

## **ABSTRACT**

*Employee performance is a key factor in determining organizational success and competitiveness, particularly in the automotive industry, which is characterized by intense competition. Theoretically, adequate compensation and a supportive work environment are expected to enhance employee performance. However, previous empirical studies have shown inconsistent findings, especially regarding the effect of compensation on employee performance. In addition, limited research has examined the role of job satisfaction as an intervening variable in explaining the relationship between compensation, work environment, and employee performance. Therefore, this study aims to analyze the effect of compensation and work environment on employee performance and to examine job satisfaction as a mediating variable. This study also seeks to determine whether compensation and work environment have direct effects on employee performance and whether job satisfaction mediates these relationships.*

*This study uses a quantitative approach using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). Data were collected through structured questionnaires distributed to 147 after-sales division employees at an automotive dealership company in Semarang City using a saturated sampling technique. Data analysis was conducted using SmartPLS 4.0 software to examine both direct and indirect relationships among variables. The results of the measurement model indicate that all indicators meet the criteria for validity and reliability, and no measurement bias was detected, confirming that the model is appropriate for hypothesis testing.*

*The results reveal that compensation and work environment have a positive and significant effect on employee performance. Furthermore, job satisfaction is proven to mediate the relationship between compensation and employee performance, as well as between work environment and employee performance. These findings highlight the strategic role of job satisfaction as a psychological mechanism that strengthens the influence of organizational factors on employee performance. Therefore, organizations are recommended not only to focus on providing fair compensation and creating a conducive work environment but also to enhance employee job satisfaction as an effort to optimize performance.*

**Keywords:** *compensation, work environment, job satisfaction, employee performance.*