

# THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND COMPENSATION FOR EMPLOYEE ENGAGEMENT LEVEL AND IMPLICATION FOR TURNOVER INTENTION AT PT X

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## ABSTRACT

*This research conducted to assess the effect of transformational leadership and compensation to engagement and the implication to turnover intention in PT X. The design method which been used is a quantitative – explanatory research. Sampling technique that had been used for this research is a probability sampling, stratified random sampling. The research population is 8.540 employee, by using Yount Table the sample needed is 300 respondent. This research analyze by Structural Equation Model (SEM) alternative method by SmartPLS 3.0 application. The result shown that transformational and engagement effect significantly positive to the employee’s engagement. From two exogenous variable, compensation has the biggest effect to engagement. Compensation also effect significantly negative to employee’s turnover intention. PT X suggested to do evaluation of their salary scheme in order to increase engagement and decreasing the turnover rate.*

**Keywords:**turnover intention; engagement; transformational leadership; SEM PLS

## INTRODUCTION

Burns (1978) in Ariwibawa (2012:4) issue a statement that transformational leadership essentially a leader needs to motivate their subordinates to carry out their responsibilities more than they expect. PT X is labor-intensive company in manufacturing where the leadership role is very important for employee engagement level. Research on 40 staff-level in 2015 at PT. X evidence lack of leadership role perceived by employees (HR PR X, 2015). This can be seen from the following result in a Likert Scale (1-5):

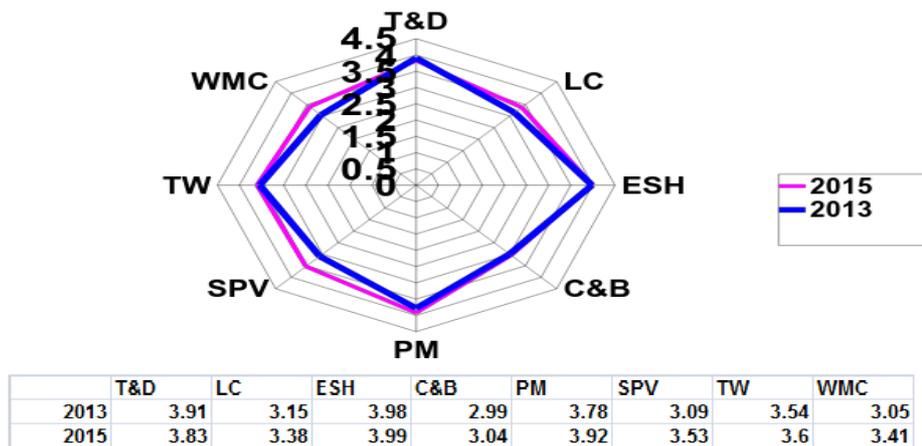
**Table 1. Leadership Role Table at PT X in 2015**

Question	Value	
At workplace, my opinion is appreciated	2.9565	Below average
In the last seven days, I get appreciation or praise for the work I did well.	2.3864	Below average
In the past six months, someone at workplace invited me to discuss my development.	2.5435	Below average
My Superior, or someone at my workplace, understand me.	2.8444	Below average
There is someone on my workplace who encourages me to evolve.	2.9111	Below average

Source: HR PT X (2015)

Compensation has two sides that is objective justice recognized by outside observers are not affected by compensation decision and perception justice recognized individual employees in the organization (Jonas, 2012:1). In PT X itself, the result of the employee satisfaction survey indicate that compensation and benefits are the smallest value of the overall factor of employee satisfaction, which is 2.99 in 2013 and this value is still the smallest value in 2015 with a value of 3.04. Following the explanation:

**Table 2. Table and Graph of Employee Satisfaction Result on Management Performance in 2015**



Source: HR PT X (2015)

The Gallup Organization in 2011-2012 found that only 13 % of employees were engaged in the world, it states that Southeast Asia has only about 12% of employees who are engaged, and in Indonesia only 5% - 11% of employees are engaged(Crabtree, 2013). From the research conclusions can be drawn that Indonesia is a country that has a low level engagement compared to other ASEAN countries. Previous researcher have conducted preliminary research in 2015 with 46 employees with staff above level at PT X, which was selected by stratified random sampling with The Gallup questionnaire get that only 39.13% of employees were engaged and 60.87% of employee with staff above level was not engaged. This the results of research:

**Table 3. EES Result Staff Above Level PT X in 2015**

No.	Statement	Total	Percentage
1	<i>Engage</i>	18	39.13
2	<i>Not Engage</i>	22	60.78

Source: HR PT X (2015)

Turnover intention is something serious for a developing company. The following data turnover rate per-month and per-level :

**Table 4. Analysis of Turnover Rate for 2016**

<b>Month</b>	<b>Operator</b>	<b>Staff</b>	<b>Supervisor</b>	<b>Manager</b>	<b>GM</b>
January	0.49	2.3	0.97	1.19	7.62
February	0.33	1.06	0.97	1.19	0
March	0.30	2.65	0.32	0	0
April	0.31	1.87	0.32	0	0
May	0.23	0	0	0	0
June	0.83	0.7	0.32	0	0
July	0.36	0.38	0.01	0	0
Augustus	0.77	0.64	0.02	0	0
September	0.87	0.25	0	0	0
October	1.29	0.51	0	0	0
November	0.92	0.51	0.01	0	0
December	0.75	0.12	0.01	0	0
<b>Average</b>	<b>0.62</b>	<b>0.91</b>	<b>0.26</b>	<b>0.2</b>	<b>0.63</b>

Source: HR PT X (2016)

From the data above, there is a significant turnover difference between level team member and team leader (level 1 and level 2) compared with total turnover employees with staff above level. From 257 Management of Trainees who working at PT X only left 101 were left still working at PT X (HR PT X: 2016). There is a significant between turnover rate level 3 and above compare with employee level 1 and 2. Some of the explanation above are a concern for researchers to conduct a research on turnover intention with study from the variable employee engagement level, compensation and transformational leadership, therefore the researcher want to do a research or study with entitled The Effect of Transformational Leadership and Compensation For Employee Engagement Level and Implication For Turnover Intention at PT X.

## LITERATUR REVIEW

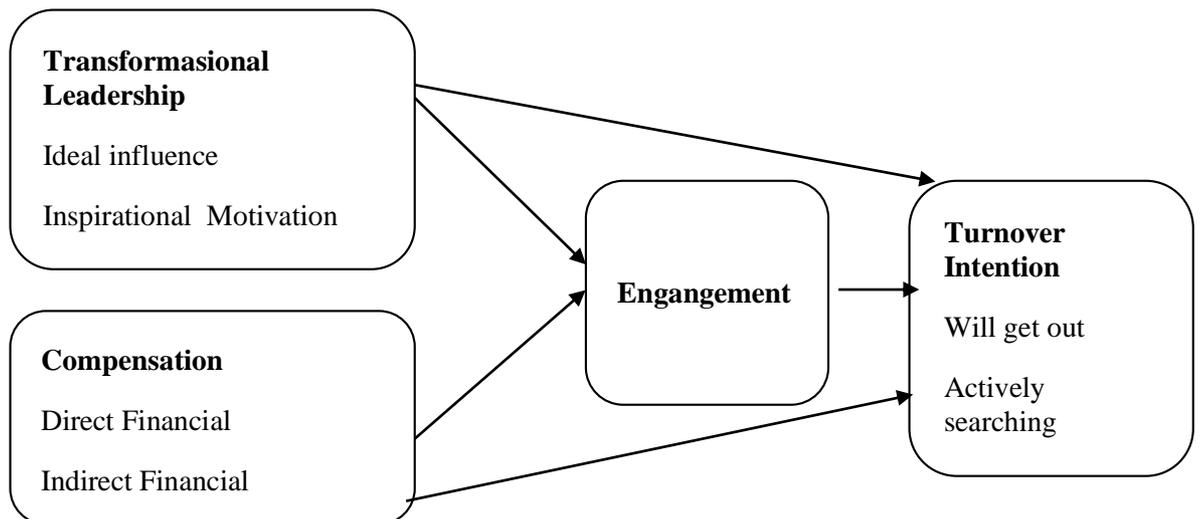
**Transformational Leadership.** Leadership have develops every year, start from leadership based on nature and style, contingency leadership, up to transformational leadership and transformational proposed by Duford in 1995 in Yukl (2009:1) have stated that transformational leadership is often defined by its impact on how to a leader strengthen the mutual attitude cooperation and trust, collective self-efficacy, and team learning. Data from 387 sales ini various companies in Manila with SEM getting transformational leadership directly reduces employee desires(Dimaculangan andAguilung, 2012:1).

**Compensation.** Compensation could be defined as what employee get in money, direct goods, or indirect benefit that given from the factory (Hasibuan, 2002: 54). According to Dessler (2009:46) there are 3 parts of compensation, which divide by direct financial, indirect financial, and non-financial. Direct financial is something that is felt directly in money form for example bonuses, salaries, or benefits. Indirect financial is financial which is not in money form, but can be felt for example health insurance, child scholarship. Non-financial is not in the form of money or can be cashed, for example, recognition from the company

**Engagement.** Employee Engagement in Indonesian are translated as attachments or involvement is the participation of individuals or the role of individual attitudes or emotions in certain situations (KBBI Online, 2016). Organizations must also work to develop and maintain engagement, which requires a two-way relationship between employers and workers (Robinson et al, 2004:ix). Individuals need to know what they want, what the organization needs, and then take action to achieve both. This is in line with what was stated by Maslach, Schaufelli, and Leiter (2001) in Kulaar et al (2008: 3), that engagement is characterized by strength, dedication and pleasure in work. Based on Harter et al (2006) there are four question that can formed engagement, there are what do I get; what do I give; am I belong to; and how can I grow.

**Turnover Intention.** Robbins (2006:11) interpret turnover as a permanent dismissal of employees from the company carried out by employees voluntarily or by the company. Turnover intention or desire to get out is one of the tools used to predict people leaving the company. Substitution or *in and out* of employees from an organization is an important phenomenon in the life cycle of an organization. This phenomenon is important because employees are assets/ capital that are managed in such a way as to achieve organizational goals. Especially when getting employees who are committed because committed employees will have little possibility for them to be involved in things that can harm the company because they have a high sense of loyalty (Robbins & Judge, 2013:75). According to Harnoto (2002:2) turnover intention is characterized by various things related to employee behavior, including: increased absenteeism, lazy work, increased courage to violate work rules, and courage to oppose or protest to superiors. In the measurement developed by Wayne, Shore and Lidenon 1997 in Yamazakia and Petchdee (2015:28), there are 3 things that are measured in a Likert scale: (1) after getting a job will leave the company, (2) actively looking for work outside, and (3) seriously want to get out of work.

**Research Model.** Based on the explanation of the theoretical study, the following is a research model that can be formed for this research:



**Figure 1. Research Model**

**Hypothesis.** The hypothesis proposed in this study is:

- H1 : There is effect of transformational leadership to turnover intention in PT X
- H2 : There is effect of a compensation effect of turnover intention at PT X.
- H3 : There is effect of employee engagement to turnover intention in PT X
- H4 : There is effect of transformational leadership to employee engagement in PT X
- H5 : There is effect of compensation to employee engagement in PT

## METHODOLOGY

**Research Design.** The research design of this research uses quantitative explanations in which describes a causal relationship between the variables that influence. The design of this study is quantitative research taken cross-sectionally.

**Operational Definition, Conceptual Definition, and Variable Measurement.** In this study there are two exogenous variables, namely transformational leadership and compensation, one intervening variable namely engagement.

**Table 5. Operational Definition**

Variable	Dimension	Indicator
Transformational Leadership (Yukl 2005 in Mujiasih and Ratnaningsih, 2012)  (X1)	Ideal Effect  (PI)	The superior emphasizes the importance of working goals and commitments Superior become role models of pride and loyalty work in the eyes of employees My superior is my role model at work
	Inspirational Motivation  (MI)	My superior spoke optimistically and enthusiastically Superior can provide positive motivation After I talked with my superior, my feelings became more relieved
	Intellectual Stimulation  (SI)	Superior encourage and motivate employees to work Superior stimulate new perspectives to employees Superior encourages the expression of ideas from employees
	Individual Care  (PerI)	Superior deals with employees closely / personally  Superior considers all employee needs  Superior pay attention to their subordinates not only at work, but also outside
Compensation  (Dessler 2005 in Dewi, 2012)  (X2)	Non Financial  (NF)	The company gives confidence to do tasks that vary according to expertise  The company provides the opportunity to attend training to improve the ability of the Company to provide opportunities to be promoted to higher positions
		Gain appreciation and recognition of the results of the tasks

		assigned by the company
		Employees feel respected and recognized when given tasks by the factory / company
	Direct Financial <b>(FL)</b>	Salaries every month are able to meet daily needs Salaries every month are sufficient and feasible and in accordance with work placements The salary received motivates and gives encouragement and encourages them to work harder Bonuses that have been given by the company increase morale The company gives a fair bonus Bonus as expected
	Indirect Financial <b>(FTL)</b>	Benefits provided by the company are in accordance with the roles and positions in the company  Health facilities in the factory make employees feel safe Health facilities provided by the factory help employees and families  The factory provides severance pay for employees who retire The factory provides severance pay for employees who die The team building program provided by the company is very beneficial for employees
<i>Engagement</i> (Gallup, 2017)	<b>Get</b>	Knowing what your boss wants  Having access to various materials and equipment that I need to do my job well
<b>(Y1)</b>	<b>Give</b>	Can issue my maximum ability at work  Get appreciation or praise for the work I did well Superior or someone at work understands There is someone in the workplace who encourages to develop
	<b>Belong</b>	Opinion is appreciated  Work plays an important role in achieving the company's mission or goals  Colleagues or fellow employees are dedicated to producing quality work  Having friends at work

	<i>Grow</i>	Someone in the workplace invites discussion about personal development Have the opportunity at work to learn and develop
Turnover Intention  (Wayne, Shore, and Linden 1997 in Yamazakia&Pt echdee, 2015)  (Y2)	Will go out	Immediately after getting a better job will leave the company I can't stand working at this company
	<i>(Akan keluar)</i>	In the near future I will resign from the company
	Actively Searching	Now actively looking for work outside I often update my CV on social media
	<i>(Aktifmencari)</i>	I am actively looking for new jobs
	Think seriously to go out	Seriously thinking about quitting work I often think of going out
	<i>(Berpikirseriu suntukkeluar)</i>	I can't stand working at my company

**Population and Sampling Technique.** The population in this study were all employees from various levels consisting of more than 8,000 employees. With the measurement of samples according to Yount stated in 1999 in AZ (2015: 12) consists of the following:

**Table 6. Research Sample**

Level	Structural	Population	Sample
<b>I</b>	Operator	7.242	254
<b>II</b>	Team Leader	506	17
<b>III</b>	Staf	389	13
<b>IV</b>	Supervisor	304	11
<b>V</b>	Manager	86	3
	Senior Manager		
<b>VI</b>	General Manager	9	1
<b>VII</b>	Director	4	1
<b>Total</b>		<b>8.540</b>	<b>300</b>
Source: Data HR (2016)			

**Data type and How to Get Data.** Data was taken with a survey using a questionnaire. Respondents will be asked for one hour to fill out the questionnaire directly on the spot. Due to limited space and time and the large number of respondents, questionnaires were made online and offline using Google Form media and questionnaire paper media that were directly filled in by respondents. Data was collected directly processed using the SPSS application to obtain accurate statistical data in accordance with the needs in this study.

**Technique of Analysis Data.** This study uses data analysis method using SmartPLS version 3.0 software. Partial Least Square (PLS) is a powerful analytical method because it is not based on many assumptions (Imam, Ghazali, 2014: 7). Measurement models are used for reliability and validity tests while structural models are used to test hypotheses with prediction models.

**Measurement Model (*Outer Model*).** Outer model or outer relation or measurement model that often defines each indicator block is related to its latent variable. Validity test is used to determine the ability of instruments in research to measure variables that can be measured. While reliability testing is used to measure the consistency of measuring instruments in measuring a concept or assumption and can be used to measure the consistency of respondents in answering the questions given in the questionnaire. The indicator is considered valid if it has an AVE value above 0.5 or the variable dimension has a loading value  $> 0.5$  so it can be concluded that the measurement meets the convergent validation criteria. Reliability test can be seen from the value of Cronbach's alpha must be  $> 0.6$  from the value of reliability composite must be  $> 0.7$ .

**Structural Evaluation Model (*Inner Model*).** The structural model (inner model) is a structural model to predict causality between other variants. Through the bootstrapping process, a T-statistical test is obtained to predict the existence of a causality relationship. The structural model was evaluated by looking at the value of the percentage of the dependent variant using the Stone-Geisser Q-Square test size and also seen from the magnitude of the structural path coefficient. If the value of the calculation results is greater than 0.2 then it can be assumed that latent predictors have a large influence on the structural level. The R-square PLS model can be evaluated by looking at Q-Square predictive relevance for the variable model. The Q-square value greater than 0 (zero) shows that the model has predictive relevance.

**Inter-dimensional Test.** Unlike previous tests using SmartPLS version 3.0, this test uses a one-tailed SPSS correlation test. Because this test is used after the direction of the test is negative or positive, the test uses a one-tailed correlation test. This test is conducted to see what dimensions are most influencing engagement and also turnover intention.

## RESULT AND DISCUSSION

**General Description of Research Objects.** Researchers obtained 300 employees who followed a survey of a minimum of 256 respondents needed. From the research conducted, obtained various characteristics of respondents who followed the survey, among others, as follows:

Table 7. Comparison of General Characteristics of Respondents

Criteria	Sub-criteria	Total	Percentage
<b>Gender</b>	Female	173	57.67
	Male	127	42.33
<b>Marital Status</b>	Not Married Yet	78	26
	Married (pasangan di perusahaan yang sama)	55	18.3
	Married (pasangan di perusahaan yang berbeda)	163	54.3
	Widow/ Widower	4	1
<b>Position</b>	Team Member	192	64
	Team Leader	19	6.3
	Staff	55	18.3
	Supervisor/ Specialist	27	9
	Manager/ Sr. Specialist	6	2
	Sr. Manager & up	1	0.3
<b>Age</b>	19 – 25	69	23
	>25– 35	132	44
	>35 – 45	83	27.7
	> 45	16	5.3
<b>Year of Service</b>	27 – 22	30	10
	< 22 – 16	44	14.67
	<16 – 9	54	18
	< 9 – 3	99	33
	< 3	73	24.33
<b>Department</b>	Production	128	42.7
	Chemical	83	27.7
	Supporting	89	29.7
<b>Working Hour</b>	Shift	91	30.3
	Non shift	209	69.7
<b>Address</b>	Balaraja Barat	172	57.3
	Kota Tangerang	60	20
	Serang	63	21
	Jakarta	2	0.7
	etc.	5	1.7
<b>Union Status</b>	Member	210	70
	Non-member	90	30
<b>Living Origin</b>	Banten	165	55
	Jawa Tengah	56	18.7
	Jawa Barat	26	8.7
	Jawa Timur	17	5.7
	Jakarta	8	2.7
	Sulawesi	1	0.3
	Kalimantan	1	0.3
	Sumatera	24	8
Etc.	2	0.7	

Source: the results of the questionnaire data processing (2017)

**Evaluation Measurement Model (Outer Model).** For testing the convergent validity can be seen from the loading factor parameter. From the output of the flowchart in Figure 2 shows the value of the loading factor of each indicator is above 0.5. Details of each value can be seen from the following picture:

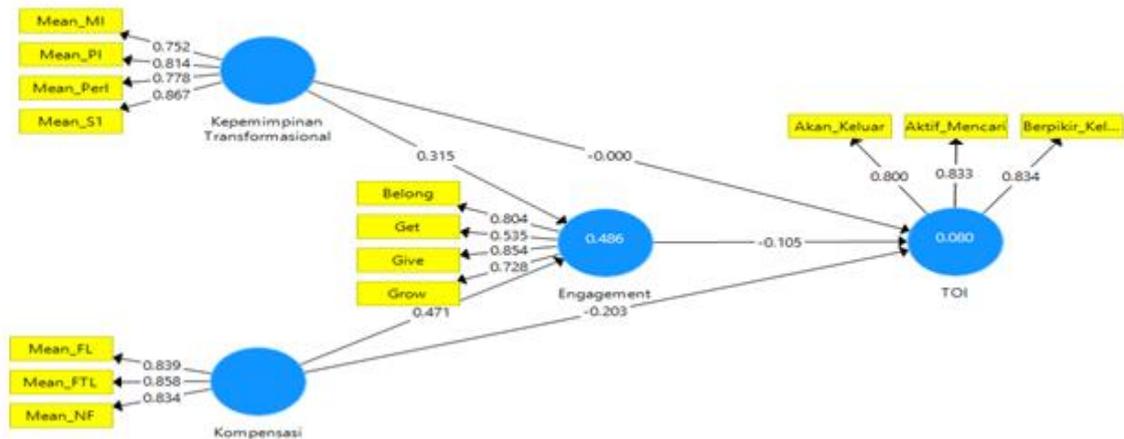


Figure 2. Output Path

**Convergent Validity.** Testing of convergent validity can also be seen in the AVE value. The AVE value must be greater than 0.5. AVE values in all four variables are more than 0.5, these values can be seen in the table below.

Table 8. Convergent Validity and Reliability

Score of	Standard	Transformational Leadership	Compensation	Engagement	Turnover Intention
AVE	> 0,5	0,646	0,711	0,548	0,677

Source: the results of the questionnaire data processing (2017)

From table 8, it can be seen that the AVE value is all above 0.5. This shows that there is no problem with convergent validity. Therefore it can be concluded that the model is valid convergently.

**Discriminant Validity.** From the output Discriminant Validity contained in the value of Fornell-Larcker Criterion in the Smart PLS output, the following are the values of the square root value of variance extracted (AVE) and the correlation between the constructs.

Table 9. Square Root AVE Value and Latent Variable Correlation

Variable	Engagement	Transformational Leadership	Compensation	Turnover Intention
Engagement	0,74*			
Transformational Leadership	0,578	0,80*		
Compensation	0,647	0,558	0,74*	
Turnover Intention (TOI)	-0,236	-0,174	-0,271	0,823*

**Note: (\*)** Square Root AVE Value; Value below: Value of correlation between constructs

Source: the results of the questionnaire data processing (2017)

From table 9 it is found that all square root values of AVE are greater than the values below them (construct variable values), therefore it can be concluded that the model is valid.

**Reliability Test.** From table 10 all the values of the four Cronbach Alpha and composite reliability are above the minimum standard value (0.7), so it can be concluded that the model has fulfilled the rules of reliability. From all evaluation of measurement models, it has been obtained and proven that the research model is realistic and valid, therefore structural model evaluation can be carried out.

**Table 10. Reliability Table**

Score	Standard	Transformation al Leadership	Compensation	Engageme nt	Turnover Intention
<i>Composite Realibility</i>	> 0,7	0,879	0,881	0,825	0,863
<i>Cronbach Alpha</i>	> 0,7	0,817	0,798	0,719	0,764

Source: the results of the questionnaire data processing (2017)

**Structural Evaluation Model (*Inner Model*).** Structural models are useful for predicting causality between latent variables. The steps in evaluating the structural model begin by looking at the R-square value, having the value of Predictive Relevance and Goodness of fit model.

**R-Square Value.** The R-square Engagement value is 0.486, this indicates that the variables of transformational leadership and compensation can explain engagement variables as much as 48.6%. The R-square value is below the value of 0.67 (> 0.33) so the construct model is considered moderate. The value of R-square Turnover Intention is 0.080, indicating that only 8% of the variance of turnover intention is influenced by its exogenous variables, which consist of transformational leadership, engagement, and compensation. The R-square value is below the value of 0.19, therefore the construct model is considered weak.

**Predictive Relevance Value.** Predictive relevance (Q2) was 0.777. Because the Q2 value is greater than 0 (zero), the model has a predictive relevance value, so that the observation values generated by the model and parameter estimates are good / relevant.

**Goodness of Fit (GoF) Index.** The GoF Index value is considered moderate because it is between the values of 0.25 and 0.38. The GoF value of the research is 0.2798, this indicates that the overall model is suitable. From the overall R-square, Q2, and GoF tests, it can be concluded that it has been strong, so hypothesis testing can be done.

**Hypothesis Test.** To see the significant level of Smart PLS bootstrapping is done. Bootstrapping is performed with subsample 1000, a significance level of 0.05 with type one tailed t test. There are two things that are seen from this stage, the first stage is testing the value of each latent construct indicator. The second stage is testing the value of each variable tested.

**Latent Variable Construct Indicator Test.** From the results of bootstrapping, the statistical value generated is all > 1.96 for the outer weight result or outer loading. If all data is more than 1.96, it can be concluded that all indicators are significant to the latent variable. Details of indicator values from reflective and formative constructs can be seen from table 11.

**Table 11. Indicator of Reflective and Formative Construction (Outer Weight & Outer Loading)**

Relationship of each other Indicator	Original Sample	Outer Weight		Outer Loading	
		T Statistics	P Values	T Statistics	P Values
1. Will go out<- Turnover Intention	0.462	4.049	0.000	10.165	0.000
2. Actively searching<- Turnover Intention	0.340	4.043	0.000	12.490	0.000
3. Think to go out<- Turnover Intention	0.415	5.789	0.000	13.517	0.000
4. Belong <- Engagement	0.392	15.864	0.000	33.882	0.000
5. Get <- Engagement	0.204	6.143	0.000	9.026	0.000
6. Give <- Engagement	0.405	20.442	0.000	43.840	0.000
7. Grow <- Engagement	0.315	12.837	0.000	19.638	0.000
8. Direct Financial<- Compensation	0.366	17.621	0.000	32.115	0.000
9. Indirect Financial<- Compensation	0.394	20.010	0.000	51.763	0.000
10. Non-Financial<- Compensation	0.426	16.997	0.000	40.646	0.000
11. Inspirational Motivation<- Trans. Leadership	0.276	10.736	0.000	23.884	0.000
12. Ideal Effect<- Trans. Leadership	0.320	13.281	0.000	29.743	0.000
13. Individual Effect<- Trans. Leadership	0.280	11.573	0.000	25.212	0.000
14. Intellectual Stimulation<- Trans. Leadership	0.363	17.622	0.000	47.897	0.000

Source: the results of the questionnaire data processing (2017)

**Inter Variable Test.** The results of hypothesis testing can be seen from the following table.

**Table 12. Hypothesis Test Table**

Inter Variable Relationship	Original Sample (O)	T Statistics ( O/STDEV )	P Values	Note
1. Engagement -> Turnover Intention	-0.105	1.106	0.135	Not Significance
2. Transformational Leadership -> Engagement	0.315	5.204	0.000	Significance
3. Transformational Leadership -> Turnover Intention	-0.000	0.002	0.499	Not Significance
4. Compensation -> Engagement	0.471	9.153	0.000	Significance
5. Compensation -> Turnover Intention	-0.203	2.261	0.012	Significance

Source: the results of the questionnaire data processing (2017)

**Effect Percentage and Effect Size.** Based on the results of hypothesis testing there are three influences:

**Table 13. Hypothesis Test**

Relation	Coefficient Path	Latent Variable Correlation	Effect Percentage	F-Square	Effect
Transformational Leadership to engagement	0,315	0,578	18,207	0,133	Small
Compensation to <i>engagement</i>	0,471	0,647	30,47	0,297	Moderate
Compensation to <i>turnover intention</i>	-0,203	- 0,271	5,501	0,024	Small

Source: the results of the questionnaire data processing (2017)

**Conclusion for Hypothesis Test.** From the results of data analysis, it can be concluded from the initial hypothesis proposed in the study rejected or accepted.

**Table 14. Conclusion for Hypothesis Test**

No	Hypothesis	PLS	Significance	Effect
1	Ho: There is no effect of transformational leadership to turnover intention in PT X. <b>H1: There is an effect of transformational leadership to turnover intention in PT X.</b>	Ho rejected	Not Sig.	Very small
2	Ho: There is no effect of compensation to turnover intention at PT X. <b>H2: There is an effect of compensation to turnover intention at PT X.</b>	Ho rejected	Significance	Small
3	Ho: There is no effect of employee engagement to turnover intention at PT X. <b>H3: There is an effect employee engagement to turnover intention in PT X.</b>	Ho rejected	Not Sig.	Very small
4	Ho: There is no effect of transformational leadership to employee engagement at PT X. <b>H4: There is an effect of transformational leadership to employee engagement at PT X.</b>	Ho rejected	Significance	Small
5	Ho: There is no effect of compensation to employee engagement at PT X. <b>H5: There is an effect of compensation to employee engagement at PT X.</b>	Ho rejected	Significance	Moderate

Source: the results of the questionnaire data processing (2017)

**Inter-Dimensional Correlation.** The results of data processing with one-tailed correlation test indicate that: (1) The dimensions of direct compensation and indirect compensation have a very strong correlation to the four dimensions of engagement and all three dimensions of turnover intention; (2) The dimensions of give and belong to engagements variable have a very strong correlation to the three dimensions of turnover intention. (3) The dimensions of ideal influence and inspirational motivation on transformational leadership variables have a very strong correlation to engagement variables; (4) Non-financial dimensions of compensation variables also have a very strong correlation to engagement variables.

**Transformational Leadership to Turnover Intention.** From the results of testing the hypothesis found that there is a negative influence of transformational leadership on turnover intention in PT X although it is not significant. This research is different from some previous studies which found that transformational leadership has a significant effect on turnover intention. One of them is the research conducted by Caesary et al (2012) at PT Informedia where it found that there was a significant influence of transformational leadership with turnover intention. In addition, research by Dimaculangan and Aguilung (2012) also found that there was a significant direct influence between transformational leadership on employee desires. Research conducted by Klerk and Stander (2014) also shows a significant positive relationship between transformational leadership and turnover intention. Although there are many studies that find a significant influence between transformational leadership and turnover intention, there are several studies that do not get a significant influence between these two variables. As with the research conducted by Hammond, et al (2014) found that there was no significant influence between transformational leadership and turnover intention. In Sartika's research (2014) also found that there was no direct influence between transformational leadership and turnover intention on employees who were in CV Putra Tama Jaya. When viewed from the correlation between dimensions possessed by transformational leadership variables on turnover intention, there are indeed many dimensions that have no effect. Of the four dimensions of transformational leadership namely, ideal influence, inspirational motivation, intellectual stimulation and individual attention, all of them have an influence on the dimensions that will come out on turnover intention. Three dimensions besides individual attention also influence the dimension of thinking out on turnover intention variables. However, all four of them have no effect on the active dimension of looking for work on turnover intention variables. This might be a further review of PT X. Although it is not significant if you want to promote transformational leadership style in PT X, this can reduce the desire to leave employees.

**Compensation to Turnover Intention.** The results showed that the higher the compensation, the lower the desire to leave employees. This study was supported by several foreign studies, namely Berry (2010) who found a significant relationship between compensation and turnover intention. The study of two sample studies conducted by Vandenberghe and Trembalay (2008) also shows satisfaction with compensation influences employee turnover intention. Devi and Sudibia's research (2015) on contract employees in Bali also showed a negative influence, similar to this study. Research conducted by Cahyanti (2014) also shows similar things. Artningrum and Satrya's research (2016) which examined employees in the banking sector, not the same as the manufacturing sector studied, also showed a significant relationship between compensation for turnover

intention. The study at PT Tiki Track Nugraha Central Jakarta also saw this correlation, even compensation was the dominant variable influencing turnover intention. When viewed from the correlation between dimensions, it can be seen that the direct and financial dimensions do not directly influence strongly the three dimensions of the turnover intention variable. The non-financial dimension also affects two dimensions of turnover intention, namely going out and thinking out. The existence of this correlation mapping can be used by the management of PT X that by thinking of direct and indirect financial employees, perhaps the structure of the wage scale, benefits, benefits and others can directly increase employee retention.

**Engagement to Turnover Intention.** The results of the study found that engagement negatively affects turnover intention even though it is not significant. This study has different results from research conducted by Klerk and Stander (2014) who found that there was a positive and significant relationship between engagement and turnover intention. Research conducted by Tse, Huang and Lam (2013) also found a positive relationship between engagement and turnover intention. Berry's research, L Marry (2010) also shows a significant influence between engagements on turnover intention. In Indonesia, Cahyanti, DwiGading (2014) also found that there was a significant influence between engagement on turnover intention. However, this does not mean that this research is the only research that does not get the influence of engagement on employee desires. Several undocumented studies conducted by Hadiwijaya, Kristian (2015) found that engagement is not related to turnover intention. This can happen if there is a potential influencing moderator so engagement has no effect on turnover intention, including a political economic situation that is not good and also a lack of job vacancies on the market so that employees do not have the option to keep working even if they are not engaged. When observed from the data obtained and the demographics of PT X employees where more than 200 samples come from operator level employees with high school backgrounds, this has an impact on the tight competitiveness and lack of job openings for the same background. In contrast to the correlation between dimensions, almost all the dimensions of the engagement variable have a strong and even strong correlation to each dimension that is owned by the variable turnover intention. However, there is one correlation that has no effect, that is between the grow dimension and the dimension will come out. Although not significant, this can still be used as a further study by PT X management qualitatively.

**Transformational Leadership to Engagement.** From the results of the study concluded that there is an effect of compensation on turnover intention. The correlation coefficient shows a figure of 0.315 where there is a positive correlation between transformational leadership and engagement. The percentage of influence of transformational leadership on engagement is only 18.207%. This allows for other influences that may not be examined and have greater influence than transformational leadership. The results of this study are supported by research conducted by Rukmana, Asep (2014) which examines transformational leadership and organizational culture on employee engagement at BPJS Employment; Ariwi (2013) who examined the style of transformational leadership towards employee engagement at the Head Office of PT DarmaHenwa, Tbk.; Ghafoor et al (2011) examined 270 employees and managers in telecom companies; Vincent-Hoper and Janneck (2012) who examined 530 women and 602 men. When viewed from the correlation between dimensions all dimensions possessed by transformational leadership variables strongly influence the four dimensions of engagement. Therefore, management if they want

to engage more employees can find leaders with transformational leadership style or train each boss to further hone his transformational leadership style.

**Compensation to Engagement.** The effect of compensation on engagement is 30.47% and the effect is moderate from the results of the F-square test compared to other influences. This study is different from the research conducted by Wulandari and Gustomo (2010) which found that compensation variables did not give a significant influence on the engagement of ITB lecturers. Maybe from a different sample between lecturers and employees. Lecturers and employees have different priorities. Almost all lecturers are hungry for knowledge and like to teach, but not all employees have a passion to become employees. This research was supported by Dwi's (2012) research which found that there was a positive and significant influence between compensation for engagement. Research on 77 employees abroad also shows a positive influence between compensation for engagement. In fact, compensation has a positive effect, similar to the results of this study. Therefore because compensation has an influence on engagement and also turnover intention, then management if you want to increase engagement and reduce turnover intention at the same time can review the structure of the wage scale. From the correlation between dimensions, it can be seen that the three dimensions of the compensation variable, namely non-financial, direct, and indirect financial, each have a strong influence on the four dimensions of engagement. This is in line with the influences analyzed through SEM statistics where the most moderate influence is on the effect of compensation on engagement.

## **CONCLUSION AND SUGGESTION**

**Conclusion.** Conclusions between variables from this study: (1) Transformational leadership has a significant negative effect on employee turnover intention at PT X; (2) Compensation has a negative effect on employee turnover intention at PT X; (3) Engagement has a significant negative effect on employee turnover intention at PT X; (4) Transformational leadership has a positive effect on engagement; (5) Compensation has a positive effect on engagement. From analysts between dimensions, the following conclusions are obtained: (1) The direct and indirect financial dimensions of compensation variables have a very strong correlation to the four dimensions of engagement and the three dimensions of turnover intention; (2) The dimensions of the ideal influence and inspirational motivation on the leadership variables and the non-financial dimensions of the compensation variable have a very strong correlation to the four dimensions of the engagement variable; and (3) the give and belong dimensions of the engagement variable have a very strong correlation to the three dimensions that exist in the turnover intention variable.

**Suggestion.** Suggestions given by researchers to the management of PT X: (1) If management wants to reduce the turnover rate, the solution that can be used is to re-evaluate the structure of the existing wage and benefit scale; (2) Management can also review lower management skills in leading if you want to increase employee engagement; (3) Reviewing the direct and indirect financial given to employees if management wants to increase engagement and also reduce turnover intention on an ongoing basis; (4) Train each boss about the ideal influence and inspirational motivation that must be possessed by each

boss, management can improve employee engagement; (5) Reviewing non-financial matters that become what employees get, such as trust, opportunities for participation, opportunities for promotion, appreciation and recognition of employees can also increase employee engagement with the company; (5) Increasing the sense of belonging to the company with employees knowing that what they do contributes to the company can reduce employee turnover intention. Suggestions for further research are as follows: (1) Qualitative research to see reasons and conclude the reasons why transformational and engagement leadership styles do not significantly influence turnover intention can explain why there is a difference between theory and practice in PT X; (2) A comparative study of engagement on turnover intention among top management and operators can be done to see if there are differences in the level of influence in these two matters; and (3) Further research on engagement on the performance of PT X can be done for the next research.

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