

## EXPLORING COMPENSATION SATISFACTION TO ENHANCE MOTIVATION AND REDUCE TURNOVER INTENTION AMONG EMPLOYEE OF PRIVATE BOTTLED WATER COMPANY IN INDONESIA

Arif Partono Prasetyo<sup>1</sup>, Elvira Azis<sup>2</sup>, Grisna Anggadwita<sup>3</sup>

<sup>1,2,3</sup> Telkom University, Indonesia

### ABSTRACT

The bottled water industry faces rapid development. This expansion increases the business competition between companies. One of important aspect to win the competition is to have the right resources. Human resources have long been known as important factor in organization. They need to have and enhance their human capital if they want to have competitive advantage which is hard to compete. Therefore, every business organization should maintain their outstanding employees. This study aims to identify the efforts of private organizations in retaining employees by analysing the role of compensation satisfaction and motivation. This study uses quantitative method with bootstrapping approach. The questionnaire was distributed to 200 employees and gets 133 usable responses with response rate of 66.5%. Using mediation analysis the study found motivation did not mediate the relation between compensation satisfaction and turnover intention. Compensation had direct effect on turnover intention which means the organization must put their thoughts on how to manage compensation program. Though better compensation could lead to higher work motivation, it turn out that motivated employee tends to search the opportunity outside the organization. Other important thing is that the human resources should start identifying why motivated employees want to leave the organization.

**Keywords:** Bottled water industry, compensation satisfaction, human resource, motivation, turnover intention

## MENGEKSPLORASI KEPUASAN KOMPENSASI UNTUK MENINGKATKAN MOTIVASI DAN MENGURANGI KEINGINAN BERPINDAH DI ANTARA KARYAWAN PERUSAHAAN AIR MINUM KEMASAN SWASTA DI INDONESIA

### ABSTRAK

Industri air kemasan menghadapi perkembangan pesat. Ekspansi ini meningkatkan persaingan bisnis antar perusahaan. Salah satu aspek penting untuk memenangkan persaingan adalah memiliki sumber daya yang tepat. Sumber daya manusia telah lama dikenal sebagai faktor penting dalam organisasi. Mereka perlu memiliki dan meningkatkan modal manusia mereka jika mereka ingin memiliki keunggulan kompetitif yang sulit untuk bersaing. Oleh karena itu, setiap organisasi bisnis harus mempertahankan karyawan mereka yang luar biasa. Penelitian ini bertujuan untuk mengidentifikasi upaya organisasi swasta dalam mempertahankan karyawan dengan menganalisis peran kepuasan kompensasi dan motivasi. Penelitian ini menggunakan metode kuantitatif dengan pendekatan bootstrapping. Kuesioner dibagikan kepada 200 karyawan dan mendapatkan 133 tanggapan yang dapat digunakan dengan tingkat tanggapan 66,5%. Menggunakan analisis mediasi, studi ini menemukan motivasi tidak memediasi hubungan antara kepuasan kompensasi dan keinginan berpindah. Kompensasi memiliki efek langsung pada keinginan berpindah yang berarti organisasi harus meletakkan pemikiran mereka tentang bagaimana mengelola program kompensasi. Meskipun kompensasi yang lebih baik dapat menghasilkan motivasi kerja yang lebih tinggi, ternyata karyawan yang termotivasi cenderung mencari peluang di luar organisasi. Hal penting lainnya adalah bahwa sumber daya manusia harus mulai mengidentifikasi mengapa karyawan yang termotivasi ingin meninggalkan organisasi.

**Kata-kata Kunci:** Industri air kemasan, kepuasan kompensasi, sumber daya manusia, motivasi, keinginan berpindah

**Korespondensi:** Dr. Arif Partono Prasetyo. School of Economics and Business, Telkom University. Jln. Telekomunikasi No.1, Terusan, Kec. Buahbatu, Bandung, Jawa Barat 40257. Email: partono67@gmail.com

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## INTRODUCTION

The business environment is facing constant changes related to new technology and disruptive innovation. These force organizations to review their strategy to serve the customers while also providing great employment environment to their employees. Business organization needs to develop great relationship with their employees to achieve their commitments to all shareholders. The importance of human resources in helping organizations to thrive in the competition is widely known. However, many organizations face challenges in maintaining their human resources. Some of the challenges are the new workforce, the implementation of mobile technology, the demand for new work scheme, and of course the tradition in recruiting the best candidates. All of those will impact on the effectiveness of the organization.

Currently, one interesting phenomenon is employees voluntarily turnover which is considered to cause serious problems for the organization. Voluntary employee turnover can be a major problem for business organizations if it is not resolved. The intention to quit or turnover intention (TI) needs to be controlled because it is estimated that nearly 27 million US dollars are business losses caused by employee turnover (Sanborn, 2017). Furthermore, according to the report from Mercer (2016), Indonesia has the fourth highest turnover rate (15.8%). Although specific industrial turnover rate is not available at this time, those numbers describe the problem in

maintaining outstanding employees to stay in the organization.

Previous studies regarding the antecedents of turnover intention had been conducted including; job satisfaction (Sheraz et al., 2014), reward satisfaction (Raza et al., 2017), work stress (Elci et al., 2012), employee motivation (Kim, 2015), and also career development (Cao et al., 2013). Studies on turnover intentions have been carried out in Indonesia and include various business organizations. This shows widespread concern for the problem to retain employees. The intention to resign is a strong indicator that the employee will leave. Organizations need to identify as soon as possible regarding this intention before it develops into reality. Comprehensive compensation management and motivation can be used as veritable instrument to reduce absenteeism, labour turnover, and industrial unrest which in the end will impact on the improvement of employees and organisational performance. Company policies and practices which focus on setting up adequate remuneration and driving employee's motivation should be implemented.

Bottled water industries (AMDK – Air Minum Dalam Kemasan) in Indonesia experience intense competition. Many new products have sprung up and consumers are increasingly given more choices (Wisnuwidodo, 2018). The existence of various well known brands such as Aqua, Vit, Ades, Club, and even the new brand Le Mineral compete with local brand. In Indonesia there are at least 900 companies with 2.200 brands

(Issetiabudi, 2017). The most intense competition occurs in Jabodetabek area which consists of 60% of Java and Bali market. Market share for bottled water in 2015 dominated by Aqua with at least 46,7% (Utami, 2017), followed by Club 4% (Indofood), 2 Tang 2,8% (PT Tang Mas), Oasis 1,8% (PT Santa Rosa Indonesia), Super O2 1,7% (Garuda Food), and Prima 1,4% (Sosro). From different sources, Issetiadi (2017) revealed the market share data for November 2016 that Aqua still dominated the market with 55% followed by Le Minerale with 18%, Club (10%), and Vit (10%).

Bottled water companies need a good sales strategy to have competitive advantage. It is believed that good strategies can make their products become the market leader while providing high quality products. These action need good management of human capital. They need outstanding employees to develop product portfolio and to make customers choose their brands.

Company strategy cannot be run properly if they continuously experience high employee turnover. In recent years, many companies succeed in managing low turnover level. One essential factor to attract and retain best employees is the compensation and other benefit offered by organization. Tran (2016) and Chepchumba & Kimutai (2017) argued that employees who are not satisfied with their wages are found to be more likely to leave their jobs. Meanwhile, the individual aspect like motivation

also plays important role. Fernet et al. (2017) found the negative association between autonomous motivations from nurses with their intention to quit. The intrinsic aspect of job motivation also had negative relation with turnover (Kim, 2015).

The aims of this study are to examine the relationship of compensation satisfaction and motivation to turnover intentions in bottled water companies. This analysis is expected to help organizations better understand the important factors for maintaining the best employees so that they can implement the right and appropriate programs.

## LITERATURE REVIEW

### *Compensation*

Compensation could include all forms of pay going to employees and arising from their employment. Compensation usually has two components; direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations). Both are important and should be use accordingly. Different explanation came from Compensation can consists of intrinsic and extrinsic rewards employees receive for performing their jobs. Compensation includes the package of quantifiable rewards an employee receives for his or her labours. These include three components: base compensation, pay incentives, and indirect compensation/benefits. It is clear that

compensation is represents anything received by employee from their employer which related with their employment whether in form of monetary or non-monetary (benefit). The implementation of compensation package is important for any business organization. It is believed that compensation has relation with wide array of outcomes such as employee loyalty (Manurung, 2017), motivation (Rizal et al, 2014), turnover intention (Khan & Du, 2014), and employee performance (Thaief et al., 2015). Although considered as important, managing compensation is not easy. Organization needs to pay attention to several aspects such as government regulation, external/internal justice, economics growth, availability of skills, and cost for organization. Ideally they should meet all requirements, but in reality it is difficult. Therefore, organization need to implement compensation strategy which suit with the financial ability, but still covers other requirement.

According to the literature review on the previous studies it is proven that organizations use reward systems to motivate their employees and to increase their performance. By improving the reward system, organizations can survive in today's environment. An effective and just compensation policy can help an organisation achieve and sustain a competitive advantage. Employees, on receiving rewards and recognition from their organisation, feel obliged to respond with higher levels of commitment. After all, one of the objectives in managing compensation is to

attract and retain outstanding employees without harming the organization and breaking the regulation.

### ***Motivation***

Motivation refers to the forces within a person that affect the direction, intensity, and persistence of voluntary behaviour. Highly motivated employees exert a higher level of effort, to work longer and persistence toward a particular goal. In fact, motivation is one of the four essential drivers of individual behavior and performance. Kinicki & Fugate (2015) defines motivation as the psychological processes which underlie the direction, intensity, and persistence of individual behaviour or thought. Robbins & Judge (2018) viewed motivation as the processes that account for an individual's intensity, direction, and persistence of effort toward attaining a goal. Summarizing from the above concepts, motivation is the level of intensity and persistence of individual towards certain direction or in pursuing their goals which they considered important. Motivation is psychological process and arises from within individual. Organizations need to understand what motivates employees to do the work so they can direct their behavior to achieve organizational and personal goals. Managing employee motivation is important for organization because motivated employee contribute more. They will stay longer (Khan et al., 2016), develop strong engagement (Cooke et al., 2018), perform better (Mohamud et al., 2017), and higher organizational commitment (Fernet et al., 2017).

Kinicki & Fugate (2015) added that motivation fueled by input from inside individual (intrinsic) and environment (extrinsic). Employee can develop their driving force to do the job from within themselves or from outside. What motivates an employee can be identified from their needs. McClelland proposed three acquired needs; achievement, affiliation, and power (Robbins & Judge, 2018). Individuals develop different needs; to excel, to socialize, and to control. If these needs were met, individuals should perform better. In the employment relation inside the organization, needs for achievement, affiliation, and power are always present. It becomes the organization's responsibility to identify which needs are important for each individual. Then they should drive the employee according to their predominant needs in order to maximize their contribution.

### ***Turnover Intention***

Collins & Smith (2006) explained that employee turnover has been recognized as a major managerial concern in contemporary work organizations and argued that replacing employees may be costly in terms of recruiting, selecting, and training new employees to reach satisfactory levels of performance. Employee turnover is difficult to predict because usually employees are reluctant to express their intention to leave the organization. Employees rarely communicate their plans to leave the organization. They will tell their supervisor when they already get the new job. There is little that an organization can do to manage turnover unless there is an understanding

of the reasons for it. Information about these reasons is notoriously difficult to collect (Torrington et al., 2017). Turnover is defined as the rate at which employees leave the firm. Everybody does not want to sacrifice what they already had. For an organization, this situation can be harmful. Especially if an employee who wants to quit were their best worker. Therefore, it is recommended that an organization actively identify the intention to leave. Turnover intention is an individual's intention to seek new employment. Nancarrow et al. (2014) explained turnover intention as an intention to leave which is related to an individual's future behaviour of actually leaving a profession or an organization. In other words, this is the thought of an individual to quit from their current job/organization. Some managers assume that high turnover is not a good indicator of an effective organization. High turnover can lead to costly recruitment. However, some organizations would benefit if high turnover happens to employees with low performance. The goal of the organization is to maintain low turnover intention for outstanding employees. If they experience high turnover, not only do they have to spend more on recruitment, but their business also suffers. Instead of taking care of their clients, they have to train and focus on new employees. This will negatively impact the organization. In order to contain the intention to leave, an organization must know what causes the turnover. Previous studies found that job satisfaction (Rubel & Kee, 2015), organizational justice (Cao et al., 2013), work-life balance (Malik

et al., 2010), compensation (Sharew, 2017), level of motivation (Khan et al., 2016), and stress level (Lin et al., 2013) were important factors which should be studied in order to manage employee turnover intention.

### ***Compensation and Motivation***

Many organizations provide interesting compensation plan that linked with performance. They reward individuals (employee) according to their achievement and contribution. Ivancevich & Konopaske (2012) explain the objective of compensation program is to create a system of rewards that is equitable to the employer and employee alike. The philosophy of compensation is to balance between the effort and the reward for individuals. When designed properly, compensation can become powerful lever to influence employee motivation. The desired outcome is an employee who is attracted to the work and motivated to do a good job for the employer. Although there is a split view regarding compensation as motivator, most of the study reveals the positive relation between compensation and motivation. A study from Saudi Arabia using banking employees (Aamir et al., 2012) showed that the participants were motivated both by the extrinsic and intrinsic rewards. It proved that reward management has an intense direct positive relationship with employee motivation level. Other form of compensation like incentives also can motivate the employees. Compensation plans should be taken into consideration to motivate salespeople.

Compensation subscale such as pay, salary, bonuses, fringe benefits, health and life insurance are significant factors that affect employee motivation (Yousaf et al., 2014). Bhagwat et al. (2014) argue that in devising compensation plan to motivate employees, management should acknowledge the differences of occupation. For example, academic radiologists may motivate by factors other than financial gain.

Several others scholars also study the relation between compensation and motivation. Some of them conduct study for motivation as one variable. Rizal et al. (2014) indicated that compensation has significant effect on motivation and organizational commitment. Compensation also considered as the important factor to motivate employee. If managed effectively it will directly affect the motivation level of employees. Different view from Ghazanfar et al. (2011) explained that satisfaction with compensation can be a factor of work motivation. Element of compensation like incentives, also motivate employee to have positive attitude at work (Ekpudu & Ojeifo, 2014). This attitude can lead to job satisfaction, improve productivity, and performance.

Meanwhile, other scholars also discuss motivation as separate dimension of extrinsic and intrinsic motivation. A study conducted by Ferreira & Baidya (2016) revealed that the transparency of progression opportunities (career) and the equity of the remuneration system are variables that significantly affect positive on both the extrinsic motivation as the intrinsic

motivation. Meanwhile, Güngör (2011) also found the relation of reward management system applications and motivation. This article stressed the notion that monetary reward will affect the extrinsic motivation. Similar study conducted by Van Herpen (2005) found positive relations between the perceived characteristics of the complete compensation system and extrinsic motivation. Furthermore, the study expressed that intrinsic motivation is affected by the promotion opportunities not by the monetary compensation. Debates about the views on the important role of compensation in building employee motivation are still on-going. Some experts said that money can still drive employee motivation, others argue that money have a small impact on motivation, while some others scholars proposed that money only affect extrinsic motivation, but not intrinsic motivation (Tran, 2016). This finding came from various industries and cultures. Since this study was not divide motivation into its elements the first hypothesis is;

*H<sub>1</sub>: compensation will have significant and positive effect on employee motivation.*

### **Compensation and Turnover Intention**

Many human resource management issues like bad recruitment, rigid company policy, inadequate training, and poor incentive system can affect employees' Turnover Intention (TI). This section will discuss the influencing factors of compensation on TI. In an academic environment, Tran (2016) found that the principals' pay

satisfaction is negatively associated with principals' intention to turnover. That is if the Principals happy with their pay they were found to be more likely to stay with the institution. Higher number of participants will recommend other to work at their current organization if they perceived that the rewards program is appropriate.

Other scholars use different name for compensation variable. For example Chew et al. (2016) using annual salary, Cao et al. (2013) using five elements of total rewards (salary, rewards, work-life, performance & recognition and development & career), Guthrie (2000) using skill based pay system, Chepchumba & Kimutai (2017) using salary and commissions (salary, merit pay, travel/meal/house allowance and medical allowance) they were all propose the negative association with employee turnover.

Although most studies show a negative relationship, findings from Khan & Du (2014) and Huang et al. (2007) were support the idea that compensation did not have significant relation with employee turnover intention. Since most of the results support the significant and positive relation between compensation and turnover intention, the second hypothesis is

*H<sub>2</sub>: compensation will have significant and negative effect on employee turnover intention.*

### **Motivation and Turnover Intention**

Most people agree that higher levels of motivation yield more optimal outcomes and lessen undesired wok attitude. Many studies support the positive

the idea that motivated employee leads to more positive consequences (performance, decrease absenteeism, productivity). In theory, there are two types of motivation that come from outside and inside a person. Examples of outside driving force of motivation are money, fear of losing the job, and compulsion. The inside motivation is driver that came from within individual mind like happiness to serve people, feeling accomplish, and proud of what they do. Most scholars argue that the inside driver also known as autonomous motivation can bring sense of pleasure for individual because they realize or at least perceived their work has important value. Fernet et al. (2017) conduct study using nurses in Canada show that if they do and accomplish their work with a sense of pleasure they will have lower intention to leave the organization. Motivation was established to be significant and negative predictors of employee's intention to quit.

The need of fulfilment can make them less prone to turnover intentions. They want to achieve something in and with the organization. If they felt that this can be achieved they will stay longer. Kim (2015) studies local revenue officers in South Korea and found the intrinsic motivation was significantly and negatively related to employees' intention to leave their organization. Bonenberger et al. (2014) also confirm the role of intrinsic motivation to prevent turnover intention. Further study from Kim (2018) mentioned that motivated local revenue officers who experience enjoyment and interest are more likely to work harder, feel

less fatigue, less emotional exhaustion, more durable, and more willing to participate and involve. Using different name, Zhang & Li (2016) proposed that the most significant influence on the turnover is intrinsic intention. This means intrinsically motivated employees develop a sense of identification and attachment to their organization that in turn is negatively related to turnover intention (Galletta et al., 2011). Further study from Kuvaas et al. (2016) found the mediation effect of autonomous motivation in the relation of work effort and turnover intention. Besides many studies show a negative relationship, it turns out there is at least one research that has different view. Based on the result of previous studies, the third hypothesis is:

*H<sub>3</sub>: motivation will have significant negative effect on turnover intention.*

Regarding the mediation analysis, the next hypothesis was built from three variables relation. Based on the previous findings, the forth hypothesis is:

*H<sub>4</sub>: motivation will have significant and negative mediation effect in the relation of compensation and employee's turnover intention.*

## **METHODS**

### ***Population and Sample***

The population of this study was employees of one of the bottled water company in Bandung with 200 employees. The sampling technique used is non-probability sampling with accidental



sampling approach. This sampling technique was chosen based on accessibility and availability (Champion, 2002). The questionnaire was distributed to these employees using paper and pencil, and obtained data from 133 employees or a response rate of 66.5%.

### *Data Analysis*

Data analysis of this study used bootstrapping approach which is considered appropriate to analyse the influence between variables as well as determining the existence of an element of mediation (Prasetio et al., 2017). It avoids the need to meet the normality assumptions related to sample distribution through the application of bootstrapping confidence intervals (Preacher et al., 2007). MacKinnon et al. (2004) stated that through the computation of bootstrapped confidence intervals scholars can avoid some problems due to asymmetric and other non-normal sampling distributions of an indirect effect. Bootstrapping is a statistical method based on building a sampling distribution for a statistic by resampling from the data at hand. A big advantage of bootstrapping is that no assumptions about the shape of the sampling distribution of the statistic are necessary when conducting inferential tests. The mediation role of a variable will be determined based on the value of the Upper and Lower Confidence Interval. Both values should not contain the number 0. Data processing of this study used SPSS tool to test the hypotheses and get regression and mediation results. Process is macro adds-on for SPSS develop by Hayes

(2013). The data processing is a macro add-on for SPSS developed by Hayes (2013).

### *Measurement*

All items used in the questionnaire were on a six-point Likert response scale ranging from one (strongly disagree) to six (strongly agree). The neutral option divided into two parts to avoid centrality effect. This was done considering the Indonesian culture which usually chooses moderat or neutral option. Compensation was measured by 25 items develop from Hasibuan (2012). Example items are 'The salary I received was consistent with the workload' and 'the company provides adequate health insurance'. Motivation was measured by 18 items develop from the needs theory from McLelland (Schermerhorn et al., 2012). Example items are 'feel happy if my work is beneficial to my colleagues' and 'having a strong desire to lead the work team'. While turnover intention which defined as the behavioural intention to leave was measured by 6 items from Elci et al. (2012) with the items examples is 'often thinking of quitting current job' and 'actively looking for new job alternative opportunities'.

## **RESULTS AND DISCUSSION**

### *Profile of Respondents*

This research is focused on employees in one of the bottled water companies in Bandung. Table 1 below illustrates the profile of respondents in this study.

**Table 1. Profile of Respondents**

Demographics	Classification	No of Participants	Percentage
Gender	Male	70	52.6%
	Female	63	47.4%
Age	<25	59	44.4%
	25-30	36	27.1%
	>30-35	15	11.3%
	>35-40	11	8.3%
	>40-45	8	6.0%
	>45-50	2	1.5%
Marital	>50	2	1.5%
	Married	61	45.9%
	Single	70	52.6%
Tenure	Divorced	2	1.5%
	< 1 year	23	17.3%
	1-3 year	57	42.9%
	>3-5 year	20	15.0%
	>5-10 year	19	14.3%
Position	>10 year	14	10.5%
	Officer	110	82.7%
	Supervisor	6	4.5%
Education	Manager	17	12.8%
	High School	100	75.2%
	Diploma	23	17.3%
	Under Graduate	6	4.5%
Work Hour	Post Graduate	4	3.0%
	up to 9 hours	113	85.0%
	More than 9 hours	20	15.0%

The table above shows that based on gender, the majority of respondents was 70 men and 63 women; the number was not much different. Meanwhile, based on age, the majority of respondents were > 25 years (44.4%), followed by a range of ages 25-30 years (27.1%) and 30-35 years (11.3%), and the rest with an age range > 35 years. Based on marital status, it consists of marriage of 45.9%, singles 52.6%, and divorce 1.5%. This needs to be identified related to employee motivation. Based on the tenure of work, it can be seen that only 10.5% of employees have worked in the company > 10 years, while the majority of employees have worked for 1-3 years as many as 42.9%, followed by the number of employees working for < 1 year and 3-5 years, 17.3% and 15% respectively. Meanwhile, the rest are employees who have worked for 5-10 years (14.3%).

Based on the job position, the majority of respondents were officers (82.7%) who did not have managerial functions, while from managerial levels as much as 4.5% were supervisors and 12.8% were managers. Regarding educational background, 75% of respondents were graduates of high school (75.2%), and only 5% of respondents had a bachelor's degree. The interesting thing is there are 3% of those who hold postgraduate degrees. This can indicate that organizations might try to improve their performance by hiring people with higher levels of education. Finally, based on working hours, it can be seen that 85% of respondents work more than 9 hours, and the rest are less than 9 hours. This can also be an indication of the turnover rate in a company, where the standard working hours based on government provisions are 8 hours/day for 5 working days in 1 week, and 7 hours/day for 6 working days in 1 week (Law No .13 of 2003 concerning Labor).

### ***Hypothesis Testing***

Based on the hypothesis testing, table 2 shows correlations between variables. Compensation satisfaction is positively related with employee motivation (.501). It is also known that compensation has significant negative relation with turnover intention (-.444). While motivation did not has the significant relation with turnover intention.

**Table 2. Means, Standard Deviation, & Correlation**

	Mean	Std. Deviation	Age	Tenure	Education	Position	Workhour	Compensation	Motivation	Turnover
Age	2.1729	1.46428	1							
Tenure	2.5489	1.246	.770**	1						
Education	1.2857	0.64633	.492**	.359**	1					
Position	1.3534	0.7092	.393**	.353**	.571**	1				
Workhour	1.1504	0.35879	.210*	.085	.401**	.534**	1			
Compensation	4.885	0.58077	.008	-.041	-.031	-.149	-.161	1		
Motivation	4.9508	0.54536	.183*	.128	.252**	.282**	.169	.501**	1	
Turnover	3.5624	1.01182	.006	-.028	.044	.407**	.475**	-.444**	-.066	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*.. Correlation is significant at the 0.01 level (2-tailed).

Table 3 below shows the direct effects of the independent variables on the dependent variable

**Table 3. Regression coefficient, Standard error, & Model Summary**

	Motivation			Turnover		
	Coeff	SE	p-value	Coeff	SE	p-value
Compensation	0.470	0.071	0.000	-0.955	0.155	0.000
Motivation	-	-	-	0.387	0.165	0.021
Constant	2.653	0.349	0.000	6.313	0.792	0.000
	R Square		0.251	R Square		0.230
	F =		43.857	F =		19.356
	p =		0.000	p =		0.000

The coefficient value for compensation and motivation is .470 with p value < .05. The satisfaction toward compensation has effect on employee motivation. Thus the hypothesis H<sub>1</sub> was supported. The coefficient value for compensation and turnover intention is -.955 and p value of <.05 which is considered very strong and at the same time affirm the hypothesis H<sub>2</sub> that satisfaction with compensation strongly affect the turnover intention of employee in reverse way (negative). Furthermore, the coefficient value between motivation and turnover intention is .0387 with p value <.05. This indicates that motivation has very small positive effect on turnover intention and

also confirms that hypothesis H<sub>3</sub> also supported. Table 4 below summarized the results.

**Table 4. Hypothesis Summary**

Hypothesis	Effect	Result
H <sub>1</sub>	Compensation --> Motivation	Accepted
H <sub>2</sub>	Compensation --> Turnover	Accepted
H <sub>3</sub>	Motivation --> Turnover	Accepted
H <sub>4</sub>	Compensation --> Motivation --> Turnover	Rejected

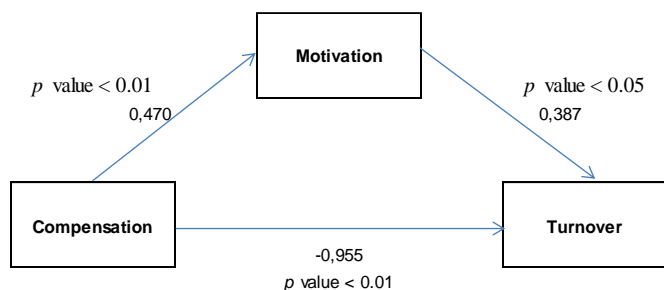
The next process is to determine whether motivation play the mediation role in the relationship of compensation and turnover intention. Based on an explanation from Hayes (2013) and Preacher et al. (2007), a variable is believed to have a mediating role if the Upper Level and the Lower Level of bootstrap confidence interval did not contain zero value. So the confidence interval should lies between positive or negative sign. From Table 5 it is clear that the bootstrap confidence interval contain zero since the sign was shown negative and positive. That is hypothesis H<sub>4</sub> was not supported, the motivation did not mediate the relation between compensation and employee turnover.

**Table 5. Indirect Effect of Motivation**

Indirect Effect of Compensation on Turnover Intention				
	Effect	Boot SE	BootLLCI	BootULCI
Through Motivation	0,182	0,105	-0,198	0,397

The complete description regarding the relations, direct, and indirect effect were shown in Figure 2. The value below .01 and .05 showed that all three relations were significant. The important thing is that motivation has positive relation with

turnover intention. That mean, the higher employee has motivation, the higher their intention to quit.



**Figure 1. Mediation Model**

### Discussion

This study was conducted to examine relationships among compensation, motivation, and turnover intention. The result show that employee perceive high satisfaction regarding their compensation. They also develop high motivation at their work in the current company. An interesting finding from this study is that even though they are satisfied with compensation and have high motivation, they are still thinking of leaving the organization. Although this intention can be classified as low, it still needs attention from management.

The contribution of this study is the relationship model involving compensation, motivation and turnover intention altogether which still quite rare especially in using participants from Indonesia. However the study found that employee motivation did not mediate the relationship between satisfaction regarding compensation and turnover intention. Motivated employees will still have the intention to leave if

there is a better chance. This is in accordance with McLelland's theory of needs; achievement, affiliation, and power. Individuals need satisfaction in working and they will look for any place (organization) that can meet those needs. In fact, this study found that the more motivated employee, the higher their intention to leave. If they did not get what they need from current organization and they find it outside they will leave the organization. The compensation program proved can predict the motivation. This can be related with the achievement dimension. Compensation (whether financial or non-financial) still regard as one of achievement measurement. Bonuses, incentives, insurance, salary, paid vacation, and stock option are still often sought as an embodiment of achievement. In addition to its role in increasing motivation, better perception regarding compensation satisfaction can reduce the intention to leave. Organization which provide better offer regarding compensation packages, will become employee favourite. Employee who perceive their compensation was fair and meet the need will have lower intention to leave. Like it or not, compensation still important reason used by individual when they make consideration to stay or leave.

The results of this study confirmed earlier finding regarding the relationship between compensation and motivation and turnover intention. Compensation plans should take into consideration if organization wants to motivate their employee. Previous studies from Yousaf et

al., 2014; Bhagwat et al., 2014; Rizal et al., 2014; Ghazanfar et al., 2011; Ekpuđu & Ojeifo, 2014 argued that compensation has significant positive effect on motivation. Besides, compensation also plays important role to retain employees from leaving the organization. Studies from various cultures support the idea and found that poor compensation programs can affect employee turnover intentions. Studies from Tran (2016), Chew et al. (2016), Cao et al. (2013), Guthrie (2000), and Chepchumba & Kimutai (2017) produced the same conclusions that satisfaction regarding compensation program can have negative impact on turnover intention. While these two relations were supported by many previous studies, this is not the case with findings related to the relationship between motivation and turnover intention.

Most studies found that motivation (especially intrinsic motivation) was established as significant and negative predictors of employee's intention to quit. Findings from Fernet et al. (2017), Kim (2015), and Bonenberger et al. (2014), confirm the role of motivation to prevent turnover intention. It seemed that the current study find the opposite result. Even though it looks odd, as explained above, this finding contributes new thoughts regarding motivation and turnover intention. Even though motivation is important and is often considered as one of the factors that keeps employees in their jobs, it turns out, this will not necessarily prevent employees from leaving. Highly motivated employee usually has high

morale and likes new challenges. If the organization cannot meet their needs, it is not impossible for them to quit. Therefore, careful attention needs to be focus on this matter.

Bottled water companies have various divisions carried out by various workers including production, packaging, and shipping divisions which are three important divisions. Even though the working conditions are quite good, there are several parts of the work that require caution. Some of employees also feel that they have excessive workload. Some of them complain that they often experience staff shortages due to delayed recruitment. Lack of training opportunity also became one thing that employee complain about. If organization did not answer to those needs some of employees will develop the intention to leave. Because they feel the organization cannot help them to achieve their needs. Therefore, management should start to identify these problems and find a way to resolve them before it is too late.

Despite the contribution made by this study, it also has limitation. The first limitation was the method of study which used cross-sectional survey. This method only allows a limited time to study the participants. Next study should consider the longitudinal which can study participants in several different times. The result will have more complete explanation. Therefore representativeness of all employees and generalization of this study are limited. In addition, for better results, future studies can use

random sampling and cover several companies for comparison.

## CONCLUSION

This study found that three hypotheses were supported. Compensation has significant positive effect on motivation (H<sub>1</sub>) and turnover intention (H<sub>2</sub>), while motivation also has significant positive effect on turnover intention (H<sub>3</sub>). The result of first and second hypotheses supported previous literatures. But the result of third hypothesis was different from most previous studies. This becomes important finding because it raises a new perspective regarding employee motivation and its impact on turnover.

Although compensation and motivation variables influence on turnover intention, based on the results of this study indicate that motivation does not mediate the relationship between compensation and turnover intention. The hypothesis H<sub>4</sub> was not supported. Still organization can optimize the role of compensation and motivation. But in doing so, they cannot put their expectation that highly motivated employee will certainly stay in the organization. Organization must put some efforts to identify what motivated them and try to meet the needs. Only by doing so, they can retain their best employees.

Regarding tight business competition and the important role of employees to help organizations achieve goals, organizations need to focus on keeping the best people in it. First of all, they

must maintain a positive perception of satisfaction compensation. It is clear that compensation plays vital role. This study found that employee perception was quite high. Companies can learn about various employee demands related to income. Companies must be able to maintain their best performance by providing compensation programs with the right combination. One strategy that can be implemented includes launching health insurance tailored to the needs of each level of work. In addition, programs to reward their loyal employees (for example those who work for more than 10 years) may be an alternative compensation program in order to maintain good-performing employees, such as financial assistance for religious pilgrimages (e.g. Hajj). Other programs, loyal employees can get soft loans to pay for their child's school fees. In short, human resources manager need to find a new way to attract good people. The compensation satisfaction program is also considered as an effective way to increase employee motivation. Good income will motivate employees. This is in line with the reciprocal theory, where when employees see an organization caring for them, they will do their best to repay services. Based on conservation resources, when employees realize that they will get more resources (satisfying income) they tend to preserve resources, namely organizations, by doing more than they should. Hopefully they will continue to receive more resources (money, careers, etc.).

Contribution of this study is to introduce a mediation model of motivation in the relationship between compensation satisfaction and turnover intention. The relation of each independent variable has been studied over the years. But the mediation role of motivation in such relation still rarely studied. However, the limitation regarding of the study was the cross-sectional data. For better understanding, future research can apply longitudinal data which can give more detail information regarding employee's behavior in such a long period of time. Future studies can also replicate this model to examine other industry trends or maybe apply this model in different cultures.

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