

## The Effect of Compensation and Internal Communication on Employee Engagement and Turnover Intention in Sankara Ubud Resort and Spa, Gianyar, Bali

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**ABSTRACT:** Turnover intention is the desire of an individual to leave the organization for various reasons and including the desire to get a better job. The purpose of this study was to determine the effect of compensation and internal communication through employee engagement and turnover intention. This research was conducted in Sankara Ubud Resort and Spa Gianyar, Bali. The number of samples taken are as many as 50 employees, with saturated sampling method. Data collected through interviews and questionnaires. Data analysis technique used is path analysis. Based on the results of the analysis found that compensation and internal communication has a positive and significant effect on employee engagement. Compensation and employee engagement has a negative and significant effect on turnover intention. While internal communication has not significant effect on turnover intention.

**KEYWORDS:** *compensation, internal communication, employee engagement, turnover intention*

### I. INTRODUCTION

The hospitality industry has a close relationship with direct service to consumers. Employees who are skilled in serving hotel guests according to their job description will improve the service quality and productivity of a hotel as a whole (Neeraj, 2014). Therefore maintaining skilled employees is important for hotel companies to maintain the service quality of the company. However, in the hospitality industry the company often experiences problems with high employee turnover. According to Ronald and Milkha (2014), turnover is the tendency or intensity of individuals to leave the organization for various reasons and including the desire to get a better job. Shuck (2010) mentions turnover intention has a relationship with commitment to the organization, psychological work climate, job fit, and employee engagement.

Employee engagement is the condition of an employee who has a high level of engagement in the organization, has an understanding and concern for the operational environment of the organization, is enthusiastic about working, is able to work together with other employees, talks positively about the organization and goes beyond organizational expectations (Robinson and Hayday, 2004). According to Bakker and Schaufeli (2004), employee engagement is positive thinking, that is the thought to solve work-related matters and is characterized by vigor (energy and mental resilience when working), dedication (participating in work experiencing enthusiasm and challenges), and absorption (concentrated and happy at work). When employees have a good relationship with the company, the employee will give the best for the company. Conversely, if employees do not establish good relations with the company, then employees will not provide the best for the company (Rusdin, 2015).

One way for companies to increase employee engagement is to pay attention to the company's internal communication. To achieve organizational goals, good interaction and communication are needed within the company. According to Zelko & Dance (2006) internal communication includes communication from superiors to subordinates, communication from subordinates to superiors, and communication between employees of the same level. In addition to internal communication, companies must also pay attention to compensation provided to increase employee engagement. According to Ardana et al (2012: 153), compensation is anything that is received by employees in return for their contribution to the company or organization. When employees feel satisfied with the compensation obtained, a sense of engagement with the company will emerge and the desire to leave the company will be lower. Inayat (2018) in his research showed that the bonus and compensation system must be considered so that employees feel attached to the company. In addition, Rahayu & Riana (2017) in their research showed that compensation had a significant negative effect on turnover intention.

## II. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

The theory used in this research is social exchange theory. Social Exchange Theory (Blau, 1964) shows that someone who benefits from others will feel obliged to pay through positive behavior, attitudes, efforts and devotion. The relationship between turnover intention, employee engagement, internal communication and compensation can be explained by the Social Exchange Theory, that when an organization is able to keep employees engaged while working in the organization by paying attention to compensation or communication links within the organization, employees will feel obliged to reciprocate the organization in the form of loyalty and stay for a longer time.

Rahayu & Riana (2017) in their research showed that compensation had a significant negative effect on turnover intention. Santhanam et al. (2017) states that to reduce turnover intention, companies must meet the needs of their employees in the form of appropriate compensation. Chepchumba & Kimutai's research (2017) also states that compensation negatively affects employee turnover. This is in line with research conducted by Long & Perumal (2014) which found that compensation significantly affected employee turnover intention. In addition, research conducted by Silaban & Syah (2018) states that compensation influences turnover intention. Based on these results, the following hypothesis can be put forward.

H<sub>1</sub> : Compensation has a negative and significant effect on turnover intention

Mathis and Jackson (2009) stated that one component that determines employees in deciding whether to survive or leave the company is employee relations or communication relationships between colleagues. Mustamil et al. (2014) in his research shows that companies that pay attention to the communication climate in organizations will have better opportunities in preventing voluntary employee turnover. Research conducted by Naz & Gul (2014) found that the satisfaction of communicating with coworkers, supervisors, and management has a negative influence on turnover intention. When employees are given the opportunity to express their thoughts about the organization through effective communication and a friendly work ethic, the employee's desire to leave the organization will diminish (Nwagbara et al., 2013). However, research conducted by Hidayati & Saputra (2018) shows the influence of communication is not significant directly on turnover. Based on these results, the following hypothesis can be put forward.

H<sub>2</sub> : Internal communication has a negative and significant effect on turnover intention

Inayat (2018) in his research showed that the bonus and compensation system must be considered so that employees feel attached to the company. This is in line with research conducted by Indriyani (2017) who found that there is an influence between compensation and employee engagement in startup companies in Indonesia. Verma (2015) in his research on IT companies showed the relevance of financial compensation to the overall level of employee engagement. The level of compensation given to company employees in the hotel sector has a significant impact on employees' attachment to the hotel (Antony, 2019). However, Wulandari (2016) in his research at Bank Syariah Mandiri showed that the compensation variable did not directly influence employee engagement. Based on these results, the following hypothesis can be put forward.

H<sub>3</sub> : Compensation has a positive and significant effect on employee engagement

In a study conducted by Kang & Sung (2017) found that internal communication has a relationship to employee engagement. Balakrishnan & Masthan (2013) in his research also showed that internal communication had a significant positive effect on employee engagement. Organizations and supervisors must focus internal communication efforts to encourage optimal levels of employee engagement (Karanges et al., 2014). Saad et al. (2018) in his research found that internal communication is an important aspect in influencing employee engagement. The results of this study are in line with research conducted by Krishnan & Wesley (2013) who found that employee communication has a significant effect on employee engagement. Based on these results, the following hypothesis can be put forward.

H<sub>4</sub> : Internal communication has a positive and significant effect on employee engagement

Salahudin et al. (2019) in his research found that employee attachment significantly influenced employees' intention to move. The results of this study are in line with research conducted by Wibawa and Dewi (2016), it is known that simultaneous employee engagement has a negative effect on turnover intention meaning that when employee engagement increases it will further decrease turnover intention. Zhang et al (2018) in their study of city health inspectors in China it was found that turnover intention could be reduced by creating good employee engagement. Rachman & Dewanto (2016) in their research at Wawa Husada Kepanjen Hospital Malang showed that there was an indirect effect of employee engagement on turnover intention through job satisfaction. Research conducted by Lamidi (2010) shows that employee engagement can reduce the tendency to change jobs. Based on these results, the following hypothesis can be put forward.

H<sub>5</sub> : Employee engagement has a negative and significant effect on turnover intention

## III. METHODS

This research was conducted in Sankara Ubud Resort and Spa which is located at Jl. Cempaka, Banjar Kumbuh, Desa Mas, Ubud, Bali. This location was chosen because there are problems with turnover intention.

The sampling method used is saturated sample, where all members of the population are used as samples. The sample in this study were all employees of Sankara Ubud Resort and Spa Gianyar Bali, amounting to 50 employees.

Data collected through interviews and questionnaires. The data analysis method in this study uses path analysis to obtain a comprehensive picture of the effect of compensation and internal communication on employee engagement and turnover intention using the SPSS for windows program.

#### IV. RESULT AND DISCUSSION

This study uses respondents as many as 50 employees of the Sankara Ubud Resort and Spa with the criteria that the respondent is dominated by men by 68 percent. The dominant age of respondents is 21-30 years with a percentage of 52 percent. The last education was dominated by respondents with the last high school / vocational education with a percentage of 42 percent. Dominant respondents are in the food & beverage department with a percentage of 26 percent. The respondent's dominant tenure is 1 to 2 years with a percentage of 38 percent. Measurements of all variables are measured according to the 5-point Likert Scale with 1=strongly disagree and 5=strongly agree.

Table1. Description of Respondents' Answers To Turnover Intention

Statement	Frequency of Respondents' Answers					Mean	Criteria
	1	2	3	4	5		
Thinking of leaving the company	11	16	18	5	0	2,34	Low
Eager to find a new job because the company is unable to meet the needs of employees	8	17	10	15	0	2,64	Pretty high
Want to leave the company in the near future	23	19	8	0	0	1,70	Very low
<b>Turnover Intention Variable Score</b>						2,22	Low

Source: Research Data, 2019

Distribution of respondents' answers to turnover intention is shown in Table 1 with an average value of 2,22 which is included in low criteria.

Table2. Description of Respondents' Answers To Employee Engagement

Statement	Frequency of Respondents' Answers					Mean	Criteria
	1	2	3	4	5		
Earnestly in completing work	0	0	12	17	21	4,18	High
Trying to solve every difficulty encountered while working	0	0	14	24	12	3,96	High
Feel meaningful, enthusiastic, inspired and proud of work	0	3	19	18	10	3,70	High
Trying to face every challenge given by the company	0	4	21	16	9	3,60	High
Have a high interest in work	0	0	22	24	4	3,64	High
Find it difficult to get away from work	0	15	15	19	1	3,12	Pretty high
<b>Employee Engagement Variable Score</b>						3,70	High

Source: Research Data, 2019

Distribution of respondents' answers to employee engagement is shown in Table 2 with an average value of 3.70 which is included in high criteria.

Table3. Description of Respondents' Answers To Internal Communication

Statement	Frequency of Respondents' Answers					Mean	Criteria
	1	2	3	4	5		
Always involved by the leader in discussions for the completion of the work	3	20	17	9	1	2,70	Pretty good
Coordinate with other employees regarding work problems	0	0	20	18	12	3,84	Good
My leader always scolds greetings whenever we meet	0	0	19	19	12	3,86	Good

The leader has clearly informed about the work	0	7	19	21	3	3,40	Good
The tasks given by the leader are in accordance with my authority and ability	0	5	23	19	3	3,40	Good
<b>Internal Communication Variable Score</b>						3,44	Good

Source: Research Data, 2019

Distribution of respondents' answers to internal communication is shown in Table 3 with an average value of 3.44 which is included in good criteria.

Table 4. Description of Respondents' Answers To Compensation

Statement	Frequency of Respondents' Answers					Mean	Criteria
	1	2	3	4	5		
The salary provided by the company every certain period is in accordance with the district minimum wage	10	28	12	0	0	2,04	Low
The company gives awards in the form of incentives that can motivate me to improve my performance	0	6	28	14	2	3,24	Pretty high
The holiday allowance provided by the company is in accordance with my position	0	0	26	21	3	3,54	High
The facilities provided by the company make me feel secure while working	0	0	13	23	14	3,02	Pretty high
<b>Compensation Variable Score</b>						2,94	Pretty high

Source: Research Data, 2019

Distribution of respondents' answers to compensation is shown in Table 4 with an average value of 2,94 which is included in pretty high criteria.

Path coefficient calculation is done by multiple linear regression analysis through SPSS for Windows software with the results that can be seen in the following tables 5 and 6:

Table 5. Results of Structure Path Analysis 1

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.051	.818		.062	.951
	Compensation	.944	.177	.451	5.340	.000
	Communication	.635	.099	.543	6.428	.000

a. Dependent Variable: Emp. Engagement

R Square : 0,954

F Statistic : 491,856

Sig. F : 0,000

Source: Research Data, 2019

Based on the results of substructure path analysis 1 as presented in Table 5, the structural equation can be made as follows:

$$Y_1 = 0,451 X_1 + 0,543 X_2$$

$$e_1 = \sqrt{1 - R^2} = \sqrt{1 - 0,954} = 0,21$$

The value of R square in the Table 5 is 0.954 which means that the effect of compensation and internal communication on employee engagement is 95.4% while the rest is influenced by other factors outside the model. From the SPSS calculation results it was found that the sig.F test results is 0,000 which is less than the significant value of 0.05 (0,000 < 0.05). These results indicate that compensation and internal communication simultaneously influence employee engagement.

Table 6. Results of Structure Path Analysis 2

Model		Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients B	Std. Error			
1	(Constant)	20.795	.490		42.456	.000
	Compensation	-.452	.134	-.348	-3.365	.002
	Communication	-.029	.081	-.040	-.359	.721
	E.Engagement	-.373	.087	-.602	-4.266	.000

a. Dependent Variable: Turnover

R Square : 0,958

F Statistic : 352,343

Sig. F : 0,000

Source: Research Data, 2019

Based on the results of substructure path analysis 2 as presented in Table 6, the structural equation can be made as follows:

$$Y_2 = -0,348X_1 + (-0,040) X_2 + (-0,602)Y_1$$

$$e_2 = \sqrt{1 - R^2} = \sqrt{1 - 0,958} = 0,20$$

The value of R square in the Table 6 is 0.958 which means that the effect of compensation, internal communication and employee engagement on turnover intention is 95.8% while the rest is influenced by other factors outside the model. From the SPSS calculation results it was found that the sig.F test results is 0,000 which is less than the significant value of 0.05 (0,000 < 0.05). These results indicate that compensation, internal communication and employee engagement simultaneously influence turnover intention.

If presented in the form of a path model, the path coefficient values and the standard error will appear in Figure 1 as follows.

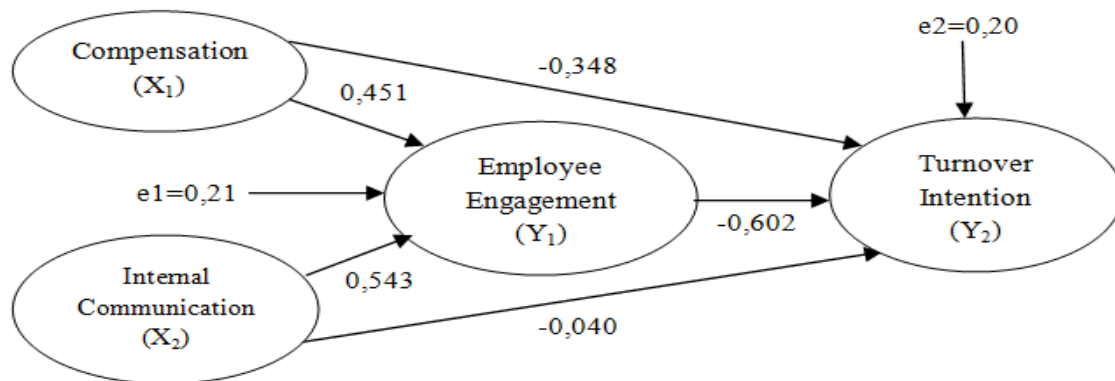


Figure 1. Validation of the Final Pathway Model

The magnitude of the effect of compensation (X1) on turnover intention (Y2) is -0,348 with a comparison of sig.t value of 0.002 less than the significant value used (0.002 < 0.05). This figure shows that compensation has a negative and significant effect on turnover intention of 34.8 percent, while the remaining 65.2 percent is influenced by other factors outside the model.

The magnitude of the effect of internal communication (X2) on turnover intention (Y2) is -0.040 with a comparison of sig.t value of 0.721 more than the significant value used (0.721 > 0.05). This figure shows that internal communication has no significant effect on turnover intention.

The magnitude of the effect of compensation (X1) on employee engagement (Y1) is 0.451 with a sig.t ratio of 0,000 less than the significant value used (0,000 < 0.05). This figure shows that compensation has a positive and significant effect on employee engagement of 45.1 percent, while the remaining 54.9 percent is influenced by other factors outside the model.

The magnitude of the effect of internal communication (X2) on employee engagement (Y1) is 0.543 with a comparison of sig.t value of 0,000 less than the significant value used (0,000 < 0.05). This figure shows that internal communication has a positive and significant effect on employee engagement of 54.3 percent, while the remaining 45.7 percent is influenced by other factors outside the model.

The magnitude of the effect of employee engagement (Y1) on turnover intention (Y2) is -0.602 with a comparison of sig.t value of 0,000 less than the significant value used (0,000 < 0.05). This figure shows that employee engagement has a negative and significant effect on turnover intention of 60.2 percent, while the remaining 39.8 percent is influenced by other factors outside the model.

## V.CONCLUSION

The conclusions that can be drawn based on the results of the analysis are as follows: compensation has a negative and significant effect on turnover intention, this means that the higher the compensation received by the employee, the employee's desire to leave the organization will be lower. Internal communication has no significant effect on turnover intention, this means that communication relationships within a company or organization cannot affect employee turnover intention. Compensation has a positive and significant effect on employee engagement, this means the higher the compensation received by employees, the higher the level of employee engagement. Internal communication has a positive and significant effect on employee engagement, this means the better internal communication relationships within the company, the level of employee engagement with the company will increase. Employee engagement has a negative and significant effect on turnover intention, this means the higher the employee's attachment to the company, the employee will be more reluctant to leave the company and look for a new job.

Suggestions that can be given based on the results of this study are as follows: To reduce the level of employee turnover intention, Sankara Ubud Resort and Spa management should increase employees' sense of attachment to the company. If employees feel attached to the company there will appear a sense of pride, enthusiasm, and employees will find it difficult to break away from their work. To increase employee attachment, the management of Sankara Ubud Resort and Spa should reconsider the compensation given to be in line with the district minimum wage and in accordance with the employee's position. In addition the company should also pay attention to the company's internal communication relations both vertical and horizontal communication in order to create a harmonious atmosphere between employees within the company. For further researchers, it is expected to conduct research with a broader scope such as conducting research in other sectors, adding other variables outside this study, and being able to add references to the variables to be examined.

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