

# COMPENSATION, ORGANIZATIONAL COMMUNICATION, AND CAREER PATH AS DETERMINANTS OF EMPLOYEE PERFORMANCE IMPROVEMENT

Meithiana Indrasari<sup>1</sup>, Nur Syamsudin<sup>2</sup>, Raditya Bambang Purnomo<sup>3</sup>, Eddy Yunus<sup>4</sup>

<sup>1,3,4</sup>Lecturer, Faculty of Economics and Business, Universitas Dr. Soetomo, Surabaya, Indonesia, <sup>2</sup>Lecturer, Universitas Islam Negeri Walisongo, Semarang, Indonesia.

Email: <sup>1</sup>meithiana.indrasari@unitomo.ac.id, <sup>2</sup>nursyamsudin@walisongo.ac.id, <sup>3</sup>bambang.purnomo@unitomo.ac.id, <sup>4</sup>eddyyunus67@yahoo.com

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## Abstract

**Purpose:** The present study investigated the effects of compensation, organizational communication, and career path to employee performance of a transformer distributor company (PT Bambang Djaya) in Surabaya Indonesia because the above three variables were important aspects of improving the employee performance.

**Methodology:** The data was collected by a Likert Scale questionnaire and analyzed using the multiple linear regression. The participants were 117 employees and selected using a purposive sampling technique.

**Result:** The results showed that the compensation, organizational communication, and career paths had significant effects simultaneously on employee performance; and the career path was the strongest determinant of employee performance.

**Applications:** This research can be used for universities, teachers, and students.

**Novelty/Originality:** In this research, the model of the compensation, organizational communication, and career path as determinants of employee performance improvement is presented in a comprehensive and complete manner.

**Keywords:** *Compensation, Communication, Career Path, Employee Performance.*

## INTRODUCTION

In Indonesia, the development of the manufacturing industry underwent serious challenges in addition to economic recession. Since January 2010, the implementation of Asian Economic Community has resulted in a flood of merchandise from China. An increase in the basic electricity tariff by 15% and national minimum wage increase of up to 20% made all industries be creative in the production. Creativity plays a very important role in developing human resource aspects to improve the profitability of company.

By recognizing the importance of human resources for companies, they should pay special attention to employees. The human as a worker is the main factor that determines the organization's operations and cannot be separated from the effectiveness of human existence as qualified personnel. Consequently, companies should pay special attention to employee careers and development since organizations depend on employees ([Damoah & Adu, 2016](#); [Gonan Božac et al., 2016](#); [Hou, 2015](#); [Haghshenas et al., 2015](#); [Bakhshandeh et al., 2015](#)).

According to [Mrkic \(2016\)](#), when employees' needs are met (compensation, organizational communication, and career), they will be satisfied with work. This satisfaction leads to improved performance and also increases the overall productivity of a company. This is supported by Mutmainah who proved that employee performance is influenced by the mediated compensation by job satisfaction among employees in Laweyan Society Batik Surakarta. This is applicable when the compensation is calculated and given to employees in accordance with the work of a company. Juwita also proved that there was an influence of organizational communications on employee performance through employee satisfaction in the Islamic Hospital of Malang. In addition, Papatungan proved that there was a career path to influence the performance of employees in PT Calaca Branch of Bank of North Sulawesi. The employee needs to clearly understand what they want in future.

This leads us to the conclusion that the career and development provide unique contributions to human life. Companies should match their career management with employee career plans. If career planning is undertaken by individual employees in accordance with career opportunities in an organization, it most likely will raise employee morale ([Araújo et al., 2018](#); [Ameen et al., 2018](#)).

The problem of human resources in PT Bambang Djaja Surabaya Indonesia, a national wide transformer distribution company, was the employee dissatisfaction with company regulations, facilities, organizational communication, certainty on career path, and compensation for the excess workload ([Bentley & Bossé, 2018](#); [Alpeisso et al., 2018](#)).

## DEFINITION OF CONCEPTS

### *Compensation*

In terms of type, Harianja (suggested that the compensation was everything receiving by employees as the remuneration for work. Compensation is also known as an award for the employee, either directly or indirectly, and a financial or non-

financial fair to employees on their performance in achieving goals of organization. The financial compensation has types such as salary, benefits, bonuses (incentives), and commissions. Non-financial compensations include training, authority, responsibility, recognition of performance, as well as a supportive working environment.

Another definition by Rivai suggested that incentives are forms of payment linked to the performance as the employee profit-sharing. Likewise, according to Ghozali, an incentive is a form of motivation that is expressed in the form of money on the basis of high performance and also a sense of acknowledgment from the organization to employee performance contributing to the organization (company). Meanwhile, Hasibuan suggested that "additional remuneration incentives are granted to certain employees with performance according to the standard. An incentive is a tool for supporting principles of a fair in giving the compensation. ( [Arnolds, C. A., & Boshoff, C. \(2000\)](#))”

## COMMUNICATION

Juwita emphasized the concept of interdependence to explain the relationships of employees. The most important element in communication is not just about what we write or say, but about our characters and how we convey the message to the recipient. If the words or writings are built from superficial human relations techniques (personal ethics), and not from our own thought (ethics code), then other people will see or read our attitude. This means that the main requirement ineffective communication is a strong character that is built from a strong foundation of personal integrity. Effective communication includes how to write effectively, read quickly and effectively, speak effectively, and act as a good listener. According to Juwita, only a few people have ever heard of training; and numerous training are the Personality Ethic techniques, which are cut off from basic characters and relationships, that form vital basis for our understanding of the existence of others.

## Career

Santosa & Ashari mentioned elements that must be considered in career development programming:

- a. Assessment of career needs: It indicated the roles of organizations in providing opportunities and helps each member to make informed decisions about their career development by providing as much information and guidance as possible to be able to gauge the need for a career that may be achieved in the future.
- b. Career Opportunity: It refers to the responsibility of organizations to describe the career opportunities existing in the organization. With information about the career opportunities that exist within the organization, all workers will clearly know about various positions.
- c. Adjustment needs and career opportunity: They are realigned with two interests.

## EMPLOYEE PERFORMANCE

Munafiah mentioned the definition of performance as recording obtained results from job functions or activities for a certain period. It is suggested that the performance is the result of work that can be accomplished by person or group of people in an organization in order to achieve organizational goals in a specific time period. McNesse-Smith explained that the performance is the result of many individual decisions that are made constantly by the management. Performance is generally defined as a person's success in carrying out tasks or assigned jobs. Simamora reassured that the performance was the feedback on various issues such as fatigue, deficiencies, and potentials and is in turn beneficial to set goals, track, career development plan especially the organization. Furthermore, it was described that the performance as the level of execution of tasks can be achieved by a person, unit, or division using the existing capabilities and limitations to achieve goals.

Hasibuan found that the performance came from the work performance or achievements actually by a person at work. The notion of performance is the result of quality and quantity of accomplished work in performing duties by employees in accordance with job responsibilities given by organizations or companies ([Gayathiri, R., Ramakrishnan, L., Babatunde, S. A., Banerjee, A., & Islam, M. Z. \(2013\).](#))

## METHODOLOGY

The statistical population of the present study consisted of all employees in PT. Bambang Djaja, both power operator, and non-operator personnel. Based on the collected data from the human resources department, the number of employees was 611 up to April 2014. The sampling technique in this research was purposive under specified conditions by researchers according to the needs of research. The inclusion criteria contained employees with minimum periods of employment for at least two years.

## DATA COLLECTION

Data was collected using distributed questionnaires among respondents in accordance with the characteristics of the sample set. The Likert scale was used for wide number of respondents to get their responses or attitude.

## DATA ANALYSIS

Based on the research objective, the multiple linear regression analysis was used to analyze the collected data. Table 1

presents the results.

**Table 1:** Results, Constants and Regression Coefficients

Independent Variables	$\beta$ coefficient	T value	Sig.
Compensation (X1)			(X3) 0.349 0.332 0.351
Organizational Communication (X2)			7.439 8.872 13.827 0.000
Career Career			
Constant	R:-0.150	Sign:	
R Square	Fcount:0.868 F	247.034:2.68:	
Multiple	table:0.932	0.000	

Source: Indrasari et al. (2018)

Based on the analysis of Table 1, the resulting regression equation is  $Y = -0.150 + 0.349 X1 + 0.332X2 + 0.351X3$ . According to the regression equation, a constant value of 0.150 means that the dependent variable (Y) is equal to 0.150 if the independent variables, X1, X2, and X3, are equal to 0, so that the dependent variable (Y) is equal to 0.150 if it is not influenced by variables, namely X, X2, and X3.

The regression coefficient variable compensation (X1) is approximately 0.349 with the direction of a positive relationship. This means that any increase in the variable compensation (X1) will have an impact on the increased employee performance (Y), and vice versa. The regression coefficient value of organizational communication variables (X2) is approximately 0.332 with the direction of a positive relationship. This means that any increase in organizational communication variables (X2) will affect the increase of employee performance (Y), and vice versa. The regression coefficient of career path (X3) is approximately 0.351 with the direction of a positive relationship. This means that any increase in the career path (X3) will increase the performance (Y), and vice versa (Azman, I., Alimi, A., & Rashidi, A. (2014).).

## RESULTS AND DISCUSSION

### Results

The first hypothesis test was performed using the F-test. The test was done to examine whether the independent variables can simultaneously influence the dependent variable. The first hypothesis test was conducted by comparing Fcount with Ftable under the significant level ( $\alpha$ ) of 5% and a degree of freedom  $df1 = 3$ ;  $df2 = 2.68$  (taken from data  $n - k - 1 = (117 - 3 - 1) = 113$ ).

It can be seen that Fcount (247.034) < F table (2.68). The significance value was also below 0.05 so that it can be concluded that there is simultaneous effect of compensation, organizational communication, and career on employee job satisfaction in PT. Bambang Djaja Surabaya. Therefore, the first hypothesis indicates that "The simultaneous effect of compensation, organizational communication, and career on employee job satisfaction PT. Bambang Djaja Surabaya is acceptable or unsubstantiated".

The second hypothesis test was performed by t-test for determining the effect of each independent variable on the dependent variable. At the 5% significance level and degrees of freedom (DF)  $n-2$ , the comparison was made with rules and then decisions were taken: if the t-value > t table, then no effect was seen, but if t < t table, then there was no effect. T-test results can be explained as follows:

- Effect of compensation (X1) on the employee performance (Y) obtained t of 7.439, while the t table with a significant level ( $\alpha$ ) of 5% and  $df = (n - k - 1) = (117 - 3 - 1) = (0.05, 113)$ , so that it can be concluded that  $t < t_{table} = (7.439 < 1.65845)$  and Sig (0,00) < 0.05, then the partial compensation (X1) significantly affected the employee performance (Y).
- The influence of organizational communication (X2) on employee performance (Y), known as the data processing obtained t of 8.872, while t table with a significant level ( $\alpha$ ) of 5% and  $df = (n - k - 1) = (117 - 3 - 1) = (0.05, 113) = 1.65845$ , so that it can be concluded  $t > t_{table} = (8.872 > 1.65845)$  and Sig (0,00) < 0.05, then partially communications organization (X2) significantly affected the employee performance (Y).
- The influence of the career level (X3) on employee performance (Y), known as the data processing, obtained t of 13.827, while t table with a significant level ( $\alpha$ ) of 5% and  $df = (n - k - 1) = (117 - 3 - 1) = (0.05, 113) = 1.65845$ , so that it can be concluded  $t > t_{table} = (13.827 > 1.65845)$  and Sig (0,00) < 0.05, then partially career level (X3) significantly affected the performance of employees (Y).

The magnitude of the effects of all independent variables (X) on the dependent variable (Y) was indicated by the coefficient of determination ( $R^2$ ). The value of  $R^2$  was 0.864 or 86.4%. This means that variations in the variable compensation, organizational communication and career paths that were used in the regression equation were

simultaneously able to affect variations in employee performance variable (Y) amounted to 86.4%. Other variables, which were not included in this research model, had an effect of 13.6%, while the value of the correlation coefficient (R) was 0.932 meaning that the level of closeness between independent and dependent variables could be very strong.

The effects of each independent variable on the dependent variable can be determined by examining the value of each variable  $r^2$  as presented in Table 2.

**Table 2:** Results of Partial Correlation Analysis

Variable	T	Sig.	r	$r^2$
Compensation (X1)	7.439	0.000	0.573	0.328
Communication organization (X2)	8.872	0.000	0.641	0.411
Level of career (X3)	13.827	0.000	0.793	0.629

Source: Indrasari et al. (2018)

According to Table 2, the  $r^2$  value of compensation (X1) is 0.328 meaning that the effect of compensation (X1) on the performance of employees amounted to 32.8%. The value of  $r^2$  for organizational communication variables (X2) is 0.411 meaning that the effect of communication variables organization (X2) on the performance of employees amounted to 41.1%. The value of  $r^2$  for the career level variable (X3) is 0.629 meaning that the effect of the career path variable (X3) on the performance of employees amounted to 62.9%

The third hypothesis of the study cannot be accepted due to the biggest value of  $r^2$  on the career path (X3) ([Coetzee, M., Mitonga-Monga, J., & Swart, B. \(2014\).](#)).

## DISCUSSION

The results of the study proved that compensation, organizational communication, and career path affected employee performance at PT Bambang Djadja. The research objective was achieved using multiple linear regression analysis.

According to the results of multiple linear regression analysis, there were significant and positive effects of the compensation, organizational communication, and career paths simultaneously on the employee performance at PT Bambang Djadja. According to results of the ANOVA ( $F=247.034 > 2.68$ ), compensation, organizational communication, and career path were important aspects of improving employee performance at PT Bambang Djadja. Therefore, the compensation they received, effective organizational communication, and well-planned career path expected to increase employee performance.

Results of the partial test indicated the calculated results of the t-test ( $t=7.439 > 1.65845$ ) meaning that the compensation was an independent variable with an influence on the employee performance at PT Bambang Djadja. Therefore, PT Bambang Djadja needed to consider the compensation in the form of financial or non-financial grant to employees.

Financial compensation is a compensation for employees after they fulfilled their tasks usually in forms of cash or bonuses, commissions, profit sharing and deferred compensation, as well as the social security, for the provision of home offices, overtime pay, health benefits, and other benefits, while non-financial compensation can be provided in various forms such as the provision of a plaque of appreciation, giving praise orally or written, officially or privately, acknowledgments formally or informally, promotion to a good employee position during a certain period and it considers capable, marking services/achievements for employees who have reached the long working lives and have a high loyalty, granting the right to use any attributed positions (e.g. in car and others), and the provision of specialized equipment in the workspace.

Based on results, organizational communication affected employee performance ( $t=8.872 > 1.65845$ ). The results are supported by Juwita who found the impact of organizational communication on employee performance. Therefore, the organizational communication is a vital tool in creating collaboration among employees to help each other, hold each other, and influence their interaction that, in turn, encourages employees to do their job properly. Employees will be also motivated to achieve high performance.

Based on survey results, the career path affected employee performance ( $t=13.827 > 1.65845$ ). The results of study are supported by Papatungan who found the impact of careers on employee performance. The career advancement links the potential and performance of individuals and organizations that committed career management. If career planning is undertaken by individual employees in accordance with the career opportunities given to an organization, it is most likely to increase employee morale. Therefore, employees will be motivated to carry out work in accordance with their responsibilities and job description that has been determined by the organization, so that it will encourage employees to improve their performance.



## CONCLUSION

There were simultaneous effects of compensation, organizational communication, and career on the employee performance in PT. Bambang Djaja Surabaya. Meanwhile, there was a partial interaction of compensation, organizational communication, and career on the performance of employees of PT. Bambang Djaja Surabaya. Results also indicated that the career path had a dominant influence on employee performance compared to other variables.

## SUGGESTION

According to research results, companies are suggested keeping the existing compensation and trying to increase the positive way of improving employee performance. The provided compensation should be a value for employees meaning that both financial and nonfinancial compensations for employees should be able to meet their needs.

Organizational communication also needs to be improved so as to improve employee performance. Communication can be two-way or reciprocal, both of which occur between managers and staff as well as employees so as to create a pleasant working atmosphere and keep conditions in which employees always have a chance to give different opinions to the manager.

The company also needs to provide space for co-workers or superiors so that the atmosphere of the workplace can always support employee performance, provide appeal to employees who do not have timing or good career because discipline is the main mirror of the good employee performance.

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