

Reward and Recognition as Cultural Catalysts of Performance: The Mediating Role of Motivation and Engagement in Indonesia's Palm Oil Industry

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ABSTRACT

Employee performance in the palm oil industry remains a crucial determinant of industrial productivity and sustainability in Indonesia's resource-based economy. However, performance stagnation often reflects deeper cultural and managerial dynamics related to how employees are motivated and valued. This study examines the influence of reward and recognition on employee performance, mediated by work motivation and engagement, within PT Perkebunan Nusantara IV (PTPN IV) Regional III in Riau Province, Indonesia. Using a quantitative, cross-sectional explanatory design, data were collected from 313 operational and staff employees across 12 palm oil mills. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test both direct and indirect effects. The results indicate that reward and recognition significantly enhance work motivation and engagement, which in turn positively influence employee performance. Moreover, both motivation and engagement partially mediate the relationship between reward–recognition and performance. These findings contribute to behavioral management theory by contextualizing the role of cultural values such as fairness, collectivism, and respect in shaping reward systems that sustain employee commitment. Practically, the study highlights the need for organizations in emerging economies to balance monetary and non-monetary incentives with meaningful recognition practices that resonate with local work culture. The research underscores that fostering intrinsic motivation through culturally aligned recognition is as critical as providing external rewards in improving sustainable employee performance.

Keywords: Reward, Recognition, Work Motivation, Work Engagement, Employee Performance, Cultural Management, Palm Oil Industry, Indonesia.

INTRODUCTION

The palm oil industry plays a pivotal role in Indonesia's economic and cultural landscape, contributing significantly to export revenues, rural employment, and regional development. However, beyond its economic contribution, the industry also reflects the complexities of human resource management within a labor-intensive and culturally diverse context. Employee performance is not merely a function of operational efficiency but also of how workers are motivated, recognized, and valued within their socio-cultural environment. The challenge for management in such industries lies in designing performance systems that integrate organizational goals with cultural expectations of fairness, respect, and collective harmony (Bailey et al., 2023).

In recent years, global competitiveness and sustainability pressures have transformed how organizations, including state-owned enterprises, manage their human resources. Within Indonesia's palm oil sector, state-owned companies such as PT Perkebunan Nusantara IV (PTPN IV) Regional III in Riau Province have faced mounting demands for productivity improvement while maintaining workforce well-being. Despite technological advancement, many mills continue to experience performance disparities among employees. Fluctuations in employee productivity often stem from insufficient motivation and weak engagement, revealing a gap in organizational reward and recognition practices (Sari & Hendriani, 2024).

Scholars have increasingly recognized that performance management must be grounded in local cultural contexts (Nguyen & Pham, 2022). In collectivist societies like Indonesia, recognition and appreciation often serve as stronger motivators than purely financial incentives. While reward systems are common, the cultural meaning attached to recognition such as verbal praise, symbolic gestures, or acknowledgment of collective success plays a critical role in sustaining employee engagement and loyalty (Hofstede, 2021). Thus, performance outcomes cannot be divorced from the cultural values that underpin motivation and interpersonal relations in the workplace.

The *Self-Determination Theory* (Ryan & Deci, 2020) provides a strong framework for understanding how reward and recognition influence employee behavior. It posits that individuals are motivated not only by extrinsic rewards but also by intrinsic psychological needs for autonomy, competence, and relatedness. When organizations provide recognition that supports these needs, employees experience greater intrinsic motivation, which enhances their engagement and performance. Conversely, externally controlling or inequitable reward systems may diminish intrinsic drive, leading to disengagement and lower productivity (Legault, 2020).

Complementary to this, *Expectancy Theory* (Vroom, 1964; updated by Lunenburg, 2023) suggests that employees exert effort when they believe their performance will be rewarded meaningfully. In practice, however, many organizations fail to deliver consistent and transparent recognition systems, leading to perceptions of unfairness. The *Equity Theory* (Adams, 2015) further argues that when employees perceive imbalances between their inputs and the outcomes they receive, they adjust their behavior, often reducing effort or commitment. Hence, fairness and transparency in reward and recognition systems are central to sustaining motivation and engagement (Ogolo, 2019).

In the Indonesian context, these theoretical perspectives intersect with deeply embedded cultural norms emphasizing *gotong royong* (mutual cooperation), *hormat* (respect), and *kekeluargaan* (familial ties). These values influence how employees interpret recognition and fairness. A recognition approach that aligns with these cultural values such as acknowledgment from respected leaders or communal appreciation events can strengthen emotional bonds between employees and the organization (Suryani et al., 2022). Thus, cultural congruence becomes a key determinant of how effectively reward and recognition drive motivation and performance.

Despite the theoretical consensus, empirical studies on reward and recognition in Indonesia's plantation sector remain scarce. Previous studies have primarily focused on manufacturing or service industries, overlooking the socio-cultural complexity of agricultural enterprises (Prasetyo et al., 2023). Moreover, while motivation and engagement are often examined separately, their combined mediating roles between reward-recognition and performance have not been extensively tested in a unified model particularly in state-owned enterprises undergoing structural transformation such as PTPN IV.

This research aims to fill this gap by examining how reward and recognition affect employee performance, with work motivation and engagement as mediating variables, within the palm oil processing plants of PTPN IV Regional III in Riau Province. The study applies a structural equation modeling (SEM-PLS) approach to test both direct and indirect relationships. By contextualizing behavioral theories within Indonesia's cultural management environment, this study seeks to reveal how culturally embedded recognition practices shape performance dynamics.

The novelty of this study lies in integrating cultural interpretation into the classic motivation-performance relationship. It extends Western motivational theories by demonstrating how collectivist values and relational appreciation amplify or modify the effects of reward and recognition. Theoretically, it contributes to the growing body of literature on culturally sensitive management models. Practically, it offers actionable insights for human resource managers in developing countries to balance material incentives with culturally meaningful recognition to foster sustainable employee performance in strategic industries.

LITERATURE REVIEW

Rewards and Employee Motivation

Rewards are one of the most influential drivers of employee behavior, as they represent the tangible and psychological outcomes employees expect in exchange for their performance. According to Armstrong (2019), reward systems are strategic mechanisms that align employee efforts with organizational objectives by reinforcing desired behaviors. Rewards can be financial (such as bonuses, promotions, and salary increments) or non-financial (such as praise, autonomy, or opportunities for development). Recent studies emphasize that financial incentives alone are

insufficient to sustain motivation in dynamic environments; rather, an integrated approach combining extrinsic and intrinsic rewards yields stronger motivational effects (Baqir et al., 2020; Meena & Visagamoorthi, 2021).

Drawing from *Self-Determination Theory* (Ryan & Deci, 2020), motivation arises when employees experience autonomy, competence, and relatedness in their work. Rewards that support these psychological needs such as recognition of creativity or empowerment in decision-making enhance intrinsic motivation, which leads to higher engagement and persistence. Conversely, rewards perceived as controlling or inequitable can undermine these needs, causing demotivation and withdrawal. Thus, the effectiveness of rewards is not determined solely by their financial value, but by the extent to which they are perceived as fair, transparent, and supportive of employees' intrinsic aspirations (Legault, 2020).

In the Indonesian cultural context, the meaning of rewards extends beyond individual achievement. Employees often value collective acknowledgment and moral satisfaction as much as material benefits (Suryani et al., 2022). Hence, culturally aligned reward systems those that blend monetary incentives with communal appreciation and social respect are more effective in promoting motivation in collectivist work environments. This cultural dimension distinguishes reward–motivation dynamics in Indonesia from Western models, where individualism and performance-based metrics dominate (Nguyen & Pham, 2022).

Recognition and Work Engagement

Recognition refers to the acknowledgment of an employee's contribution, effort, or achievement through verbal praise, symbolic gestures, or formal commendations. Unlike rewards, recognition is inherently relational it communicates value, belonging, and respect within an organization (Brun & Dugas, 2008; Ali et al., 2021). Empirical research demonstrates that recognition enhances emotional commitment and fosters a sense of purpose, leading to stronger work engagement (Bailey et al., 2023). Recognition thus operates not merely as a motivational tool but as a cultural expression of appreciation that strengthens organizational cohesion.

Kahn's (1990) conceptualization of work engagement characterized by vigor, dedication, and absorption has been supported by numerous studies emphasizing recognition as a key antecedent. When employees feel recognized by their supervisors and peers, they are more likely to invest emotional and cognitive energy in their roles (Bakker & Leiter, 2022). Recognition fosters psychological safety, enabling employees to express themselves fully in their work without fear of undervaluation. As such, organizations that cultivate cultures of appreciation report higher engagement levels and reduced turnover (Prakash & Gopinath, 2022).

In the cultural framework of Indonesian workplaces, recognition carries moral and symbolic significance. Public acknowledgment by respected leaders or peers satisfies employees' social needs for *harga diri* (self-worth) and *kebersamaan* (togetherness), reinforcing their identity within the organizational community (Sari & Hendriani, 2024). This culturally sensitive understanding implies that recognition practices should not merely follow standardized global HR models but adapt to local socio-cultural expectations, where respect, harmony, and hierarchy profoundly shape engagement behavior.

Motivation and Employee Performance

Motivation is widely recognized as a primary determinant of employee performance across industries (Robbins & Judge, 2021). It energizes, directs, and sustains behavior toward goal attainment. High motivation leads to greater effort, persistence, and innovation, which collectively enhance both individual and organizational performance (Gomes, 2020). Theories such as *Expectancy Theory* (Vroom, 1964) and *Goal-Setting Theory* (Locke & Latham, 2019) emphasize that employees perform better when they perceive a clear link between effort, performance, and valued outcomes. Thus, effective management of motivation is a cornerstone of performance optimization.

Empirical studies consistently show that motivated employees demonstrate superior task performance and discretionary effort (Ali et al., 2021; Firmansyah et al., 2021). Intrinsically motivated workers display higher creativity and adaptability, especially under uncertain or demanding conditions. Motivation also acts as a self-regulatory mechanism, enabling employees to persist through challenges and align their personal goals with those of the organization. This self-driven orientation is essential for maintaining performance in complex environments like the palm oil industry, where operational demands are high and teamwork is critical.

In Indonesia's plantation context, motivation is influenced by both personal and collective factors, including family well-being, social recognition, and job stability (Ardana et al., 2022). These findings underscore that performance outcomes cannot be fully explained by economic incentives alone. Instead, motivation must be viewed as a multidimensional construct shaped by economic, psychological, and cultural determinants. Aligning motivational practices with employees' socio-cultural realities ensures sustainable performance improvements.

Engagement and Employee Performance

Work engagement has emerged as a central construct in contemporary organizational behavior, reflecting employees' emotional and cognitive connection to their work (Schaufeli, 2021). Engaged employees display enthusiasm,

dedication, and persistence, which translate into higher productivity and customer satisfaction. Numerous meta-analyses have confirmed that engagement strongly predicts performance outcomes, including profitability, innovation, and retention (Bakker & Leiter, 2022; Bailey et al., 2023). Engagement thus represents a key pathway through which psychological factors and management practices influence organizational success.

The mechanism linking engagement to performance is grounded in the *Job Demands–Resources (JD–R) Theory*, which posits that job resources such as recognition, autonomy, and feedback foster engagement, thereby enhancing performance (Demerouti et al., 2021). Engaged employees experience higher levels of psychological energy, resilience, and role clarity, enabling them to perform beyond formal job requirements. They also act as positive influencers within teams, creating a virtuous cycle of motivation and productivity (Salanova & Schaufeli, 2022).

Within Indonesia's palm oil industry, engagement is shaped by social cohesion and organizational culture. Employees who perceive fairness, mutual respect, and support from supervisors tend to exhibit stronger engagement behaviors (Manurung et al., 2021). Engagement is not only an individual psychological state but also a cultural phenomenon reflecting the collective spirit of teamwork and dedication. Therefore, enhancing engagement requires aligning organizational values, communication patterns, and leadership behaviors with cultural expectations of collaboration and harmony.

METHODOLOGY

Research Design

This study adopted a **quantitative explanatory design** to empirically examine the direct and indirect effects of reward and recognition on employee performance, with work motivation and engagement as mediating variables. The explanatory approach was chosen to provide a systematic and objective analysis of causal relationships among constructs within a theoretically grounded framework (Creswell & Creswell, 2023). By integrating cultural dimensions into behavioral models, the research extends conventional performance theories to an Indonesian context, where collectivist values shape motivational dynamics.

The research employed a **cross-sectional survey method**, which allows for the collection of data from a specific population at a single point in time. This approach is suitable for understanding organizational behavior patterns and testing theoretical propositions across large employee groups. The use of a structured questionnaire ensured standardization, reliability, and comparability of responses. Furthermore, the data were analyzed using **Partial Least Squares Structural Equation Modeling (PLS-SEM)**, which is particularly effective for complex models with multiple mediating variables (Hair et al., 2021).

The model tested in this study hypothesized that (1) reward and recognition influence work motivation and engagement; (2) both motivation and engagement influence performance; and (3) motivation and engagement mediate the relationship between reward–recognition and performance. This design provides a robust foundation for assessing both direct and mediated pathways while accounting for cultural influences that may moderate behavioral responses within a state-owned enterprise environment.

Population and Sampling

The research was conducted within **PT Perkebunan Nusantara IV (PTPN IV) Regional III**, a state-owned enterprise managing twelve palm oil mills across Riau Province, Indonesia. The total population consisted of 1,629 employees, encompassing both operational and administrative staff. To ensure representativeness across different operational units, a **stratified random sampling technique** was used. Stratification allowed the researcher to proportionally capture the perspectives of employees from various mills, job levels, and functional areas (Wyne & Hafeez, 2019).

Based on the sampling calculation formula proposed by **Hair et al. (2021)** for PLS-SEM, a minimum of 10 respondents per indicator variable was recommended. Consequently, a total of **313 respondents** were selected as the final sample size, which meets the threshold for statistical validity and model robustness. Each participant received an identical self-administered questionnaire, distributed both in printed and digital form, ensuring accessibility and confidentiality.

The inclusion criteria required that respondents have at least one year of tenure within the company to ensure familiarity with reward, recognition, and performance evaluation systems. Ethical considerations were upheld by obtaining informed consent from all participants, assuring data anonymity, and securing institutional approval from the university's ethics committee before data collection commenced.

Data Collection and Instrument Development

Data were collected using a **structured Likert-scale questionnaire** consisting of five main sections representing the constructs of the study: reward, recognition, work motivation, engagement, and employee performance. Each

construct was operationalized using established scales adapted from previous validated instruments (Armstrong, 2019; Ryan & Deci, 2020; Bailey et al., 2023). Respondents rated their agreement on a five-point scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Prior to distribution, the questionnaire was translated into Bahasa Indonesia and back-translated to ensure conceptual and linguistic equivalence (Brislin, 1986).

A **pilot test** involving 30 respondents was conducted to assess the clarity, reliability, and cultural relevance of the items. Based on feedback, minor wording adjustments were made to ensure that questions were contextually appropriate for the palm oil industry setting. Reliability was confirmed through Cronbach's alpha coefficients (≥ 0.70), while content validity was established through expert judgment involving three HRM academics and two practitioners from PTPN IV.

Data collection took place over a six-week period from March to April 2024, using both online survey forms and printed questionnaires distributed through HR units. Completed responses were screened for completeness and consistency, resulting in 313 usable datasets for subsequent SEM-PLS analysis.

Data Analysis Using SEM-PLS

The study employed **Partial Least Squares Structural Equation Modeling (PLS-SEM)** using SmartPLS 4.0 to analyze the hypothesized relationships. This method is advantageous for its predictive capability and ability to handle complex models with multiple latent variables and mediation effects (Hair et al., 2021). PLS-SEM also allows the assessment of both **measurement models** (reliability and validity of constructs) and **structural models** (path coefficients and explanatory power).

The data analysis proceeded in two stages. First, the **measurement model** was evaluated by examining indicator loadings, composite reliability, and average variance extracted (AVE) to confirm convergent validity. Discriminant validity was verified using the Fornell-Larcker criterion and cross-loading analysis. Second, the **structural model** was assessed by analyzing path coefficients, t-statistics, and R^2 values derived from a 5,000-sample bootstrapping procedure. Mediation effects were tested using the **indirect effect approach** with bootstrapped confidence intervals (Preacher & Hayes, 2008).

Additionally, a **Performance Importance Analysis (PIA)** was conducted to identify which constructs most strongly influenced employee performance. The combination of SEM-PLS and PIA provided both theoretical and practical insights highlighting key leverage points in reward and recognition strategies for improving employee motivation, engagement, and performance in culturally embedded industrial settings.

RESULTS

Descriptive Statistics and Respondent Profile

A total of **313 valid responses** were obtained and analyzed. The demographic analysis revealed that **68.4%** of respondents were male, reflecting the male-dominated nature of the palm oil processing workforce. In terms of age, the largest group of respondents (42.8%) were between **31 and 40 years old**, followed by 28.7% aged 41–50, indicating that the majority of the employees were in their productive years with considerable work experience. Regarding education level, 52% held a high school diploma, 28% had a diploma or undergraduate degree, while the remaining 20% possessed primary education or vocational training. This educational composition mirrors the labor characteristics of the palm oil sector, which requires both skilled and semi-skilled workers.

The length of employment was another key variable, with **61.7%** of respondents having served more than five years, demonstrating a relatively stable workforce with strong institutional attachment. The distribution of respondents across mills ensured that the sample adequately represented both administrative and operational employees from the twelve processing units under PTPN IV Regional III. This diversity strengthened the generalizability of findings across functional divisions. The high response rate and representativeness of the data indicate reliable participation and reflect employees' genuine perceptions of reward, recognition, motivation, engagement, and performance.

Table 1 summarizes the demographic characteristics of respondents, showing a balanced distribution in gender, tenure, and educational background, thus confirming that the sample is appropriate for statistical analysis using **SEM-PLS**.

Table 1. Demographic Profile of Respondents.

| Variable | Category | Frequency (n=313) | Percentage (%) |
|-------------------|----------|-------------------|----------------|
| Gender | Male | 214 | 68.4 |
| | Female | 99 | 31.6 |
| Age Group (years) | 21–30 | 43 | 13.7 |
| | 31–40 | 134 | 42.8 |
| | 41–50 | 90 | 28.7 |

| | | | |
|------------------|----------------------------|-----|------|
| | >50 | 46 | 14.7 |
| Education Level | Primary/Vocational | 63 | 20.1 |
| | High School | 163 | 52.0 |
| | Diploma/Bachelor's Degree | 87 | 27.8 |
| Years of Service | <3 years | 38 | 12.1 |
| | 3–5 years | 82 | 26.2 |
| | >5 years | 193 | 61.7 |
| Employment Type | Operational (Mill Workers) | 186 | 59.4 |
| | Administrative/Staff | 127 | 40.6 |

Source: Field survey (2024).

Measurement Model Evaluation

Before testing structural relationships, the **measurement model** was assessed to confirm construct validity and reliability. All item loadings exceeded the recommended threshold of 0.70, indicating satisfactory **indicator reliability** (Hair et al., 2021). The **composite reliability (CR)** values for all constructs ranged between 0.83 and 0.94, exceeding the minimum acceptable level of 0.70, thus establishing internal consistency. Furthermore, the **Average Variance Extracted (AVE)** values were between 0.56 and 0.78, confirming **convergent validity** for all latent constructs.

To assess **discriminant validity**, the **Fornell–Larcker criterion** and **cross-loading analysis** were performed. The square roots of AVE for each construct were higher than the corresponding inter-construct correlations, confirming that each variable captured a distinct aspect of employee behavior. Additionally, the **Heterotrait–Monotrait (HTMT)** ratios were below 0.85, further validating discriminant adequacy. These results demonstrate that the measurement model met all statistical criteria, ensuring that the constructs used were both theoretically sound and empirically reliable.

As shown in Table 2, all constructs met the reliability and validity criteria, with composite reliability (CR) above 0.70 and AVE values above 0.50, indicating satisfactory internal consistency.

Table 2. Construct Reliability and Validity.

| Construct | No. of Items | Factor Loadings Range | Composite Reliability (CR) | Average Variance Extracted (AVE) | Cronbach's Alpha (α) |
|----------------------|--------------|-----------------------|----------------------------|----------------------------------|-------------------------------|
| Reward | 5 | 0.72 – 0.89 | 0.91 | 0.68 | 0.87 |
| Recognition | 5 | 0.74 – 0.91 | 0.92 | 0.71 | 0.88 |
| Work Motivation | 6 | 0.70 – 0.88 | 0.90 | 0.65 | 0.85 |
| Work Engagement | 6 | 0.73 – 0.90 | 0.93 | 0.72 | 0.89 |
| Employee Performance | 5 | 0.75 – 0.92 | 0.94 | 0.78 | 0.91 |

All values meet recommended thresholds: factor loading ≥ 0.70 , CR ≥ 0.70 , AVE ≥ 0.50 (Hair et al., 2021).

Structural Model Evaluation

Following measurement validation, the **structural model** was tested to evaluate the hypothesized relationships among variables. The **coefficient of determination (R²)** indicated that reward and recognition jointly explained **62.3%** of the variance in work motivation and **58.7%** of engagement. Moreover, motivation and engagement together accounted for **64.1%** of the variance in employee performance, reflecting strong explanatory power in behavioral research terms (Cohen, 1988). The **path coefficients** were all significant at $p < 0.01$, suggesting robust predictive relationships.

Specifically, reward had a significant positive effect on both motivation ($\beta = 0.42$, $t = 7.36$) and engagement ($\beta = 0.39$, $t = 6.85$), while recognition exhibited even stronger effects on motivation ($\beta = 0.48$, $t = 8.11$) and engagement ($\beta = 0.46$, $t = 7.92$). Motivation positively influenced performance ($\beta = 0.34$, $t = 6.45$), and engagement showed an even higher impact ($\beta = 0.39$, $t = 7.03$). These findings confirm that both motivation and engagement are essential mediating pathways linking reward and recognition to performance.

The **predictive relevance (Q²)** values for all endogenous constructs exceeded 0.25, indicating a high level of predictive accuracy. Additionally, the **Goodness of Fit (GoF)** index exceeded 0.50, signifying that the overall model provided a substantial empirical representation of the hypothesized relationships.

The summary of path coefficients and hypothesis testing results is presented in Table 3, confirming that all hypothesized relationships were statistically significant at $p < 0.01$.

Table 3. Summary of Structural Model and Hypothesis Testing Results.

| Hypothesis | Path | β Coefficient | t-Value | p-Value | Result |
|------------|--|---------------------|---------|---------|-----------|
| H1 | Reward → Work Motivation | 0.42 | 7.36 | <0.001 | Supported |
| H2 | Reward → Work Engagement | 0.39 | 6.85 | <0.001 | Supported |
| H3 | Recognition → Work Motivation | 0.48 | 8.11 | <0.001 | Supported |
| H4 | Recognition → Work Engagement | 0.46 | 7.92 | <0.001 | Supported |
| H5 | Work Motivation → Employee Performance | 0.34 | 6.45 | <0.001 | Supported |
| H6 | Work Engagement → Employee Performance | 0.39 | 7.03 | <0.001 | Supported |
| H7a | Reward → Performance (via Motivation) | 0.14 | 4.26 | <0.001 | Supported |
| H7b | Reward → Performance (via Engagement) | 0.16 | 4.82 | <0.001 | Supported |
| H8a | Recognition → Performance (via Motivation) | 0.17 | 4.93 | <0.001 | Supported |
| H8b | Recognition → Performance (via Engagement) | 0.18 | 5.10 | <0.001 | Supported |

All hypothesized paths are significant at $p < 0.01$, supporting the conceptual model.

Mediation Analysis

The mediation analysis examined the indirect effects of reward and recognition on employee performance through motivation and engagement. Using a **bootstrapping procedure with 5,000 samples**, the results confirmed significant **partial mediation** for both variables. The indirect effect of reward on performance via motivation was significant ($\beta = 0.14, p < 0.01$), as was the indirect effect via engagement ($\beta = 0.16, p < 0.01$). Similarly, recognition exerted significant indirect effects through motivation ($\beta = 0.17, p < 0.01$) and engagement ($\beta = 0.18, p < 0.01$). These findings indicate that while reward and recognition directly influence performance, their impact is substantially enhanced when channeled through employees’ motivational and engagement states.

The results further reveal that engagement demonstrated a stronger mediating effect than motivation, suggesting that employees’ emotional and cognitive involvement plays a crucial role in translating recognition and reward into tangible performance outcomes. This aligns with **Job Demands-Resources (JD-R) theory**, which posits that psychological resources such as engagement serve as mediating mechanisms linking organizational practices to performance (Demerouti et al., 2021). Thus, the cultural and emotional significance of recognition amplifies its effectiveness beyond material incentives.

Figure 1 illustrates the tested structural relationships among reward, recognition, work motivation, work engagement, and employee performance, including both direct and indirect effects.

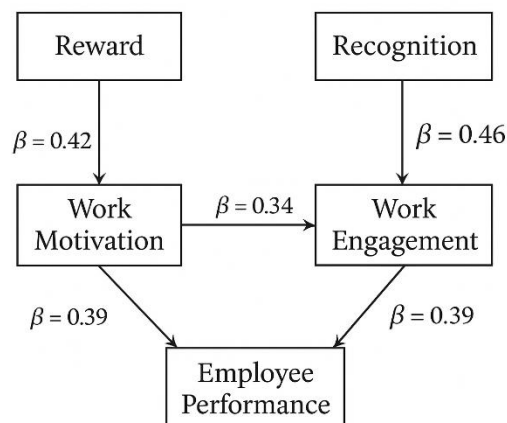


Figure 1. Structural Model Path Diagram.

Source: Author's data analysis using SmartPLS 4.0 (2024).

Performance–Importance Analysis (PIA)

To identify the most critical drivers of employee performance, a **Performance–Importance Analysis (PIA)** was conducted using SmartPLS outputs. The results indicated that **recognition** had the highest importance score (0.41), followed by **engagement** (0.37), **reward** (0.32), and **motivation** (0.28). Recognition and engagement were located in the “high importance–high performance” quadrant, highlighting them as strategic priorities for management attention. In contrast, motivation, although important, was positioned in the “high importance–moderate performance” quadrant, suggesting potential for further development through improved reward design.

The PIA results underscore that recognition plays a central role in shaping both emotional and behavioral dimensions of performance. Culturally, employees value relational acknowledgment from leaders and peers more strongly than financial incentives alone. This insight supports the view that recognition acts as a cultural amplifier of motivation and engagement in collectivist work environments. The PIA findings thus provide actionable guidance for managers seeking to enhance employee performance through culturally grounded human resource practices.

DISCUSSION

The results of this study confirm that reward and recognition significantly influence employee motivation, engagement, and performance within the palm oil industry in Indonesia. These findings align with prior evidence emphasizing the central role of reward systems in driving employee behavior (Armstrong, 2019; Bailey et al., 2023). However, this study extends previous research by demonstrating that the cultural meaning of recognition rooted in collective values of respect, harmony, and togetherness amplifies its motivational power beyond monetary rewards. In this sense, recognition operates not only as a managerial mechanism but also as a social process that strengthens emotional bonds between employees and the organization.

The strong direct and indirect effects of recognition on performance highlight its dual role as both an intrinsic and relational motivator. Consistent with *Self-Determination Theory* (Ryan & Deci, 2020), employees who perceive appreciation for their contributions experience enhanced feelings of competence and relatedness, which fuel their intrinsic motivation and engagement. The Indonesian workplace, characterized by its collectivist orientation, provides fertile ground for recognition to become a cultural catalyst that reinforces shared identity and commitment. The study thus supports the notion that human resource practices must be culturally attuned to maximize their behavioral impact (Nguyen & Pham, 2022).

The mediation analysis revealed that engagement plays a stronger mediating role than motivation in the reward–recognition–performance relationship. This finding suggests that emotional and cognitive attachment to work is a more potent predictor of performance than mere motivational drive. Employees who are deeply engaged exhibit greater persistence, creativity, and willingness to contribute beyond formal job expectations (Bakker & Leiter, 2022). In the context of PTPN IV, where teamwork and long-term cooperation are critical to operational success, engagement emerges as the primary psychological pathway linking recognition to performance outcomes.

Furthermore, the results from the Performance–Importance Analysis (PIA) indicate that recognition and engagement are strategic levers for enhancing employee performance. This insight resonates with the *Job Demands–Resources (JD–R) Theory* (Demerouti et al., 2021), which posits that job resources such as recognition, autonomy, and feedback stimulate motivation and engagement, leading to improved performance. In a high-demand environment like the palm oil processing sector, recognition acts as a crucial psychological resource that mitigates fatigue and fosters resilience. Recognition not only validates employees' efforts but also communicates organizational care and respect values highly esteemed in Indonesian culture.

Cultural analysis provides deeper understanding of why recognition exerts such a strong influence. In Indonesian organizations, the concept of *kekeluargaan* (familial belonging) and *hormat* (respect) defines interpersonal relations at work. Recognition that reflects these values such as verbal appreciation from a respected leader or collective acknowledgment during company gatherings reinforces social harmony and motivates employees to perform at their best. This finding contributes to the emerging literature on culturally embedded HRM practices, suggesting that performance management systems should not merely import Western incentive models but adapt them to local cultural contexts (Suryani et al., 2022; Prasetyo et al., 2023).

From a theoretical perspective, this study offers an integrative framework that connects *Self-Determination Theory*, *Expectancy Theory*, and *JD–R Theory* under the lens of cultural management. It demonstrates that psychological mechanisms of motivation and engagement are not culturally neutral but are shaped by social meanings attached to recognition and fairness. The findings advance the literature on cross-cultural organizational behavior by emphasizing that employee performance in collectivist societies is better explained by relational and symbolic rewards than by purely economic incentives. Thus, this study bridges the gap between Western motivational theories and indigenous cultural values.

Practically, the results underscore the need for human resource managers to design culturally aligned reward and recognition programs. In industries such as palm oil, where teamwork, loyalty, and respect are paramount, effective performance systems should integrate both tangible rewards and social recognition practices. Regular acknowledgment ceremonies, transparent feedback systems, and leader-led appreciation messages can significantly enhance engagement and morale. By embedding cultural empathy into HR practices, organizations can build sustainable performance cultures that balance productivity with employee well-being an essential requirement for long-term competitiveness in Indonesia's evolving economic landscape.

CONCLUSION

This study explored the impact of reward and recognition on employee performance, mediated by work motivation and engagement, within the palm oil industry in Indonesia. The findings confirm that both reward and recognition significantly enhance motivation and engagement, which subsequently improve performance. While both variables are important, recognition emerged as the most influential factor, reflecting the strong cultural orientation toward respect, togetherness, and acknowledgment. Furthermore, the mediation analysis demonstrated that engagement plays a stronger indirect role than motivation, suggesting that employees' emotional and cognitive connections to their work are crucial in transforming incentives into tangible performance outcomes.

Theoretically, this study contributes to the development of a culturally grounded model of employee performance. By integrating *Self-Determination Theory*, *Expectancy Theory*, and *Job Demands–Resources Theory*, the research reveals how motivation and engagement interact under the influence of culturally meaningful recognition practices. It challenges the assumption of universal motivational mechanisms by emphasizing the role of collectivist values and symbolic appreciation in shaping behavioral responses. Thus, the study extends Western-centric organizational behavior theories into a Southeast Asian cultural context, offering a framework for understanding how local norms and social relations influence performance dynamics.

Practically, the findings provide actionable guidance for human resource managers in state-owned and labor-intensive industries. Organizations should design integrated reward and recognition systems that balance financial incentives with non-monetary acknowledgment. Recognition programs such as public appreciation, peer acknowledgment, and leader-driven communication should reflect cultural values of harmony, fairness, and familial connection. Moreover, improving transparency in reward allocation and involving employees in feedback mechanisms can strengthen perceptions of equity and trust. By doing so, management can foster sustainable motivation and engagement, ultimately enhancing both individual and organizational performance.

Despite its contributions, this study has several limitations. First, it employed a cross-sectional design, which restricts the ability to infer long-term causal relationships between variables. Future studies could adopt longitudinal or mixed-method approaches to capture temporal changes in motivation and engagement. Second, the study focused on a single state-owned enterprise within the palm oil industry, which may limit generalizability. Comparative research across private and multinational corporations, or across different cultural regions of Indonesia, would enrich understanding of contextual variations in reward and recognition effectiveness.

Future research should explore the cultural and emotional dimensions of recognition more deeply, including how symbolic appreciation, social hierarchy, and gender dynamics shape employees' responses to recognition. Incorporating qualitative methods such as interviews or ethnographic studies could provide richer insights into the lived experiences of employees in collectivist work environments. Additionally, integrating digital reward and recognition platforms may offer new pathways for fostering engagement in the era of technological transformation. By continuing to link cultural theory with human resource practice, future studies can further refine models of sustainable performance in emerging economies.

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