



The Effect of Compensation, Transformational Leadership and Organizational Culture on Employee Turnover Intensity

Ringkot Sihotang

Mahasiswa Magister Manajemen, Pascasarjana, Universitas Sultan Ageng Tirtayasa
Email : ringkot.sihotang@gmail.com

ABSTRACT

PT. Lestari Banten Energi is a subsidiary under Genting Group and is engaged in the electricity industry. Based on the phenomenon that occurred at PT. Lestari Banten Energi that employee turnover is very high so that employee turnover can affect the company's operational activities. In addition, employee turnover can also affect work culture due to differences in individual thinking. This study aims to determine the effect of compensation on the intensity of employee turnover, transformational leadership style on the intensity of employee turnover and to see the effect of organizational culture on the intensity of employee turnover. The novelty in this study is that there is no research on compensation, transformational leadership and organizational culture on the intensity of employee turnover at PT. Lestari Banten Energi. Information, primary and secondary data in this study were only obtained from PT. Lestari Banten Energy. The population and sample of this study were employees of operation and maintenance at PT. Lestari Banten Energi numbered 42 people. This study uses a quantitative approach method. The data collection technique used primary data in the form of a questionnaire. The data analysis technique of this research uses the Structural Equation Modeling-Partial Least Square (SEM-PLS) method. This study shows that 1) Compensation has a negative and insignificant effect on turnover intensity, 2) Transformational leadership has a negative and insignificant effect on turnover intensity, 3) Organizational culture has a negative and insignificant effect on turnover intensity.

Keywords: Compensation, Transformational Leadership, Organizational Culture, Employee Turnover Intensity

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INTRODUCTION

Management is basically the science and art of managing the process of utilizing Human Resources (HR) and other resources effectively and efficiently to achieve a certain goal (Hasibuan, 2016:9). HR is the main factor in the management of the company. This is needed so that the company can manage the organization optimally so that it can support the achievement of company goals. The definition of compensation according to (Hasibuan, 2017:118) is all income in the form of money or goods directly or indirectly received by employees in return for services provided to the company. Employees have good compensation is the company's way to achieve optimal company goals. With good compensation, these employees can improve their performance in a company.

In addition to compensation, employees who have work discipline can also have a good impact on the progress of a company. Regulations or systems that have been made and implemented by each employee should provide full support for the company. It is also found in (Hasibuan, 2016: 115), work discipline is a person's awareness and willingness to obey all company regulations and applicable social norms. Not only compensation and work discipline, leadership can also be very influential for employee performance in a company.

Transformational leadership refers to innovative leadership where leaders pay attention to each individual, provide direction to followers, and spur growth using inspirational motivation (Rahman, et al. 2016). According to Umi, et al (2015:02) Organizational culture is a norm and values that are formed and applied by the company to influence the characteristics or behavior in leading its employees to be able to do tasks on time and guide employees in achieving organizational goals. Organizational culture is how members or a group of employees are able to deal with external and internal problems, therefore organizational culture must be developed and taught to members to be used as behavioral guidelines for members in dealing with problems. Robbins in Tika (2010: 06) states that organizational culture is a set of value systems that are recognized and created by all its members that distinguish one company from another. Turnover intention (the desire to change jobs) is the tendency or intensity of individuals to leave the organization for various reasons and including the desire to get a better job (Sukwandi and Meliana, 2014).

PT. Lestari Banten Energi is a subsidiary under Genting Group and is engaged in the electricity industry. The company is entrusted with the construction, operation and maintenance of a coal-fired geothermal power plant with a capacity of 660 MW (megawatts) in Banten, Indonesia. The power plant consists of one unit of steam power plant (steam generator, turbine generator and generator substation) located in Banten Province. PT. Lestari Banten Energi has signed a Power Purchase Agreement (PPA) with PT. PLN (Persero) on July 10, 2012 to supply electricity for 25 years. This plant is designed to provide net with a nominal capacity of 625 MW (megawatts) for the network system of PT. PLN (Persero) 500kV (kilovolt).

Based on the phenomenon that occurred at PT. Lestari Banten Energi that employee turnover is very high so that employee turnover can affect the company's operational activities. In addition, employee turnover can also affect work culture due to differences in individual thinking.

This study will examine the effect of compensation, transformational leadership, organizational culture on the intensity of employee turnover. This study conducted testing at the power company. This study tries to explain what factors can cause or improve employee performance, especially in the company under study, namely PT. Sustainable Banten Energy.

LITERATURE REVIEW

Compensation

Compensation is income in the form of money or goods obtained by employees in return for the services they provide to the company (Hasibuan, 2017). Gibson (2012: 301) in Sri Langgeng Ratnasari and Gandhi Sutjahjo (2017) suggests that rewards are the result of evaluating extrinsic rewards (salaries, wages, benefits and promotions).

Compensation is broadly divided into two, namely financial compensation and non-financial compensation. Where financial compensation is measured through 1) direct compensation in the form of salaries, incentives, and overtime pay; and 2) indirect compensation in the form of allowances and facilities. Meanwhile, non-financial compensation can be in the form of praise, appreciation, recognition and time off from work (Phong Thanh Nguyen et al, 2020)

The compensation indicators according to Armansyah et al (2018) in Kilvin & Mauli Siagian (2020) are:

1. Incentives. Payments to employees for achievements achieved by employees to improve the quality of their employees.
2. Salary. Payment of remuneration for employee contributions to the company for the responsibility of their position.
3. Bonuses. Paying employees for contributions to their work.
4. Allowances. Payments given by the company that should be obtained by workers.

Transformational Leadership

Transformational leadership creates a suitable environment for employees who want to engage in innovative work behaviors, especially because these behaviors are complex and risky due to uncertainty in the success of ideas (Masood and Afsar, 2017). Transformational leaders develop under their subordinates a sense of self-efficacy (Kark et al., 2018). Thus, followers who are inspired by their transformational leaders recognize exactly what is expected of them to achieve and they are willing to put forth every effort to contribute to the achievement of organizational goals, therefore they seek innovative solutions to approach their task which is reflected in their innovative behavior. (Ng, 2017).

The ideal influence of transformational leaders triggers followers to imitate the behavior of the former in pursuit of new and creative ideas (Çek mecelioğlu & zbağ, 2016). Furthermore, this positive relationship between transformational leadership and innovation stems from leaders having the capacity to stimulate their followers' intrinsic motivation to initiate creative and innovative outcomes (Zhang, Miner, Boutros, Rogulja & Crickmore, 2018).

There are several indicators of transformational leadership style according to Indra Kharis (2015):

1. Charisma
Charisma is considered as a combination of charm and personal attractiveness that contributes to the extraordinary ability to make others support the vision and also promote it passionately.
2. Inspirational Motivation
Inspirational motivation describes a passionate leader in communicating the idealistic future of the organization. The leader uses verbal communication or the use of symbols that are intended to stimulate the spirit of subordinates. Leaders motivate subordinates about the importance of the organization's vision and mission so that all subordinates are encouraged to have the same vision. This shared vision encourages subordinates to work together to achieve long-term goals with optimism. So that the leader not only raises the spirit of the individual but also the spirit of the team.
3. Intellectual Stimulation

Intellectual stimulation illustrates that leaders are able to encourage employees to solve old problems in new ways. The leader seeks to encourage the attention and awareness of subordinates to the problems at hand. The leader then tries to develop the ability of subordinates to solve problems with new approaches or perspectives.

4. Individualized Attention

Individualized attention illustrates that leaders always pay attention to their employees, treat employees individually, train and advise. Leaders invite employees to be observant to see the abilities of others. Leaders focus employees on developing personal strengths.

Organization Culture

Organizational culture is the whole system of internal organizational elements that are embraced by each member and passed on to new members and serves as the glue that unites the organization to achieve common goals (Hafiz Pradana et al, 2015).

Robbins (2012) in Phong Thanh Nguyen¹, et al (2020) suggests that the indicators of organizational culture are:

- 1) Innovation and risk taking
- 2) Attention to detail
- 3) Result orientation
- 4) People Orientation
- 5) Team Orientation
- 6) Aggressiveness
- 7) Stability.

Turnover

According to Mahdi, et al (2012) in A'aron Dicky Taruna Putra, et al (2020), turnover intention is the intention of employees to leave the company on the basis of their own desires. Turnover Intention is an intention or thought that arises from individuals related to their future existence in an organization (Sumrahadi et al, 2019). Waspodo et al. (2013) in Sumrahadi et al (2019) stated that the negative impact of Turnover Intention is that the company will lose quality human resources and it will take a long time to replace the employee.

Turnover according to Robbins and Hakim (2015:38) in (Putri Mayritzta Decille W & Charles Bohlen Purba, 2020) is an act of resigning permanently that has been carried out by an employee, either voluntarily or not. Turnover intention is an employee's desire or intention to change jobs which is marked by increased absenteeism, lazy work, increased courage to violate work rules, courage to oppose or protest to superiors, or seriousness to complete responsibilities that are very different from usual (I Wayan Saklit, 2017).

The Turnover Intention indicators in I Wayan Saklit's research (2017) are:

1. Desire to change jobs, consisting of indicators: Having thoughts of wanting to leave, having a desire to find another job, will accept another job if offered
2. Attendance rate, consisting of indicators: often do not come to work, work only according to working hours
3. Increased courage to violate the rules, consisting of indicators: often coming to work late, leaving the office without permission
4. The seriousness of completing excessive work, with indicators: doing tasks outside the habit, responsibility for excessive work
5. Protest against superiors or the company, consisting of indicators: disagree with company policies, often argue with superiors about company policies

METHODOLOGY

Sampling technique

In this study, the variables used consisted of the dependent variable, the independent variable and the variable. The dependent variable is employee performance and the independent variable is compensation, leadership and turnover intensity. The population and sample in this study were employees of PT. Lestari Banten Energi operation and maintenance division totaling 42 employees. The sampling technique in this study was simple random sampling. This study used a random sampling technique, meaning that the entire population of 50 employees was used as the research sample. The data collection method was obtained from direct observation using all ordinal data collection methods by distributing questionnaires to employees of PT. Lestari Banten Energy Questionnaire.

In this study using open questions. The number of closed questions was 20 questions consisting of 4 questions for the compensation variable, 7 questions for the organizational culture variable, 4 questions for the transformational leadership variable, and 5 questions for the turnover variable. the answer to each instrument item from the question is measured on a Likert scale between 1 – 10.

Data analysis technique

This study uses a quantitative approach. Researchers collect information through a questionnaire using a Likert scale. The data obtained were analyzed using the Structural Equation Modeling (SEM) method with the Partial Least Square (PLS) approach to find out how the influence of compensation, transformational leadership, organizational culture on the intensity of turnover.

Research Framework

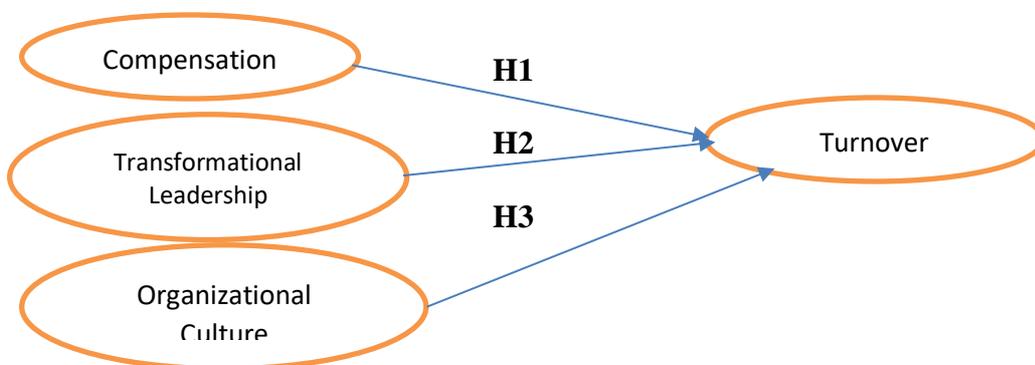


Figure 1. Research Model

The influence of compensation on employee turnover

Compensation has a negative effect on turnover intention (Royan Zakaria & Isthofaina Astuty, 2017; Ryani Dhyan Parasha et all 2017; Muhamad Sartono Yulianue and Leonardo Budi 2018). According to research by Fransiskus Billy Sandy (2019), compensation has no significant effect on Turnover Intention. Based on previous research, the hypothesis in this study is H1: Compensation has a significant negative effect on the intensity of employee turnover

The Influence of transformational leadership on employee turnover

Transformational leadership has a negative and significant direct effect on turnover intention Regina Vania (2019) Transformational leadership has a negative and significant effect

on turnover intention Ni Kadek Novalia Citra Dewi, Made Subudi (2015) leadership style negatively affects employee turnover intensity Indah Rohmawati (2017) Transformational leadership has a negative and significant effect on turnover intention.

H2: Transformational leadership has a significant negative effect on the intensity of employee turnover

The Influence of Organizational Culture on Employee Turnover

Research conducted by Nur Setyaningsih and Lenny Christina Nawangsari (2021) states that organizational culture has a negative and significant effect on turnover intention. Organizational culture has a significant negative effect on turnover intention Annie Faaroek (2021) organizational culture has no significant effect on turnover intention Noerchoidah (2020)

H3: Organizational culture has a significant negative effect on the intensity of employee turnover

RESULTS AND DISCUSSION

1. Result

Testing Outer Model

In testing the outer model aims to see the validity and reliability of a model. The analysis of this test will be seen from the influence of Factor Loading, Average Variance Extracted (AVE), and Discriminant Validity, as well as composite reliability.

Construct Validity Test

Factor loading is the initial stage in testing the validity of a model, the condition for factor loading is that it must be > 0.6 , so that the indicator is said to be valid. If it is not valid then it must be removed from the model (Husein. 2015). To find out the outer analysis of this research model, it can be seen in Table 1 below:

Table 1. Construct Reliability and Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Organizational Culture	0.776	0.835	0.870	0.693
Turnover Intention	0.579	0.579	0.826	0.704
Transformational Leadership	0.965	1.009	0.974	0.903
Compensation	0.609	0.619	0.795	0.568

From the table above, the Cronbach's Alpha value for each variable has a value > 0.6 so it can be concluded that the indicator is consistent in measuring the construct. The AVE value is used to show how much variance the indicator contains in the construct. As a result, it can be seen that the AVE value of each variable has a value > 0.5 . The Composite Reliability value has a value of > 0.7 so that it can be stated that there is no unidimensionality problem with the influence of compensation, transformational leadership and organizational culture on the intensity of employee turnover.

Inner Model Test

Coefficient of Determination

Table 2. R square

	R square	Adjusted R square
Turnover Intention	0.330	0.277

From the figure above, it is known that the R2 value is 0.330, which means that turnover intensity is influenced by compensation, transformational leadership and organizational culture by 33%, the remaining 67% is influenced by other factors outside the variables tested.

Hypothesis Testing

Table 3. Hypothesis Testing Result

Hypothesis	T Statistics	P-values	Summary
Organizational culture → Turnover intention	3.305	0.001	Significant
Transformational Leadership → Turnover intention	1.042	0.298	Not Significant
Compensation → Turnover intention	0.996	0.320	Not Significant

Discussion

Hypothesis 1

H1: Compensation has a significant negative effect on the intensity of employee turnover

The estimated parameter of compensation effect on turnover intensity is 0.185. The T Statistics value is $0.996 < 1.967$ and the P Value is $0.320 > 0.05$, so that the hypothesis is rejected, it can be concluded that compensation has a negative and insignificant effect on turnover intensity. Thus, hypothesis 1 is not supported.

Hypothesis 2

H2: Transformational Leadership has a significant negative effect on the intensity of employee turnover

The parameter estimation of the effect of transformational leadership on turnover intensity is -0.235. The T Statistics value is $1.042 < 1.967$ and the P Value is $0.298 > 0.05$, so the hypothesis is rejected. it can be concluded that transformational leadership style has a negative and insignificant effect on turnover intensity. Thus, hypothesis 2 is not supported.

Hypothesis 3

H3: Organizational culture has a significant negative effect on the intensity of employee turnover

The estimated parameter of the influence of organizational culture on turnover intensity is 0.629. T Statistics value. of $3.305 > 1.967$ or P value of $0.001 < 0.05$, so the hypothesis is rejected and it can be concluded that organizational culture has a negative and insignificant effect on turnover intensity. Thus, hypothesis 3 is not supported.

CONCLUSION

The hypothesis testing by statistical means on the effect of each independent variable on the dependent variable produces the following conclusions; 1) Compensation has a negative and insignificant effect on turnover intensity. From these conclusions, based on the T Statistics value of $0.996 < 1.967$ and the P Value of $0.320 > 0.05$,. This means that the better the compensation,

the lower the turnover intensity, 2) Transformational leadership has a negative and insignificant effect on turnover intensity. From these conclusions, based on the T Statistics value of $1.042 < 1.967$ and the P Value of $0.298 > 0.05$. This means that the better the transformational leadership style, the lower the turnover intensity, and 3) Organizational culture has a negative and insignificant effect on turnover intensity. From these conclusions based on the value of T Statistics. of $3.305 > 1.967$ or the P value of $0.001 < 0.05$. This means that the better the organizational culture, the lower the turnover intensity.

Recommendation

Suggestions for management to reduce the intensity of turnover is to increase employee compensation. In addition, what needs to be changed is leadership, namely by making good relations with leaders and vice versa so that a company will run well, if good leaders are created and apply organizational culture so that organizational goals can be achieved.

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