

# Compensation, Company Culture And Relational Returns Toward Employee Engagement

Dewi Puspaningtyas Faeni, Widi Wahyudi, Imelda Imelda

**Abstract:** This study focus on searches of compensation, company culture and relational returns toward employee engagement at campuses in Indonesia. The methodology used were by distributing questionnaires, lab tests, simulations, tabulation of events, as well as interview techniques. Statistical measuring instrument used was STATA 15. The study population was lecturers of 20 educational institutions in Indonesia. Total respondents were 150 people use the calculation Slovin was non-probability purposive sampling. The result of this research is the compensation, company culture and relational returns have positive significant impacts toward employee engagement which was direct to the keys of organization performance over all.

## 1. Introduction

More people of Indonesia through higher education to obtain a better education so as to enhance the dignity of life. Most people who follow higher education in various fields add to the number of professors, which is the primary human resources in college. Works as a lecturer remains an area of work that is less desirable than other occupations (Leche, 2016). Educational institution and its reputations is now getting tested by presence in the public eye, it is proving increasingly critical public to choose a college which will be able to guarantee their future. This is a challenge for practitioners of education, especially for institutions and private universities in Jakarta and surrounding areas. Qualified lecturers are highly committed to the university and the university can arrange a variety of development plans with a steadier and more continuous. Most high universities in Indonesia have not seen the importance of the role of a lecturer's commitment at universities to quality improvement and development of the college. On the other hand, until now, the college seemed to not be able to carry out tough measures against lecturers who are not too much involved in activities on campus, including in education and teaching, but this is something important to be taken seriously (Faeni, 2012) [1].

As an organization, the university is a living organism

Revised Manuscript Received on July 05, 2019.

Dewi Puspaningtyas Faeni,  
Faculty of Economics and Business Universitas Budi Luhur,  
Jakarta, Indonesia,  
dewi.faeni@budiluhur.ac.id

composed of academic activity interacting. Traditionally, the university is defined as a self-governing corporation of scholars. This means the university is a community of educated people who govern themselves. University is one of the social organizations of the world's most dominant since the university has an important role in preparing a person for the post and join in a certain profession, transmit culture to the next generation, giving a critique to the public, as well as generate and apply knowledge [2].

University lecturers who have a high level of engagement will feel a huge benefit. DDI consulting firm that examines issues Employee engagement, the higher the level of engagement, the higher the level of performance of business enterprises. University lecturers who have a high level of employee engagement, they will experience improved productivity, increased profitability, results of higher quality work, better efficiency, low turnover, increase attendance in teaching [3].

Appears opinions questioning the salary (compensation) as the cause of the phenomenon. The reason this issue has become a classic that cannot be ignored. So far, most certainly justify a lecturer when asked, that the salary they receive is never enough for the necessities of life per month. However, the fact is not only a matter of salary which became the cause of employee engagement (Khomsan, 2003) [4].

Salary is not considered very important compared to lecturers non-financial compensation such as honor or recognition for their contributions. Lecturers and researchers, feel more comfortable and valuable when it gets a sincere recognition of his neighbor. The lack of growth opportunities or learning opportunities related to research and technology budget Indonesia every year only Rp. 100 billion, or 0.18% of gross domestic product, the smallest in Asia [5].

Table 1. Number and composition lecturer at the University of Budi Luhur

No.	Study Program Name	Status	ladder	Total Fulltime	number of Students	The ratio Lecturer / Student
1	Accounting	Active	S2	7	82	1:11.07
2	Computer Science	Active	S2	10	410	01:41
3	Communication Studies	Active	S2	3	55	1:18.03
4	management	Active	S2	8	322	1:40.03
5	Accounting	Active	S1	43	1,670	1:38.08
6	Architecture	Active	S1	7	219	1:31.03
7	International Relations	Active	S1	11	366	1:33.03
8	Communication Studies	Active	S1	77	3604	1:46.08
9	Criminology	Active	S1	3	40	1:13.03
10	management	Active	S1	64	2,018	1:31.05
11	Information Systems	Active	S1	117	3,252	1:27.08
12	Computer system	Active	S1	9	142	1:15.08
13	Electrical Engineering	Active	S1	10	356	1:35.06
14	Technical Information	Active	S1	122	2,720	1:22.03
15	Computerized accounting	Active	D3	6	19	1:03.02
16	Information Management	Active	D3	7	73	1:10.04

Source: Human Resources Department DTI UBL, 2018

**2. Literature Review**

*2.1. Compensation*

Compensation management becomes very important in a business organization. Employees who have adequate qualifications and competencies generally see high fee "as a consequence of its ability. Determining compensation levels lifestyle, status, self-esteem and feelings of employees towards the organization. Own compensation package consisting of salary, allowances the principal expenditure which critically affect the competitive position of the company. The company's interests with the compensation that is obtained in exchange for greater work performance of employees. While interest on the compensation received by employees, which can meet the needs and desires and become a household economic security (Hasibuan, 2005) [6].

Compensation is something that employees received in lieu of contributing their services to the company. Based on the definition of compensation which has been described previously, it can be concluded, is a form of compensation awards granted to employees as remuneration for the contribution they make to the organization (Riva, 2004). Compensation for employees is

important because the amount of compensation reflects the size of the employee's work values among co-workers, families and communities [7].

*2.2. Organizational culture*

Corporate Culture or Organizational culture has been defined in the formulation of viewpoints different. Understanding Organizational Culture for subsequent written as Corporate Culture (Hodgetts, 2006). Organizational culture as values which are distributed and believed that enable the members of the organization to understand their roles and norms of the organization. Culture is the norms and values that guide the behavior of members of the organization. Each person will behave in accordance with the prevailing culture in order to be accepted in their environment. "Culture as a phenomenon that surrounds us all the time, always constant recreated by the interaction between people from one another" (Schein, 2002), (Luthans, 1998). In Figure 1 below can be seen how a culture of the organization: [8]

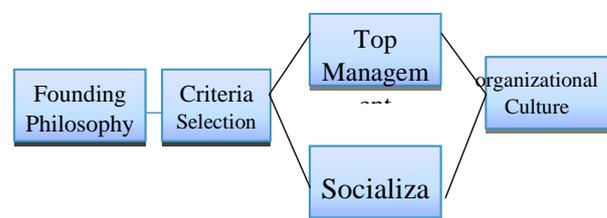


Figure 1. Formation of Corporate Culture  
Source: Robbins, 2002

The function of culture: "Culture performs a number of functions within an organization." First, culture has a role set a boundary, culture means creating a clear distinction between an organization and others. Second, culture bring a sense of identity for the members of the organization.

Third, facilitate the emergence of a culture of commitment to something greater than one's self interest. Fourth, a culture that increase the stability of the social system. Culture is the social glue that helps unite the organization by providing appropriate standards for what should be done and said by the employees (Robbins, 2002)[9]. In addition to total compensation, there is another form that can be accepted by someone from work, namely relational returns. Relational returns are the psychological gains a person believes in what they can in the workplace. Relational returns include status and recognition, job security, job challenges, and learning opportunities. Recognition can be a very effective award for one's behavior related to their contribution and performance (Milkovich and Newman, 2002) [10-11].

Informal recognition of workers can be in the form of non-monetary values such as acceptance and admiration, certificates, profile articles, and certain programs, such as employee of the month. While formal recognition usually requires management involvement and substance costs more than informal recognition, such as company share ownership programs (Dubois and Rothwell, 2004) [12-13].

### 2.3. Employee Engagement

Employee Engagement first proposed by the research group Gallup. In research presented that employee engagement can predict improvement in employee performance, profitability, retain employees, customer satisfaction, and success for the organization (Bates, 2004; Baumruk, 2004; Richman, 2006). In the book Carrots and Sticks Do not Work Employee Engagement is the correlation between emotional and intellectual owned by the employee in his work, to the company, to the manager, and co-workers, who in turn influenced to give more effort to workers than expected, which is driven by selfish desires [14-15].

Engagement is the degree to the which employees are satisfied with Reviews their jobs, feel valued, and experience collaboration and trust. Engaged employees will stay with the company longer, and continually find smarter, more effective ways to add value to the organization. The end result is a high-performing company where people are flourishing and productivity is Increased and sustained, Catteeuw, Frank; Flynn, Eileen; Vonderhorst, James, "Employee Engagement: Boosting Productivity in Turbulent Times" (Catteeuw, 2007) [16-17].

### 3. Research Methodology

This study also used a quantitative approach which based causalities, which examined the relationship between the phenomenon of employee engagement variables to determine the causality of the variables are compensated, relational returns and corporate culture on employee engagement Budi Luhur University lecturer. In addition, this study also takes quick process works, narrow, and reductionist (reduction means to perform surgery on something into parts that parts of it can be tested quantitatively), which are the traits of quantitative research.

Models with discrete dependent variable nature, the resulting estimators are not BLUE (Best Linear Unbiased

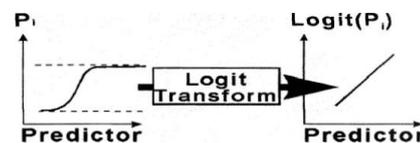
Estimator). This is due to its error variance is not normally distributed, the estimator is not efficient due to heteroskedastic, and R2 can not be used as a measure of Goodness of Fit. Therefore, to produce the BLUE estimator equation, this study used a qualitative response regression models. *Linear Probability Model*(LPM) is a regression methods commonly used before logit and probity model was developed. LPM works on the basis that the response variable Y, which is the probability of something happening, follow the Bernoulli probability distribution where:

Table 2. Bernoulli probability distribution

Yi	probability
0	1 - Pi
1	Pi
Total	1

LPM works by OLS usual then raised the question that has been disclosed before: non-normality of the disturbance, heteroscedastic, unfulfilled expectations of the Y value between one and zero, and can not use R2 as a measure of Goodness of Fit. The need for models of the probability that generate Y which lies between the interval of one to zero with the relationship between Pi with non-linear Xt cause logit model was developed [14].

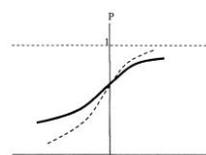
The above equation means that the probability of the occurrence of the incident j is influenced by independent variables in the model predicted the relevant influencing events. Logit transformation process is illustrated in Figure 2.



Source: Logistic Regression module, Statistics IPB 2007  
Figure 2. Transformation Logit

If the error term, the difference between the estimated value of the variable with the actual variable values, normally distributed, then the probability of regression can use probity models. Probity model can be written as follows:  
 $Y_i = x_i\hat{\alpha} + u_i$

Where  $u_i \sim N(0,1)$  or errors follow a normal distribution with a mean of 0 and constant variance between the independent variable is 1. In this logit model, the distribution of Y is normal with constant variants. If the error term is not normally distributed, otherwise known as logistics distribution, then used logit model. The difference between the two can be seen from Figure 3.



Source: Gujarati, Basic Econometrics. 2003  
Figure 3. Distribution of Cumulative Logit and Probit

From the above picture can be seen that the conditional probability  $P_i$  is closer to 0 than the logit probit, and close to 1 bit slower than probit. On the table were taken from Gujarati, it is shown that the cumulative logit model is a logistics while cumulative probit is normal, though normal cumulative and cumulative logistic worth the same middle is zero but have the value of the different variants. A normal cumulative value of 1 and a cumulative variance logistics worth  $D2 / 3$ . Logit coefficient value can be obtained by multiplying the value of the coefficient probit with  $D2 / 3$  (1.81) while the probit coefficient value can be obtained by multiplying the value of the coefficient logit dengan  $D2 / 3$  (1.81) [15].

4. Research Result

Table 3 is the output from an ordered logit regression models with categories of employee engagement, medium, and high is optimized by three independent variables: comp, bud, rail, the proportion of tenured faculty. From the results of the regression using STATA software 15 with the output obtained coefficients, error, z (z-score for a test of  $b = 0$ ),  $P > |Z|$  (P-value for the z-test), cut points 1, and cut points 2. Unlike the usual linear regression on the results, at the output intercept logit models

emp	Coef.	robust		Z	P>  Z	[95% Conf. interval]	
			Std. Err.				
comp	2628996		1074229	02:55	00:18	0.526789	4733889
cult	-7,658,897		1988676	-3.99	0.05625	-0.000025	-3.87667 million
relat	0.111871		0.297761	00:48	5.611111111	-0.057109	1888877
emp	0.198765		0.846062	02:00	0.232638889	0.39991	199 877
filled up	0.389751		0.666660	02:11	4.625	0.28087	0.96548
/ cut1	6888916		3030732			0.23876	1619865
/ cut2	1086655		3399806			423 285	1750088

Source: STATA 15, 2018

Cutpoints 1 mean lecturers have an emotional involvement amounted to 6.71 percent or less, with the type of satisfaction is not compensation for the physical proportions of high involvement and has a magnitude of zero for: salaries, income level, the increased level career path, and the other independent variables, will be classified as a lecturer with low cognition level of the appreciation of the vision and mission, so that loyalty is formed due to the variables related to kinship and emotional closeness owners.

Cutpoints2 means that most of the lecturers have a level of emotional involvement of more than 10.86 percent, with the type of professors who work on the areas with the owners and has a proportion of faculty with tenure of more than 10 years has a magnitude of zero for: salaries, incentives, insurance, leave, the level of awareness tops, feel appreciated, level of career advancement and other

are not functioning as a constant, but there cut points value that serves as a determinant of the various categories of the dependent variable. The main parameters that must be seen from the results of the output is reflected by the Likelihood Ratio Prob> chi2, Z-Stat represented by  $P > |Z|$  and goodness of fit which is represented by Pseudo R2. If the classical regression are constants then the ordered logit models are cut points that the divider between each value of the dependent variable.

```
, ologit comp cult relatemplo rails, robust
Iteration 0: 109 pseudolikelihood = -73.096112
Iteration 1: 109 pseudolikelihood = -49.827823
Iteration 2: 109 pseudolikelihood = -46.300411
Iteration 3: 109 pseudolikelihood = -45.978359
Iteration 4: 109 pseudolikelihood = -45.97225
Iteration 5: 109 pseudolikelihood = -45.972247
Ordered logistic regression      Number of obs
                                = 81
                                Wald
chi2      = 44.21
                                Prob>
chi2      = 0.0000
                                Log pseudolikelihood = -45.972247
                                pseudo
```

independent variables will be classified as an employee engagement low. Lecturer with tenure of over 10 years and the average age of over 45 between 6.71 to 10.86 percent had other jobs or side business in addition to working at the University of BudiLuhur. They feel loyalty to the company, because the company culture familial although compensation was in adequate.

4.1. Partial test

Partial test for each independent done by looking Prob> chi2 of each independent variable, each of which is done by the following tests:

```
, test emp
(L) [comp] = 0
chi2 (1) = 6.00
Prob> chi2 = 0.0143
```



*Output* The means: with a confidence level of 95%, then H0 is rejected, it means that lecturers feel that the salaries and wages of their labor is still inadequate, however climate kinship with the corporate culture that pleases each lecturer, then keep them afloat work University Budi Luhur. Real consequences that the natural faculty is, that the convenience of work, friendship and other faculty fellow compactness makes them afloat. These consequences also encourages them to survive and have an income outside.

```
, test bud
(L) [cult] = 0
chi2 (1) = 15:58
Prob> chi2 = 0.0001
```

*Output* the independent variable test average salary above is defined as: with a 95% confidence level, H0 is rejected so that means the average salary a significant effect on the level of loyalty and employee engagement. Lecturer in the Faculty who have a happiness level high, medium, or low have differences in pay and long work an average real.

```
, rail test
(L) [relat] = 0
chi2 (1) = 0:14
Prob> chi2 = 0.7078
```

*Output* the independent variable test returns above relational level is defined as: with a 95% confidence level, H0 is not rejected, which means that the relational returns no significant effect on employee engagement lecturers. In other words, lecturers at the faculty who have long worked and compensation levels are high, medium or low does not have differences on employee engagement real.

```
, test emp
(L) [PCE] = 0
chi2 (1) = 8:29
Prob> chi2 = 0.0040
```

*output* the test independent variable levels of employee engagement above is defined as: with a 95% confidence level, H0 is rejected, which means that the simultaneous compensation, the level of corporate culture and relational returns affect significantly to the level of employee engagement of the faculty, in other words, lecturer-professors who have high levels of career level, medium, or low have different income levels and the effect on employee engagement real.

```
, test emp
(L) [comp] = 0
```

```
chi2 (1) = 6.00
Prob> chi2 = 0.0143
```

*Output* the independent variable proportion of faculty of test men and women aged 25-79 years at the top is defined as: with a 95% confidence level, H0 is rejected, which means that the proportion of men and women aged 25-79 years significantly affect the level of employee engagement. In other words, the lecturers career path and compensation and guarantees that both have high levels of employee engagement is high, medium or low to the level of involvement in the real Budi Luhur University.

#### 4.2. Coefficient Analysis and Odds Ratio

The results of these coefficients can only give directions effects of changes in the independent variable on the dependent while the value can not be interpreted. At the output STATA 15 shows that there are four dependent variable slope coefficient is positive comp, bud, rail and three dependent variables that have a negative slope is emp.

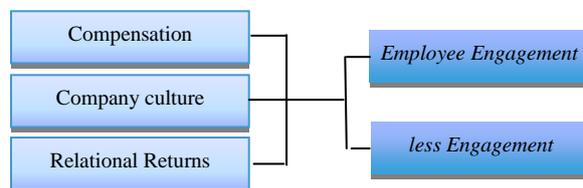


Figure 4. Description Odds Ratio High Employee Engagement Levels per Low-Medium

*odds ratio* in this study can be interpreted as an Opportunity A that employee engagement or:

$$\text{odds Ratio: } \frac{\text{Employee Engagement as respons positif from lecturer}}{\text{Less Engagement as respons negatif from lecturer}}$$

Tests were performed with STATA 15 to see the odds ratio produces an output on the following page.

Table 4. Odds Ratio Output Ordered Logit

```
, ologit comp cult relatemplo rails, robust or
Iteration 0 "log pseudolikelihood = -73.096112
Iteration 1 "log pseudolikelihood = -49.828203
Iteration 2 "log pseudolikelihood = -46.301024
Iteration 3 "log pseudolikelihood = -45.979028
Iteration 4 "log pseudolikelihood = -45.972921
Iteration 5 "log pseudolikelihood = -45.972918
Ordered logistic regression
Number of obs = 81
Wald Chiz = 44.13
```

emp	Coef.	robust	Z	P>  Z	[95% Conf. interval]	
		Std. Err.				
comp	2628996	1074229	02:55	00:18	0.526789	4733889
cult	-7,658,897	1988676	-3.99	0.05625	-0.000025	-3.87667 million
relate	0.111871	0.297761	00:48	5.611111111	-0.057109	1888877

# COMPENSATION, COMPANY CULTURE AND RELATIONAL RETURNS TOWARD EMPLOYEE ENGAGEMENT

employ	0.198765	0.846062	02:00	0.232638889	0.39991	199 877
filled up	0.389751	0.666660	02:11	4.625	0.28087	0.96548
/ cut1	6888916	3030732			0.23876	1619865
/ cut2	1086655	3399806			423 285	1750088

Prob> chi2 = 0.0000  
 Log pseudolikelihood = -45.972918  
 pseudo R2 = 0.3711

Odds Ratio Std. Err. z P> | z | [95% eonf. Intervaf]  
 Source: STATA, 2018

## 5. Conclusion

- Changes in the amount of employee engagement adversely affect the low level of compensation. This means that the more prosperous a lecturer at a workplace, the smaller the chance of lecturers out of the institutions.
- Contribution of financial and non financial compensation to faculty positive effect on employee engagement. This means that the greater the compensation of material and psychological rewards faculty, the greater the contribution of lecturers towards deficits improve the quality of the performance, the greater chance all education institutions offer competitiveness against competitors.
- The proportion of the corporate culture of the total organizational behavior adversely affect the loyalty and relational lecturer returns to the owner and educational instituion as an educational entity. This means that the more prosperous a lecturer in the faculty work then work to seek additional opportunities in other places will be smaller.
- Policy changes that favor workers and lecturers adversely affect the loyalty and performance of the lecturers. This indicates a given policy change at all campuses should be consistent, as it can lead to demotivation lecturers and workers.
- Bonus and incentive policy change should be transparent and universal, because it adversely affect the performance of the lecturers. This indicates that the policy changes that consistent given by campuses could impact on employee engagement.
- Changes in communication patterns consistent policies and policy holders affected positively on the performance of the lecturers. This indicates that the greater the higher the acceptance and management commitment, the motivation, loyalty and faculty performance will be higher.
- Changes in the number of lecturers over 10-30 years in an area affected positively against her comfort zone. This means that the higher the number of years bekrja a lecturer, the higher the level of competition in the off-campus workers. Respect of which affect the competitiveness of faculty itself.
- Asymmetric policy changes that adversely affect the rational returns and employee engagement, as most professors are losing competitiveness outside and generally work for familial factors. This means that the closer the kinship factor of a person, the higher their loyalty to the institution, though they have other jobs outside the campus where he works.

**Ethical clearance** - Not required

**Source of funding**- Self

**Conflict of Interest** - Nil

## References

- Dessler, Gary (2005). Human Resources Management. New Jersey: Pearson Education.
- Fred, Luthans, 1998, Organizational Behavior, 6th ed, International Edition, McGraw Hill Book Company
- Hamdani, Dani. (2003), When Intellectuals Betah at the House, downloaded from www.apakabar.ws on April 18, 2008.
- Hasibuan, Malay SP 2005, Human Resource Management, Revised edition, Earth Literacy, Jakarta.
- Hodgetts, Richard.M.2006. Management Theory, Process and Practice. West Washington: WBSaunders Company
- Ivancevich, JM (2004), Human Resource Management, 9th ed., McGraw-Hill Companies, Inc., New York.
- Khomsan, Ali. (2003), Brain Drain Lecturer PTN, downloaded from www.kompas.com on April 18, 2008.
- Kotter, John P., and Heskett, James L. (2006), Corporate Culture and Performance. Translation: Susi DiahHardaniati&UyungSulaksana.
- McBain. (2007). The Practice of Engagement: Employee Engagement Research Into Current Practice. Strategic HR Review, Vol. 6. Iss: 6. Pp. 16 -19.
- Milkovich, GT, Newman, JM (2002), Compensation, 7th ed., McGraw-Hill Companies, Inc., New York.
- Rival, V. 2004. Leadership and OrganizationalBehavior, SecondEdition. Jakarta: PT RajaGrafindoPersada.
- Robbins, Stephen P. and Mary Coulter. (2005). Management. 8th Edition. Prentice Hall, New Jersey.
- Saks, AM (2006), the antecedents and consequences of employee engagement, Journal of Managerial Psychology. 21, 600-619.
- Seniati, Liche. (2006). Effect of Work Period, Personality Trait, Job Satisfaction and Psychological Climate Commitment Against Lecturer at the University of Indonesia. Makara, Social Humanities, Vol.10, No.2, pages: 88-97.
- Simon L. Albrecht 2010. "Job Attitudes and employee engagement: considering the attitude of 'A-factor" (Handbook of Employee Engagement, Simon L. Albrecht, Page 48)
- Stephen Robbins, "Organizational Behavior, Volume 2, 2001, p 302
- Toha, Muharto. (2002). Organizational behavior. Jakarta: Central Publishing. Open University.