

# The Effect of Organizational Climate and Compensation on Job Satisfaction and Employee Turnover Intention

I Putu Agus Suwastawa<sup>1</sup>, I GDE Adnyana Sudibya<sup>2</sup>

Faculty Economic dan Business Udayana University, Bali, Indonesia

**Abstract:** *The purpose of this study was to determine the effect of organizational climate, and compensation for employee job satisfaction and turnover intention at PT. Klapa New Kuta Beach. The study was conducted on employees of PT. Klapa New Kuta Beach with the number of respondents as many as 50 employees. The research respondents were determined using the saturated sampling method. Data collection is done by distributing questionnaires using a 5-point Likert scale to measure 22 indicators. The data analysis technique used is partial least square (PLS). The test results get a positive and significant organizational climate on job satisfaction, organizational climate has a negative and significant effect on turnover intention, compensation has a positive and significant effect on job satisfaction, compensation has a negative and significant effect on turnover intention, job satisfaction has a negative and significant effect on turnover intention. The limitations of this study are that the location of this study is only within the scope of the tourism industry, so that the results of this study cannot explain the state of state-owned companies or civil servants (PNS).*

**Keywords:** organizational climate, compensation, job satisfaction, turnover intention

## 1. Introduction

In conjunction with human resources, from various studies that have been conducted, changes in environmental conditions of both internal and external organizations can directly or indirectly affect the organizational climate which can reduce the level of job satisfaction which in turn can lead to the turnover intention to employees (turnover intention) which in turn can lead to actual turnover. Various definitions of turnover were expressed by researchers. Turnover is one problem that must be considered because it can affect the condition of a company. Turnover can be interpreted as the desire to move from one job to another for certain reasons (Wirawan, 2015). This will be very serious if the desire to move in a high company will cause some negative effects in the form of instability and confusion which can ultimately harm the company and its employees. The company will add certain costs, especially in terms of recruitment until training new prospective employees so that vacancies can be filled and production activities can run normally. But if the company ignores the vacancy, it will impact directly on its employees.

Kardiman, et al. (2012) said that although turnover intention generally has a negative impact on organizations, turnover intention is often needed by companies that have employees with low performance. This method is used to replace employees who have low performance or to find some experts in their field so that they can increase the productivity and performance of the company. Employees are social beings who have their own backgrounds, personality and ways of thinking. Employees also often have different ways of dealing with problems, including in handling stress, so that the company cannot predict the attitude of the employee who is feared to disturb the process of achieving goals. As said by Syahronica&Ruhana (2015) that stress is the dominant factor that affects turnover intention, this is in line with the opinion of Manurung (2012) which states that stress has a positive effect on employee

turnover intention. Therefore, companies must take actions and approaches to understand the needs of their employees so that they can reduce the turnover rate that occurs. One approach that can be given to employees is social support. Employee turnover is a phenomenon that often occurs in a business, which can be interpreted as the movement of labor in and out of an organization (Witasari, 2009). Turnover leads to the final reality faced by an organization in the form of the number of employees who leave the organization in a certain period, while the desire of employees to move (turnover intention) refers to the results of individual evaluations regarding the continuation of relations with organizations that have not been realized in action. Turnover can be in the form of resignation, moving out of the organizational unit, dismissal or death of an organization member, the desire to leave an organization is generally preceded by employee intentions triggered, among others, employee dissatisfaction with work and low commitment of employees to commit themselves to the organization (Jimad, 2011).

At present the high level of desire is out (intention to quit) has become a serious problem for many companies, even some companies experience frustration when the difficulty in running the recruitment process and even more so when knowing when it has succeeded in getting qualified staff in the end turned out to be in vain because the recruited staff had chosen jobs in other companies. To anticipate this high turnover, the workforce can be predicted from how much the desire to move belongs to the member (staff) of an organization or company. Turnover can be fatal to the organization because it experiences a shortage of experts in the labor market and causes high tuition fees for beginner employees. High turnover intentions take the company's attention because it interferes with operations, creates moral problems for employees who live, and also catapults costs in recruitment, interviews, tests, reference checks, new employee processing administrative costs, benefits,

orientation, and opportunity costs lost due to employees just have to learn new skills.

## 2. Literature Review

Research by Brimhall et al. (2014) show that organizational climate and job satisfaction are correlated. This study also suggests that measuring different variables will produce different results. Griffin (2001) and Bhutto et al (2012) show varying results. Griffin (2001) found three dimensions that predict job satisfaction, namely the quality of supervision, role ambiguity, and training. Bhutto et al., (2012) found mixed results between dimensions of organizational climate and job satisfaction. Organizational structure, identity, and human relations have a positive relationship with job satisfaction, while justice and empowerment are negatively related to job satisfaction (Bhutto et al., 2012). Based on the above studies, the following hypotheses can be proposed:

H1: Positive and significant effect between Organizational Climate on job satisfaction on employees

Research conducted by Teh (2014) regarding the effect of organizational climate on turnover intention and employee job satisfaction argues that the results of organizational climate and job satisfaction have a negative impact on turnover intention. Jyoty (2013) conducted research on the effect of organizational climate on job satisfaction, work commitment, and turnover intention, suggesting that job satisfaction has a negative effect in mediating the organizational climate on turnover intention. According to Suhanto (2009) research concerning work stress and organizational climate towards turnover intention with job satisfaction as a mediating variable, suggests that organizational climate has a negative effect on turnover intention with job satisfaction as a mediating variable. Based on the above studies, the following hypotheses can be proposed:

H2: Negative and significant effect between Organizational Climate on Turnover Intention on employees

Sopiah (2013) conducted research on employees in the Islamic Bank of Malang, and found that compensation had a positive effect on job satisfaction. Employees who are given compensation according to the workload, the level of their satisfaction in the work is also getting higher. Vice versa, if the compensation given is inappropriate and timely, employee job satisfaction will decrease. Based on the above studies, the following hypotheses can be proposed:

H3: Positive and significant effect between compensation on job satisfaction for employees

Saleem and Gul (2013) revealed the results of his research that compensation has a negative relationship with the desire of employees to change jobs (turnover intention), thus, given job satisfaction can help control turnover intention, thereby reducing the cost of recruiting personnel and training new employees. Based on the above studies, the following hypotheses can be proposed:

H4: Negative and significant effect between financial compensation on turnover intention on employees

Another study was conducted by Chiu and Francesco (2003) in Chiu, et al. (2005) which indicates that individual

turnover intention has a negative relationship with job satisfaction and organizational commitment. The study conducted by Abraham (1999) also corroborates the same opinion by proving the existence of a strong negative relationship between job satisfaction and turnover intention and after an effort to increase job satisfaction, the turnover intention decreased significantly. Research conducted by Herzberg (1987) in Carmeli and Weisberg (2006) concluded that there is a negative relationship between intrinsic job satisfaction and extrinsic job satisfaction with the turnover intention. Thatcher and Stepina (2001) in Ahuja, et al. (2007) reinforce similar opinions using the variable job satisfaction and job utility to predict employee intentions for the family of the company. Based on the above studies, the following hypotheses can be proposed:

H5: Negative effect and significant job satisfaction on turnover intention on employees

## 3. Methods

The population in this study were all employees working at PT. Klapa New Kuta Beach, which numbered 50 employees without differentiating contract employees. The sampling method in this study uses saturated sampling, which is a sampling technique if all members of the population will be used as samples. Data analysis in this study used the Partial Least Square (PLS) approach.

## 4. Result and Discussion

**Table 1:** Path Coefficients

Konstruk	Original Sample (O)	t-statistic	p Values	Keterangan
X1 -> Y1	0.553	4.299	0.000	Signifikan
X1 -> Y2	-2.182	2.380	0.018	Signifikan
X2 -> Y1	0.322	2.634	0.009	Signifikan
X2 -> Y2	-2.737	2.145	0.032	Signifikan
Y1 -> Y2	-0.055	5.143	0.000	Signifikan

Primary Data, 2018

### Organizational Climate on Job Satisfaction

Organizational climate has a positive and significant effect on job satisfaction with a statistical t value of 4.299 (t value  $4.299 > t_{table} 1.96$ ) with a significant value of  $0.000 < 0.05$ . This means that the better the organization's climate, the better the employee's working power is obtained. The results of this study are supported by the research of Brimhall et al (2014) which shows that organizational climate and job satisfaction are correlated. This study also suggests that measuring different variables will produce different results. Griffin (2001) and Bhutto et al (2012) show varying results. Griffin (2001) found three dimensions that predict job satisfaction, namely the quality of supervision, role ambiguity, and training. Bhutto et al (2012) found mixed results between dimensions of organizational climate and job satisfaction. Organizational structure, identity, and human relations have a positive relationship with job satisfaction, while justice and empowerment are negatively related to job satisfaction (Bhutto et al., 2012).

### Organizational Climate on Turnover Intention

Organizational climate has a negative and significant effect on turnover intention with a statistic t value of 5.210 (t value

5.210 > t table 1.96) with a significant value of 0.018 < 0.05. This means that the higher the organizational climate the company has, the lower the turnover intention of the employees. Research conducted by Teh (2014) regarding the influence of organizational climate on turnover intention and employee job satisfaction argues that the results of organizational climate and job satisfaction have a negative impact on turnover intention. Jyoty (2013) conducted research on the influence of organizational climate on job satisfaction, work commitment, and turnover intention, suggesting that job satisfaction has a negative effect in mediating the organizational climate on turnover intention. According to Suhanto (2009) research concerning work stress and organizational climate towards turnover intention with job satisfaction as a mediating variable, suggests that organizational climate has a negative effect on turnover intention with job satisfaction as a mediating variable.

### Compensation on Job Satisfaction

Compensation has a positive and significant effect on job satisfaction with a statistical t value of 2.634 (t value 2.634 > t table 1.96) with a significant value of 0.009 < 0.05. This means that the higher the compensation given by the company, the higher employee job satisfaction is obtained. Sopiah (2013) conducted research on employees in the Islamic Bank of Malang, and found that compensation had a positive effect on job satisfaction. Employees who are given compensation according to the workload, the level of their satisfaction in the work is also getting higher. Vice versa, if the compensation given is inappropriate and timely, employee satisfaction will decrease.

### Compensation on turnover intention

Compensation has a negative and significant effect on turnover intention with a statistical t value of 2,396 (t value 2,396 > t table 1.96) with a significant value of 0.032 < 0.05. This means that the higher the compensation given by the company, the lower the turnover intention held by the employee. Researched by Sopiah (2014) revealed that financial compensation has a negative effect on turnover intention. Devi and Adnyana (2015) Financial compensation has a negative effect on employee turnover which means that the greater the financial compensation received, the intention to get out of work will be reduced because employees feel valued by their needs that can be met, conversely the low financial compensation received then turnover intention will be higher so compensation will be very useful if given with sacrifices that employees give to the company. The results of the research conducted by Putrianti (2014) prove that compensation has a negative and significant effect on turnover intention. The research of Widayati and Yunia (2016) also proves that compensation has a negative effect on turnover intention.

### Job satisfaction on turnover attention

Job satisfaction has a significant and negative effect on turnover intention with a statistical t value of 5.143 (t value 5.143 > t table 1.96) with a significant value of 0.000 < 0.05. This means that the higher the job satisfaction that is owned by employees, the lower the turnover intention possessed by employees. A similar study was conducted by Babakus, et al. (1999) and Low, et al. (2001) in Jaramillo, et al. (2006) draw the conclusion that job satisfaction also has an indirect

relationship to the turnover intention. The same opinion was conveyed by Busch et al. (1998) in Hwang and HueiKuo (2006) explain that someone who is relatively satisfied with his job will stay in the company longer, and can reduce the level of employee turnover and reduce absence. Research conducted by Trevor (2001) in San Hwang and HueiKuo (2006) reinforces similar opinions with tangible results regarding the relationship between job satisfaction and turnover which indicates that there is a negative relationship between job satisfaction and turnover. Another study was conducted by Chiu and Francesco (2003) in Chiu, et al. (2005) which indicates that individual turnover intention has a negative relationship with job satisfaction and organizational commitment.

### VAF Test Results

The results of mediation testing with the VAF method in this study have fulfilled several requirements, namely, first, the direct effect is found to be significant (a) when the job satisfaction variable (M) has not been included in the model. Second, after the job satisfaction variable (M) is included in the model, the indirect effect (b x c) is also found to be significant. Paths that are b and c are also significant. Third, calculate the Variance Accounted For (VAF) with the formula:

$$\begin{aligned} \text{VAF} &= \frac{ab}{(ab)+c} \\ \text{VAF I} &= \frac{4.299 \times 5.143}{(4.299 \times 5.143)+2.380} \\ &= \frac{22.11}{24.49} \\ &= 0,902 \text{ (90,2\%)} \end{aligned}$$

Because the value of VAF (90.2 percent) is more than 20 percent, it can be explained that there is a mediating effect. Thus, the hypothesis which states that job satisfaction mediates the influence of organizational climate on turnover intention.

$$\begin{aligned} \text{VAF II} &= \frac{2.634 \times 5.143}{(2.634 \times 5.143)+2.145} \\ &= \frac{13.55}{15.70} \\ &= 0,863 \text{ (86,3\%)} \end{aligned}$$

Because the value of VAF (86.3 percent) is more than 20 percent, it can be explained that there is a mediating effect. Thus, the hypothesis which states that job satisfaction mediates the effect of compensation on turnover intention.

## 5. Conclusion

Organizational climate has a positive and significant effect on employee job satisfaction. This means that the better the organizational climate, the more job satisfaction employees will increase. Organizational climate has a negative and significant effect on turnover intention. This means that the higher the organizational climate the company has, the lower the turnover intention of the employees. Compensation has a positive and significant effect on job satisfaction. This means that the higher the compensation given by the company, the more job satisfaction employees will increase. Compensation has a negative and significant effect on turnover intention. This means that the higher the compensation given by the company, the lower the turnover intention held by the employee. Job satisfaction has a

negative and significant effect on turnover intention. This means that the more job satisfaction that employees have, the lower the employee turnover intention.

## 6. Suggestion

Time limitations make the writer only research private companies, then in the next study can compare organizational climate variables, compensation, job satisfaction and employee turnover intention on civil servant employees.

## References

- [1] Bosman, J., J.H. Buitendach, S. Bothman. 2005. Work Locus of Control and Dispositional Optimism as Antecedent to Job Insecurity. *Journal of Industrial Psychology* : 17-23
- [2] Botutihe, S. N. (2010). Sumbangan Keadilan Organisasi, Iklim Organisasi, dan Kepuasan Kerja terhadap Quality of Work Life (Studi Kasus Pada Karyawan Televisi Republik Indonesia). *Jurnal INOVASI*. Vol. 7, No 4: 240-253.
- [3] Bhutto, NA, Laghari, MK, & Butt, F. 2012. A comparative study of organizational climate and job satisfaction in public, private and foreign banks', *Asian Social Science*, vol. 8, no. 4, pp. 259-267.
- [4] Brimhall, KC, Lizono, EL, & Barak, MEM. 2014. The mediating role of inclusion: a longitudinal study of the effects of leader-member exchange and diversity climate on job satisfaction and intention to leave among child welfare workers, *Children and Youth Services Review*, vol. 40, pp. 79-88.
- [5] Gunalan, Mustafa., and Adnan Ceylan. 2015. The Mediating Effect of Organizational Support between Job Insecurity and Turnover Intention in Private Hospitals. *International Journal of Business and Management*, 10(10): 74-86
- [6] Gunaraja, T. M., Venkatramaraju, D. (2013). A Study on Organisation Climate and its Impacts on Quality of Work Life in Indian Industry-with Reference to Chennai City. *Indian Journal of Applied Research*, Vol. 3, Issue 12:295-297.
- [7] Griffin, ML 2001, 'Job satisfaction among detention officers assessing the relative contribution of organizational climate variables', *Journal of Criminal Justice*, vol. 29, pp. 219-232
- [8] Hasibuan, Malayu. 2012. *Manajemen Sumber Daya Manusia*. Edisi Revisi. Cetakan keenambelas. Jakarta : PT Bumi Aksara. Jakarta.
- [9] Jimad, Habibullah, 2011, *Kepuasan Kerja, Komitmen Organisasi, Dan Intensi Turnover*, *Jurnal Bisnis & Manajemen*, Jurusan Manajemen Fakultas Ekonomi Universitas Lampung, Bandar Lampung Volume 7 No.2 155-163.
- [10] Johartono., dan Retnaningtyas Widuri. 2013. Analisa pengaruh stres kerja, kepuasan kerja, budaya organisasi, dan komitmen organisasi terhadap turnover intention karyawan kantor konsultan pajak di Surabaya. *Tax and Accounting Review*, 3(2): 1-13
- [11] Jyoti Jeevan. 2013. Impact of Organizational Climate on Job Satisfaction, Job Commitment and Intention to Leave: An Empirical Model. *Journal of Business Theory and Practice*, 1(1):66-82
- [12] Kang, D., Jeef Gold., and Daewon Kim. 2012. Responses to job insecurity the impact on discretionary extra-role and impression management behaviours and the moderating role of employability. *Journal Career Development International*, 17(4): 314-332.
- [13] Putra, IGst Agung Gede Emdy Mahardika. 2015. Pengaruh Kepuasan Kerja Terhadap Turnover Intention Dengan Komitmen Organisasi sebagai Variabel Intervening Pada PT. Autobagus Rent Car Bali. *Jurnal Manajemen Unud*, 4(4):1100-1118.
- [14] Rivai, V dan Sagala, E J. 2011. *Manajemen Sumber Daya Manusia untuk Perusahaan*. Jilid 2. Cetakan Ke-4. Jakarta: Rajagrafindo Persada.
- [15] Suciati, Andi T. H., dan M. M. Minarsih. 2015. Job Insecurity And Job Stress Effect Of Turnover Intention On PT. Berkas Abadi Surya Cemerlang Semarang (Ho). *Journal of Management*, 1(1): 1-12
- [16] Suhanto, 2009, Pengaruh Stres Kerja dan Iklim Organisasi Terhadap Turnover Intention dengan kepuasan kerja sebagai Variabel intervening, *Magister Manajemen Universitas Diponegoro*.
- [17] Saleem, T., and Gul, S. 2013. Drivers of turnover intention in public sector organizations: pay satisfaction, organizational commitment and employment opportunities. *Middle-East Journal of Scientific Research* 17 (6), pp. 697-704.
- [18] Steers, Richard M. 2005. *Efektivitas Organisasi*. Erlangga. Jakarta. Stringer, Robert. 2002. *Leadership and Organizational Climate*. Prentice Hall. New Jersey.
- [19] Sopiah, 2013. The effect of compensation toward job satisfaction and job performance of outsourcing employees of Syariah Banks in Malang Indonesia. *International Journal of Learning & Development*. 2(3), pp: 7791.
- [20] Teh, Goi Mei. 2014. Impact of Organizational Climate on Intentions to Leave and Job Satisfaction. *World Journal of Management*, 5(2):14 – 24.
- [21] Wening, Nur. 2005. Pengaruh Ketidakamanan Kerja sebagai Dampak Restrukturisasi Terhadap Kepuasan Kerja, Komitmen Organisasi Dan Intensi Keluar Survivor. *Jurnal Kinerja*, 9(2): 135-147.