

## RELATIONSHIP BETWEEN COMPENSATION, WORK ENVIRONMENT, ORGANIZATIONAL CULTURE, AND EMPLOYEE PERFORMANCE AT HOTEL SEDONA MANADO

by:

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### ABSTRACT

The Indonesian people have more problems in the future human resource development or more specifically on improving the quality of human resources in the current era globalization. This makes company looking for an effective way to solve the human resource issues especially in employee performance. Hotel Sedona Manado is one of the companies that faced the employee performance. This research is to examine the influence of employee performance at Hotel Sedona Manado. Discriminant analysis is a statistical technique that being used in this research analysis. Compensation, work environment, organizational culture, and employee performance are the variables that used in this research. The population is people who work at Hotel Sedona Manado, with the sample size 60 respondents. The result of this research shows that both high performance and low performance employee of Hotel Sedona Manado has a significant differences, which compensation as the most dominant variable in discriminating employee performance, followed by work environment and organizational culture.

**Keywords:** *compensation, work environment, organizational culture, employee performance.*

### INTRODUCTION

#### Research Background

The Indonesian society has more problems in the future human resource development or more specifically on improving the quality of human resources in the current era globalization. This makes the company looking for an effective way to solve the human resource issues. According to Nagel (1995) The company's success is influenced by several factors; such as strategy, organization, human resources, etc. Human resource factor in this case is the employee performance productivity. Performance is basically the contributions of the employee to the company. Although a company has modern equipment, facilities and infrastructure, but all of it depends on the performance of individual employees who perform these jobs.

Human resources in this case the performance of the employee is the perpetrator of the overall management function, at the start of the level of planning, leading, organizing, and controlling, which is able to utilize the resources of the organization or company. Workforce has great potential for running activities of the company. Potential of existing human resources within an organization or company must be optimally utilized so as to provide optimum output To improve the employees performance the company through several ways such as through education, training, provision of adequate compensation, creating a conducive working environment and organizational culture. Through these processes, maximize employee is expected to be more responsible for their work because the employees have be equipped by education and training related to the implementation of the course of their work. While awarding compensation, good working environment and organizational culture is basically the rights of employees and the obligation of the company to support the contribution of its employees in order to achieve the intended purpose.

Provision of fringe benefits for employees is very important. Because it will affect the sensitivity of employees to their responsibilities. For some employees, hope to get better compensation is the main reason they undergo job. But for most other employees, the work they will feel more rewarded by the surrounding society, than that does not work. Attention of corporate leaders in employee compensation will make employees feel more rewarded, and become a stimulus for the implementation of its responsibilities. Efforts to improve employee performance monitoring system is not free from compensation or monitoring and evaluation work at the end of each predetermined period, for example at the end of the year. The role of labor is very important for the company, so the company is trying to maintain and keep the employees home to work at the company, and the business of the company is to provide fringe benefits in the form of wages, salaries and fringe benefits of adequate premiums from companies and to motivate employees to work harder which in turn can increase work productivity. Remuneration is important for employees as individuals because of the fringe benefits reflecting their presence among the employees themselves, their families and communities.

Other factors that also affect the performance of the employee is the work environment factors. (Pech and Slade, 2006 in Leblebici, 2012), argued that the employee disengagement is increasing and it becomes more important to make workplaces that positively influence workforce. Still according to Pech and Slade in Leblebici(2012) the focus is on symptoms of disengagement such as distraction, lack of interest, poor decisions and high absence, rather than the root causes. The working environment is perhaps a key root causing employee's engagement or disengagement. So, when doing the job, the employee as a human being can not be separated from the circumstances surrounding their place of work, the workplace environment. Not only factor compensation and work environment that need to be noticed by the company in order to improve the performance of employees, but the company will have to pay attention to organizational culture factors. Organizational culture is often defined as the value, symbols are understood and complied with, which is owned by an organization so that members of the organization feel the family and create a condition of members of the organization feel different from other organizations.

Organizational culture is a system of values acquired and developed by the organization and patterns of behavior and the basic philosophy of its founder, who established a rule that is used as a guide in thinking and acting in achieving organizational goals. The origin of the world tourism is known in Indonesia when the Dutch colonized Indonesia. When it was built several hotels in various regions. For example, Der Nederlanden Hotel, Hotel Royal, Hotel Des Indes and Hotel Rijswijk (Jakarta), Slier Hotel (Solo), Palace Hotel (Malang), or the Grand Hotel (Jogjakarta). Indonesian tourism industry increasingly uphill when tourism in Bali began to gain attention seriously.

In 1963, built the Hotel Bali Beach, then following the inauguration of Ngurah Rai Airport as an international port, three years later. In the recent development, Bali increasingly crammed with foreign tourists who easily found in various places, to remote villages in the remote once. Not much different from Bali, tourism in other areas of life also participated rise. As in Malang, East Java, which has a potential attraction. Most visitors are sticking out and visited Batu area, the hilly terrain contours, apple plantations and Selecta, an attraction that has developed tulip, so the atmosphere is similar to the Netherlands.

While, the hospitality in Manado began to grow rapidly after the holding of the first international event in Manado City which is World Ocean Conference (WOC) in 2009, the reason for holding the event because of Manado has Bunaken marine park which has known almost all over the world. Nowadays, Manado become one of the places that visited by many domestic and foreign tourists to vacation. To support the tourism industry, the government build infrastructure such as roads, shopping centers, as well as facilities such as hotel was built as a place to stay for tourists who come to Manado. Since 2009 many hotels were built like Swissbell, Aston, Travello, etc. The government make all of it to support the international events that will be held in Manado city.

Hotel Sedona Manado is the first five-star hotel in the city of Manado. Located in Tateli Mandolang District, has beautiful natural geographical environment, due to squeezed between the sea and the mountains, placing Hotel Sedona Manado has combined modern amenities and natural beauty that appeals to visitors. The beach and views of the mountains are the main assets in the positioning of the hotel.

However in Hotel Sedona Manado decreased levels of a four star rating. This is due to a decrease in performance and decrease in facilities provided by the Hotel Sedona Manado. Some facilities such as a mini golf course, tennis courts, and a spa as well as a decrease in the lid makes employee performance rating down to a four-star hotel. Hospitality audit team considers that the employee's performance declined Sedona Hotel as seen from the decrease in the number of visitors that one reason is the lack of a marketing strategy to attract visitors. It was also true for the overall performance assessment in other parts of its employees.

For companies, the research is very useful to assess the performance of the quantity, quality, efficiency changes, the motivation of the employees as well as the monitoring and improvement. Optimal employee performance is needed to increase productivity and maintain the viability of the company. Each company will never escape from the awarding remuneration or compensation, work environment, and organizational culture. With the formation of these things, then it will be successful or better performance as well as quality of work he is performing. Seeing the importance of the influence of Compensation, Work Environment, Organizational Culture Hotel Sedona Manado in determining Employee Performance, especially in high employee performance or low employee performance.

### **Research Objective**

There are several main objectives that will be examined, related with all the stated problems at the previous section, which are to analyze:

1. The significant difference between high employee performance and low employee performance at Hotel Sedona Manado.
2. The influence of compensation, work environment and organizational culture on employee performance.
3. Which variable of compensation, work environment and organizational culture that has the most significant influence on employee performance at Hotel Sedona Manado.

## **THEORETICAL FRAMEWORK**

### **Theories**

#### **Compensation**

Mondy and Noe (1993:442) stated Compensation refers to every type of reward that individuals receive in return for their labor. Obasa (2012) defined Compensation is often regarded as direct and indirect monetary and non-monetary rewards given to employees on the basis of the value of the job, their personal contributions, and their performance. Compensation is a form of rewards that flow to employees arising from their employment (Dessler, 1995:452).

#### **Work Environment**

Gunaseelan and Ollukaran (2012) stated work environment can be identified as the place that one works, which means the milieu around a person. It is the social and professional environment in which a person is supposed to interact with a number of people. The work environment impacts employee morale, productivity, and engagement – both positively and negatively (Chandrasekar, 2011). Statt (1994) argues that the modern work physical environment is characterized by technology; computers and machines as well as general furniture and furnishings.

#### **Organizational Culture**

Robbins and Judge (2011:427) stated Organizational culture is a system of shared meaning of held by members that distinguishes the organization from other organization. Greenberg and Baron (2003:515) defined Organizational culture as a cognitive framework consisting of attitudes, values, behavioral norms, and expectations shared by organization members. Ivancevich and Konopaske (2006) Organizational culture is what the employee perceive and how this perception creates a pattern of beliefs, values, and expectations. Mc.Shane and Glinow (2005:426) Organizational culture is basic pattern of shared assumption, values, and beliefs considered to be the correct way of thinking about and action on problems and opportunities facing the organization.

## Employee Performance

Prasetya and Kato (2011) Stated performance is the achieved results of operations with the capabilities of the employee who acts in certain situations. Malik and Ghafoor (2011) defined employee performance basically depend on many factors like performance employee motivation, employee satisfaction, compensation, training and development, job security, organizational structure and others.

## Relationship Between Compensation, Work Environment, Organizational Culture, and Employee Performance

Although compensation is not the only factor affecting the performance, but it is acknowledged that the compensation is a major factor for employee performance improvement. Robbins (2001) stated that when employees feel their efforts are appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized the motivation. By encouraging employee's motivation to work there will be increased employee performance. A work environment can be identified as the place that one works, which means the milieus around a person. It is the social and professional environment in which a person is supposed to interact with a number of people (Gunaseelan and Ollukkaran, 2012). A company or organization that operates in a business environment can not deny that, in addition to business activities in their management, they are also involved in the environment surrounding the organization. Organizational culture is what the employee perceived and how this perception creates a pattern of beliefs, values, and expectations (Ivancevich and Konopaske, 2006). providing certainty to all employees to grow with, growth and development agencies.

## Previous Research

Prasetyo and Kato (2011) find out there are significant influences of financial and nonfinancial compensation to the employee performance at PT. Telkom Malang Regional. Gunaseelan and Ollukkaran (2012) provide the vital information regarding the work environment factors which have an influence on employee performance. The study shows how the work environment in the organization is affecting the employee performance. Mohammad et al (2012) find out the impact of organizational culture on employee performance and productivity from the perspectives of multinational companies operating especially under the telecommunication sector of Bangladesh in South Asia. The organizational culture significantly influences employee performance and productivity in the dynamic emerging context.

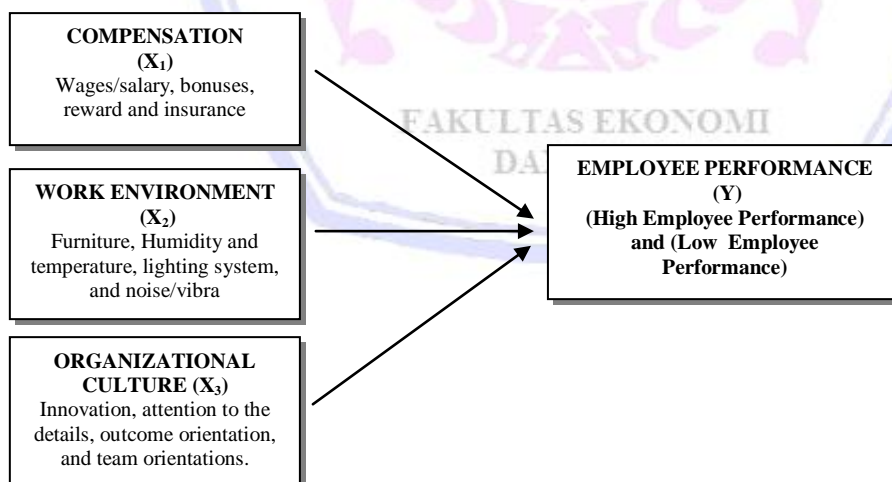


Figure 1. Conceptual Framework

## Research Hypothesis

H<sub>0</sub>: Group covariance matrices of each dependent group is relatively similar.

H<sub>1</sub>: Group covariance matrices of each dependent group has significant difference.

## RESEARCH METHOD

### Type of Research

This research is a causal type of research where it is designed to determine whether one or more variables (e.g., a program or treatment variable) causes or affects one or more outcome variables. This research investigates the influence of compensation, work environment, and organizational culture on employee performance.

### Place and Time Research

The study is conducted in the Manado area between June to August 2013.

### Population and Sample

Population refers to the group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events, or things of interest for which the researcher wants to make inferences (based on sample statistics) Sekaran and Bougie (2010:262). The population that is mainly observed in this research is all the employee who work at Hotel Sedona Manado.

Sample is a subset of the population. It comprises some members selected from it. In other words, some, but not all, element of the population form the sample Sekaran and Bougie (2010:263). The sample of this research is 60 respondents. The sampling method is random sampling. The random sampling was applied in this research regarding to obtain information quickly and efficiently.

### Data Collection Method

For this current research, there are two types of data that are used to make a appropriate result, which are: (1) primary data is data originated by the researcher specifically to address the research problem through the result of questionnaires, and (2) secondary data is data collected for some purpose other than the problem at hand. The secondary data is taken from books, journals, and relevant literature from library and internet used in the background, literature review, research method, and discussions.

### Operational Definitions and Measurement of Research Variables

The general explanations about variables in this current research that will be analyzed are stated as follows:

1. Compensation (X1) can be described as reward for the employee to motivate them to increase their performance.
2. Work Environment (X2) can be described as the area where employee working.
3. Organizational Culture (X3) is describes as the norm of the organization and become a culture of the organization.
4. Employee Performance (Y) describe about the ability of the employee to perform their job.

Those research variables are measured by using Likert scale to indicate the independent variables and to indicate the dependent variable is use Guttman scale. The Likert scale respondents are asked to indicate their level of agreement with a given statement by way of an ordinal scale (Bertram, 1999). The Guttman scale model is straight forward and easy to interpret. Guttman scale is a scale that want concrete answers as 'right' – 'wrong' or 'yes' – 'no' answers. By using the Likert Scale and Guttman scale, respondents will not have problems in understanding and filling out the questionnaire, and it is easy for the researcher to measure, interpreting and analyze the data.

### Data Analysis Method

#### Validity and Reliability Test

Toward questionnaire design conducted is to perform validity and reliability test and to prove the truth of hypothesis and to know the relation rate between variable Y and variable X<sub>1</sub>, X<sub>2</sub> and X<sub>3</sub> from the result of research's analysis conducted that questionnaire design with Pearson Product Moment. Cronbach Alpha is reliable coefficients that can indicate how good items in asset have positive correlation one another.

### Discriminant analysis

Discriminant analysis is a method to analyze which independent variables discriminate among groups and to classify observations into predetermined groups based on these variables. These predetermined groups can be either binary (eg., high or no low) or more than two. In this case, the analysis is termed as multiple discriminant analysis. The formula of multiple discriminant models in this research is shown as follows:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3$$

Description :

- Y = Employee Performance  
 a = Intercept  
 b1, b2, b3 = the discriminant coefficient of each variable  
 x1 = Compensation  
 x2 = Work Environment  
 x3 = Organizational Culture

## RESULT AND DISCUSSION

### Result

The reliability test of this research will be tested, systematically. The reliability test in this research uses Cronbach Alpha. If Alpha is less than 0.6 then it is unreliable. The Cronbach Alpha of X1 is 0.724 X2 is 0.806, X3 is 0.846, and Y is 0.806 which are above the acceptance limit of 0.6; therefore, the research instrument is reliable. This testing can be conducted by comparing correlation index in Pearson Product Moment with significance level of 5%, in order to see whether research instruments are valid or not. If probability of correlation is less than 0.05 (5%) and value for each relationship is more than 0.3 then the research instrument is stated as valid. The validity test of each variable measured per item of each question in each variable. The correlation index of each variables are greater than 0.3 and below the significance level of 5% therefore, the data is considered as valid.

### Result of Discriminant Analysis

The result of analysis in this chapter will attempt to answer the problem contained in this research. There are three variables which is used to measure the impact on consumer purchasing decisions. The research results in discriminant analysis can be seen from some tables of SPSS data output.

**Table 1 Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
Compensation	.457	68.917	1	58	.000
Work.Environment	.479	63.027	1	58	.000
Organizational.Culture	.535	50.364	1	58	.000

Source: Data Processed, 2013

Table 1 examines whether there are significant differences between groups for any independent variables. The results test of Wilk's Lambda clearly explain that there are significant differences. For Compensation, the value of Wilk's Lambda is 0.457 and significant at 0.000, next for Work.Environment, the value of Wilk's Lambda is 0.479 and significant at 0.000, and for Organizational.Culture, the value of Wilk's Lambda is 0.535 that significant also at 0.000. This suggest that the three variables of promotional mix can be used to form the discriminant variable.

**Table 2 Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	1.582 <sup>a</sup>	100.0	100.0	.783

a. First 1 canonical discriminant functions were used in the analysis.

Source: Data Processed, 2013

**Table 3**  
**Classification Results**

	Employee Performance		Predicted Group Membership		
			0	1	Total
Original	Count	0	14	0	14
		1	4	42	46
	%	0	100.0	.0	100.0
Cross-Validated <sup>a</sup>	Count	0	8.7	91.3	100.0
		1	14	0	14
	%	0	100.0	.0	100.0
		1	8.7	91.3	100.0

a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

b. 93.3% of original grouped cases correctly classified.

c. 93.3% of cross-validated grouped cases correctly classified.

Table 2 describes the test of how large and significant differences between the two groups of employee performance, it can be seen from the Canonical Correlation ( $CR^2$ ).  $CR^2$  is identical to the value of  $R^2$  in regression, that measures the variation between the two groups of performance that can be explained by the discriminant variable. So,  $CR^2$  measures how strong this discriminant function is. This table eigenvalue display output shows that the magnitude of CR is 0.783 or  $CR^2 = 0.783^2$  which equals to 0.613. So, it can be concluded that 61.3% of the variation between groups of low performance and high performance can be explained by the independent variables, while 38.7% is explained by residual or other independent variables outside the model.

Table 3, it can be seen how the value is incorrect classification of the discriminant analysis model. Apparently there are 4 people who have wrong classification of the respondent that in fact (based on survey results) into the category purchaser but predictable turns entered into the category of non-Purchaser. Thus, the predictive accuracy of the model is 93.3%. After proves that the discriminant function has a high predictive accuracy, then the discriminant function can be used to predict the employee performance, whether included in the classification of low performance or high performance.

## Discussion

This research will attempt to answer the problems that have been described previously. This study, using three independent variables, namely Compensation, Work Environment and Organizational Culture connected to see its effect on the dependent variable which is employee performance.

The interpretation of the results of the discriminant analysis, there is a significant difference in the employee performance, both low performance and high performance can be seen. This means a group of high employee performance satisfied work at Hotel Sedona Manado. The compensation that give by the company equal with what they expected. Same like the compensation the work environment and the organizational culture make the employees feel comfort to work at Hotel Sedona Manado. While, the group of low performance is the employee who lazy to do their job, but want the company pay more for their compensation. They also feel the work environment and organizational culture in Hotel Sedona Manado did not make them feel comfort to perform their job. Outcome interpretation data results using discriminant analysis can be seen from the three independent variables, namely compensation, work environment, and organizational culture as measured by the indicators that have been described previously, all of these variables can be used to distinguish/discriminate the employees performance at Hotel Sedona Manado. The predictive accuracy of discriminant function reaches 93.3%, which means it has high prediction accuracy and this discriminant function can be used to predict the employee performance, whether included in groups of low performance or in high performance.

From the three independent variables used in this study, clearly seen in the results of the data are all significant in differentiating employee performance (High Performance and Low Performance). However, the largest function values, compensation is the most dominant variable in discriminating employee performance, followed by the working environment and organizational culture. This proves, that the high performance employee is quite satisfied their compensation. For the work environment, management Hotel Sedona Manado should need more attention to the furniture and lighting system and temperature in the room where the employee doing their job. So, it can motivate them to increase their performance. Organizational culture variable has the lowest in discriminating the employee performance. It means organizational culture, has barely give impact to employee performance. Overall the company needs to improve their ability to create a good work environment and organizational culture. General conclusions in this research, indicates that the variables Compensation, Work Environment, and Organizational Culture, are quite capable in influencing employee performance at Hotel Sedona Manado.

## CONCLUSION AND RECOMMENDATION

### Conclusion

There are several important that can be concluded from the overall result in this research, which are listed as follows: (1) The results shows that there were differences between groups of high performance and low performance at Hotel Sedona Manado, this is evidenced in the Wilks' Lambda test. (2) The results based on data processed using the Discriminatin Analysis Model, shows that all independent variables can be used to distinguish/discriminate the employee performance who work at Hotel Sedona Manado. (3) Compensation is the most dominant variable in discriminating employee performance, followed by work environment and organizational culture. This is evidenced in the Structure Matrix test.

### Recomendation

There are several recommendations that can be delivered from this research, which are listed as follow: (1) Based on the results, shows that variable compensation has the biggest influence than the others. Hence, the management of Hotel Sedona Manado should maintain in give allowance and bonuses to the employee, especially to employee who is diligent. So, it can motivate others employee to increase their performance. (2) Work environment and organizational culture variables are also considered to influence the employee performance. It makes mangement of Hotel Sedona Manado should pay more attention to create a good working environment and a good organizational culture for all the employee who work there. So, they will know that the company care about them and they will have sense of belonging to the company with it they will stimulate their self to work hard for the company. (3) Employee performance is generally considered to be good, because the majority of the results shows group of high performance employee more than the group of low performance employee. The management of Hotel Sedona Manado should more improve in compensation, work environment and organizational culture to increase the employee performance who work at Hotel Sedona Manado.

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