicating a strong positive relationship. This finding implies that employees who perceive rewards as fair and meaningful are more likely to develop stronger intrinsic motivation toward their work. Meanwhile, the correlation between Intrinsic Motivation and Punishment is 0.418, indicating a moderate positive relationship. This result suggests that punishment practices may influence employees' internal motivation, depending on how disciplinary actions are perceived and implemented within the organization. The weakest relationship is observed between Reward and Punishment, with a correlation value of 0.053, indicating that both constructs represent different organizational mechanisms and have minimal association with one another.

The strongest relationship in the model is found between Intrinsic Motivation and Employee Performance, with a correlation value of 0.749. This finding highlights the important role of intrinsic motivation in enhancing employee performance and supports its inclusion as an intervening variable in the proposed research model. Overall, the results 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, Punishment, Intrinsic Motivation, and Employee Performance.

R-Square

Table 3. R Square

Endogenous Variable	R-Square	Adjusted R-Square
Employee Performance (Y)	0.610	0.600
Intrinsic Motivation (Z)	0.615	0.608

Based on Table 3, the coefficient of determination (R^2) results indicate that the structural model has moderate explanatory power in predicting the endogenous constructs. The R-square value for Employee Performance is 0.610, with an Adjusted Rsquare value of 0.600. This result indicates that Reward, Punishment, and Intrinsic Motivation collectively explain 61.0% of the variance in Employee Performance, while the remaining 39.0% is explained by other variables not included in the research model. Furthermore, the R-square value for Intrinsic Motivation is 0.615, with an Adjusted R square value of 0.608. This finding suggests that Reward and Punishment explain 61.5% of the variance in Intrinsic Motivation, whereas the remaining 38.5% is influenced by factors outside the model. The relatively small difference between the Rsquare and Adjusted R-square values indicates that the model provides a stable and reliable estimation of the relationships among the constructs.

According to Hair et al. (2022), R-square values of 0.75, 0.50, and 0.25 can be categorized as substantial, moderate, and weak, respectively. Therefore, the R-square values obtained in this study (0.610 and 0.615) fall within the moderate category, indicating that the proposed model has satisfactory predictive capability in explaining both Employee Performance and Intrinsic Motivation. Overall, these findings suggest that Reward and Punishment play important roles in explaining Intrinsic Motivation, while Reward, Punishment, and Intrinsic

Motivation jointly contribute to explaining Employee Performance among employees of the Oil Palm Research Center Medan.

F-Square

Table 4. F Square

Variables	Employee Performance (Y)	Intrinsic Motivation (Z)	Punishment (X2)	Reward (X1)
Employee Performance (Y)	–			
Intrinsic Motivation (Z)	0.171	–		
Punishment (X2)	0.207	0.484	–	
Reward (X1)	0.079	1.169	–	–

Based on Table 4, the effect size (f^2) results indicate the contribution of each exogenous construct to the endogenous variables in the structural model. According to Hair et al. (2022), f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effect sizes, respectively. The results show that Reward has a small effect on Employee Performance ($f^2 = 0.079$), indicating that Reward contributes modestly to explaining variations in Employee Performance. In contrast, Punishment has a medium effect on Employee Performance ($f^2 = 0.207$), suggesting that Punishment provides a more substantial contribution to employee performance than Reward. Furthermore, Intrinsic Motivation demonstrates a medium effect on Employee Performance ($f^2 = 0.171$), indicating that employees' intrinsic motivation plays an important role in improving performance outcomes. This finding supports the theoretical argument that intrinsically motivated employees tend to exhibit higher levels of commitment, persistence, and effectiveness in performing their work.

Regarding Intrinsic Motivation as the endogenous variable, Punishment has a large effect ($f^2 = 0.484$), indicating that disciplinary practices contribute substantially to explaining employees' intrinsic motivation. Moreover, Reward exhibits a very large effect on Intrinsic Motivation ($f^2 = 1.169$), making it the strongest predictor in the model. This result suggests that employees who perceive rewards as fair, meaningful, and supportive are significantly more likely to develop stronger intrinsic motivation. Overall, the findings indicate that Reward is the most influential factor affecting Intrinsic Motivation, while Punishment exerts the strongest direct influence on Employee Performance. The results further highlight the important role of Intrinsic Motivation as an intervening variable in explaining how Reward and Punishment influence Employee Performance at the Oil Palm Research Center Medan.

Path Coefficients

Table 5. Path Coefficients

Research Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values	Decision
Direct Effects						

Reward (X1) → Employee Performance (Y)	0.259	0.257	0.091	2.849	0.004	Accepted
Punishment (X2) → Employee Performance (Y)	0.346	0.349	0.065	5.329	0.000	Accepted
Reward (X1) → Intrinsic Motivation (Z)	0.672	0.673	0.049	13.799	0.000	Accepted
Punishment (X2) → Intrinsic Motivation (Z)	0.432	0.433	0.061	7.078	0.000	Accepted
Intrinsic Motivation (Z) → Employee Performance (Y)	0.416	0.417	0.094	4.424	0.000	Accepted
Indirect Effects						
Reward (X1) → Intrinsic Motivation (Z) → Employee Performance (Y)	0.279	0.281	0.069	4.028	0.000	Accepted
Punishment (X2) → Intrinsic Motivation (Z) → Employee Performance (Y)	0.180	0.179	0.042	4.228	0.000	Accepted

Based on Table 5, the hypothesis testing results indicate that all proposed relationships in the structural model are statistically significant, as evidenced by Tstatistics values greater than 1.96 and P-values lower than 0.05. Therefore, all research hypotheses are accepted. Regarding the direct effects, Reward has a positive and significant effect on Employee Performance ($\beta = 0.259$, $t = 2.849$, $p = 0.004$). This result indicates that the implementation of an effective reward system significantly improves employee performance at the Oil Palm Research Center Medan. Similarly, Punishment has a positive and significant effect on Employee Performance ($\beta = 0.346$, $t = 5.329$, $p < 0.001$), suggesting that fair and appropriate disciplinary practices contribute to higher employee performance. Furthermore, Reward has a positive and significant effect on Intrinsic Motivation ($\beta = 0.672$, $t = 13.799$, $p < 0.001$). This finding implies that employees who perceive higher levels of organizational rewards tend to develop stronger intrinsic motivation. Likewise, Punishment positively and significantly affects Intrinsic Motivation ($\beta = 0.432$, $t = 7.078$, $p < 0.001$), indicating that constructive disciplinary actions can encourage employees to improve their attitudes and work behavior. In addition, Intrinsic Motivation has a positive and significant effect on Employee Performance ($\beta = 0.416$, $t = 4.424$, $p < 0.001$), demonstrating that employees with stronger internal motivation are more likely to achieve higher levels of performance.

Regarding the indirect effects, Intrinsic Motivation significantly mediates the relationship between Reward and Employee Performance ($\beta = 0.279$, $t = 4.028$, $p < 0.001$). Likewise, Intrinsic Motivation significantly mediates the relationship between Punishment and Employee Performance ($\beta = 0.180$, $t = 4.228$, $p < 0.001$). These findings demonstrate that Reward and Punishment not only influence Employee Performance directly but also indirectly through Intrinsic Motivation. Overall, the results confirm that Reward and Punishment are important antecedents of both Intrinsic Motivation and Employee Performance. Moreover,

Intrinsic Motivation plays a significant mediating role in strengthening the effects of Reward and Punishment on Employee Performance among employees of the Oil Palm Research Center Medan.

DISCUSSION

The findings indicate that Reward has a positive and significant effect on Employee Performance among employees of the Oil Palm Research Center Medan. This suggests that employees who perceive the reward system as fair and beneficial tend to demonstrate higher levels of performance. In the context of the organization, employees highly value financial incentives, recognition for achievements, employee benefits, and opportunities for career advancement. These rewards encourage employees to improve work quality, complete tasks on time, and achieve organizational targets more effectively. The findings support Expectancy Theory proposed by Vroom (1964), which explains that employees are motivated to exert greater effort when they believe that good performance will lead to valuable rewards. Recent studies by Gagné et al. (2022), Abdullah et al. (2023), and Yusuf and Amalia (2023) also reported that reward systems positively contribute to employee performance by enhancing employees' willingness to achieve organizational goals.

The findings indicate that Punishment has a positive and significant effect on Employee Performance among employees of the Oil Palm Research Center Medan. This suggests that employees become more disciplined and responsible when organizational rules and sanctions are implemented fairly and consistently. Employees perceive verbal warnings, written warnings, and administrative sanctions as mechanisms that encourage compliance with organizational standards. These findings support Reinforcement Theory proposed by Skinner, which states that behavior is influenced by its consequences. In addition, contemporary studies by Zhang et al. (2023), Rahman and Hadi (2022), and Hadi et al. (2025) found that appropriate disciplinary practices improve employee accountability and performance outcomes.

The findings indicate that Reward has a positive and significant effect on Intrinsic Motivation among employees of the Oil Palm Research Center Medan. This result suggests that employees who receive adequate recognition and appreciation from the organization develop stronger internal motivation to perform their jobs. Employees perceive rewards not only as economic benefits but also as indicators that their contributions are valued by the organization. These findings support Self-Determination Theory proposed by Deci and Ryan, which emphasizes that the fulfillment of competence and autonomy needs strengthens intrinsic motivation. The results are consistent with studies conducted by Gagné et al. (2022), Van den Broeck et al. (2023), and Howard et al. (2024), which found that reward practices positively enhance employees' intrinsic motivation.

The findings indicate that Punishment has a positive and significant effect on Intrinsic Motivation among employees of the Oil Palm Research Center Medan. This suggests that employees perceive constructive disciplinary actions as opportunities to improve their behavior and work performance. Rather than creating fear, fair punishment encourages employees to become more

responsible and committed to their duties. These findings are consistent with Organizational Justice Theory proposed by Greenberg, which explains that employees respond positively to organizational practices that are perceived as fair. The results also support recent findings by Zhang et al. (2023) and Gagné et al. (2022), which suggest that fair disciplinary mechanisms can strengthen employees' motivation to improve their performance.

The findings indicate that Intrinsic Motivation has a positive and significant effect on Employee Performance among employees of the Oil Palm Research Center Medan. This suggests that employees who enjoy their work, feel competent, and perceive their tasks as meaningful tend to achieve higher levels of performance. Employees with stronger intrinsic motivation are more likely to demonstrate initiative, persistence, creativity, and commitment in carrying out their responsibilities. These findings support SelfDetermination Theory developed by Deci and Ryan and are consistent with recent studies by Gagné et al. (2022), Howard et al. (2024), and Pratama et al. (2023), which found that intrinsic motivation is one of the strongest predictors of employee performance.

The findings further indicate that Intrinsic Motivation significantly mediates the relationship between Reward and Employee Performance. This result implies that rewards improve employee performance not only directly but also by strengthening employees' internal motivation. Interestingly, the indirect effect of Reward through Intrinsic Motivation ($\beta = 0.279$) is greater than its direct effect on Employee Performance ($\beta = 0.259$), suggesting that intrinsic motivation serves as an important psychological mechanism through which rewards influence performance. These findings support Social Exchange Theory proposed by Blau and are consistent with studies conducted by Gagné et al. (2022), Lestari et al. (2024), and Prabowo et al. (2025).

Finally, Intrinsic Motivation significantly mediates the relationship between Punishment and Employee Performance. This finding suggests that punishment contributes to employee performance by encouraging self-reflection, responsibility, and behavioral improvement, which subsequently strengthen intrinsic motivation. Employees who perceive disciplinary actions as fair and constructive are more likely to internalize organizational values and improve their work performance. These findings support Cognitive Evaluation Theory and are consistent with recent studies by Van den Broeck et al. (2023), Zhang et al. (2023), and Hadi et al. (2025), which reported that motivational processes play an important role in explaining the effectiveness of punishment practices on employee performance.

CONCLUSION AND RECOMMENDATION

Based on the findings of this study, Reward and Punishment have positive and significant effects on Employee Performance and Intrinsic Motivation among employees of the Oil Palm Research Center Medan. Intrinsic Motivation also has a positive and significant effect on Employee Performance, indicating that employees with stronger internal motivation tend to demonstrate higher levels of work performance. Furthermore, Intrinsic Motivation significantly mediates the effects of Reward and Punishment on Employee Performance, suggesting

that the effectiveness of reward and disciplinary practices can be enhanced through the development of employees' intrinsic motivation.

The findings suggest that the management of the Oil Palm Research Center Medan should continuously improve reward systems by providing fair compensation, recognition, incentives, and career development opportunities that acknowledge employees' contributions and achievements. In addition, the organization should implement disciplinary practices consistently, fairly, and constructively to encourage responsibility, compliance, and professional work behavior. These strategies are expected to strengthen employees' intrinsic motivation and ultimately improve employee performance, productivity, and organizational effectiveness.

FUTURE RESEARCH

This study has several limitations that should be considered. First, the research was conducted only at the Oil Palm Research Center Medan, which may limit the generalizability of the findings to other organizations, industries, or institutional settings. Second, this study focused only on Reward, Punishment, Intrinsic Motivation, and Employee Performance, while other factors such as Job Satisfaction, Organizational Commitment, Leadership Style, Work Environment, Employee Engagement, and Organizational Culture may also influence employee performance. Third, this study employed a cross-sectional design, which limits the ability to examine changes in employees' motivation and performance over time.

Therefore, future research is recommended to expand the research setting by involving employees from different organizations, industries, or regions to enhance the generalizability of the findings. Future studies are also encouraged to incorporate additional variables and apply longitudinal research designs to provide a more comprehensive understanding of the factors influencing Intrinsic Motivation and Employee Performance. Furthermore, comparing public and private organizations may offer deeper insights into how reward and punishment systems affect employee behavior and performance across different organizational contexts.

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