

Effect of Organizational Culture, Leadership and Compensation on Employee Engagement in Coca-cola Amatil Indonesia Central Sumatra

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Abstract

This research was conducted at the Coca-cola Amatil Indonesia Central Sumatra office to see an overview of the influence of organizational culture, leadership and compensation on employee engagement. The population of this study was conducted 199 respondents with a total sample of 133 respondents. The results of the study showed that Compensation and leadership had a significant and positive effect on the employee engagement of Coca-cola Amatil Indonesia Central Sumatra. Organizational Culture has no significant effect on employee engagement. Organizational culture has a significant and positive influence on the leadership of Coca-cola Amatil Indonesia Central Sumatra.

Keywords: organizational culture, leadership and compensation on employee engagement

Introduction

Employee engagement is one of the important aspects in managing Human Resources in Coca-cola Amatil Indonesia Central Sumatra in the last 3 years, since the centralized management system was implemented, at the Amatil Indonesia Central Sumatra Coca-cola Company there are no more leaders currently in charge or is responsible for all functions (Sales & Marketing, Finance, Human Resources, Business Services and IT), because each of the functions of each leader is based or domiciled in Jakarta. Employee engagement is defined in relation to employee's thoughts and feelings and behaviour and this employee's engagement is seen as an approach by the organization to increase commitment to employee work and organizational goals (Sambrook, 2016)

Engagement can be influenced by leadership. Leadership in a company plays an important role if the leader does not have the ability to lead well, then very complex tasks cannot be done well. A good leader can lead, lead others and then be able to lead the organization (Frost, 2014). In the business world a company needs an effective leader, who has the ability to influence and make employees loyal to the company, and what can be achieved by the company. In addition to leadership factors, organizational culture also plays an important role in a company. Many companies recognize that organizational culture can be used as an advantage in competition, and companies can take advantage of the organizational culture as long as the values created or shared are right for the company (Naqshbandi, 2015).

Compensation affects employee engagements. Compensation is very important in a company. Compensation is the remuneration received by employees because of its contribution to the company and also can motivate employees and help increase the effectiveness of the company (Patnaik, 2012).

Associated with the current conditions in Coca-cola Amatil Indonesia Central Sumatra (West Sumatra, Riau and Jambi), the engagement of employees is one of the focuses and is very much watched for improvement as evidenced by the implementation of questionnaires and surveys regarding employee engagement periodically (1 time in one year) Besides that programs that are to support the increase of employee linkages are made more interesting as the following examples, recreational programs with families and information about employee career clarity.

From the descriptions and phenomena that occur above, the authors are interested in further researching the "influence of organizational culture, leadership and compensation for employee engagements to Amatil Indonesia Central Sumatra Coca-cola.

Methods

This research was conducted in the office of Coca-cola Amatil Indonesia Central Sumatra to see an overview of the influence of organizational culture, leadership and compensation for employee engagement. The population of this study was conducted in the office of Coca-cola Amatil Indonesia Central Sumatra consisting of 199 employees. So the sample in this study amounted to 133 people. The analysis technique used in this research is PLS SEM analysis. The sample in this study can be seen in the following table:

Table 1 Research respondents

Object of research	Total population	Number of Samples
Sales & Marketing	143	96
Human Resources	3	2
Finance	7	5
Logistic	26	17
IT	1	1
Business Services	19	13
Total	199	133

Resources: Coca-cola Amatil Indonesia Central Sumatra

Results and Discussion

The data that has been collected is then processed using Smart-PLS software. To validate the research model that was built, measured two main parameters that were built, namely testing construct validity (convergent and discriminant) and testing internal consistency (reliability). The construct validity test can be measured by the parameters of loading score, AVE, communality, R², and redundancy. AVE scores must be > 0.5, communality > 0.5, and redundancy is close to 1. Test reliability (reliability) can be seen from the value of cronbach's alpha and composite reliability values. Cronbach's alpha value must be > 0.6 and the composite reliability value must be > 0.7. The results of data analysis can be seen through the following description:

Convergent validity test is used to describe the correlation between constructs and indicators. The greater the correlation values the better the relationship between constructs and indicators. Correlation is declared valid with a loading factor of ≥ 0.5 . Based on Table 2, it can be stated that all loading scores are not below 0.5, so there are no indicators that must be removed from the research model, so the next step is to do a discriminant validation test. Discriminant validation is validation if two different instruments that measure two constructs that are predicted to be uncorrelated produce scores that are not correlated. This proves that the measuring instrument precisely only measures the measured constituents, not other constructs. Discriminant validity can be evaluated by looking at the AVE root and the correlation value between variables; in this case the root value of AVE should be greater than the correlation between variables. Table 2 shows that almost all of the AVE root values in the construct are greater than the correlation between other constructs. With this, it can be said that discriminant validity is good.

By looking at cross loading measurements with the construct, discriminant validity can also be measured. The results of cross loading also show that each indicator in a construct will be different from the indicators in other constructs and collect on the construct in question. It can be concluded that each of the indicators in a latent variable has a difference with indicators in other variables which are indicated by a higher loading score in its own construct.

Structural model testing is carried out by entering all statements that are declared to pass the test of validity and reliability. The structural model test shows the relationship of latent variables with other latent variables. Structural model evaluation is done by boot strapping process that will produce the coefficient of determination (R^2), Predictive relevance (Q^2), effect size (f^2), the path coefficients and t-statistics. The results of data processing for structural model testing are explained as follows:

Table 2 Construct Validity and Reliability After Valid

Constructs'	Item	Mean	Std. Dev	Loading factor	A	CR	AVE
Culture	BO1	4,11	0.54	0.745	0.854	0.886	0.468
Organization	BO2	4.09	0.63	0.797			
	BO3	4,11	0.46	0.702			
	BO4	4,17	0.57	0.828			
	BO5	4,12	0.51	0.550			
	BO6	4,19	0.54	0.708			
	BO10	3.90	0.67	0.661			
	BO11	3.81	0.65	0.560			
	BO13	3.94	0.73	0.540			
Employee	KK1	4.23	0.63	0.964	0.968	0.977	0.860
Engagement	KK2	4.24	0.63	0.968			
	KK3	4.20	0.65	0.977			
	KK4	4.24	0.62	0.968			
	KK5	4.32	0.63	0.570			
	KK6	4.21	0.63	0.981			
	KK9	4,22	0.62	0.986			
Compensation	KOMP1	4.30	0.67	0.622	0.884	0.911	0.595
	KOMP2	4.23	0.52	0.760			
	KOMP3	4,11	0.63	0.785			
	KOMP4	4.32	0.50	0.789			
	KOMP5	4.23	0.52	0.826			
	KOMP6	4.23	0.49	0.862			
	KOMP7	4.19	0.48	0.732			
Leadership	KP1	4,13	0.54	0.763	0.703	0.807	0.457
	KP2	4.03	0.59	0.720			
	KP3	4.21	0.54	0.632			
	KP5	4,16	0.52	0.674			
	KP6	4.07	0.54	0.575			

Source: primary data processing results, 2018

Predictive relevance(Q^2) measures how well the observation value is generated by the model and its parameter estimation. A model is considered to have predictive relevance if $Q^2 > 0$. The magnitude of Q^2 has a value with a range of 0, Q^2 , 1 with a value category of 0.02 (small), 0.15 (moderate), 0.35 (large) (Chin in Ghazali, 2014: 81). Predictive relevance values are obtained from:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$$

$$Q^2 = 1 - (1 - 0,331^2)(1 - 0,603^2)$$

$$Q^2 = 0.433$$

Table 3 Test Results of Discriminant Validity

	BO	KP	KK	KOMP
BO	0.684			
KP	0.580	0.676		
KK	0.414	0.560	0.927	
KOMP	0.496	0.534	0.760	0.771

Note: diagonal (in bold) is the square of AVE

Source: primary data processing results, 2018

The results of the calculation of Q^2 in this study amounted to 0.433, which means that the model has predictive relevance with a large category. *Effect Size (f^2)* The f-square test is done to find out the goodness of the model. The rule of thumb used is 0.02 small, 0.15 medium, 0.35 large (Chin in Ghazali, 2014: 81). The results of the calculation of size effect can be seen in table 4.

Table 4 Effect Size Test Results(f^2)

Variable	Effect size (f^2)	Category
Organizational Culture -> Leadership	0.506	Strong
Organizational Culture -> Employee engagement	0.004	Weak
Leadership -> Employee engagement	0.086	Good
Compensation -> Employee engagement	0.738	Great

Source: Processed Primary Data, 2018

The calculation results of f^2 in this study are, the predictor forming the Employee Engagement variable that is Organizational Culture has a small effect of 0.004. Leadership has a small effect of 0.086 and compensation has a large influence of 0.738. The leadership-forming predictor of Organizational Culture has a moderate influence of 0.506.

Hypothesis testing

Hypothesis 1

The results showed that Organizational Culture had a coefficient of 0.580, a t-statistic value of 9,879 and a p-value of 0,000. This explains that there is a high and positive significant influence from Organizational Culture on Leadership, which means that the stronger the level of Organizational Culture, the better the level of Leadership.

Hypothesis 2

The analysis shows that Organizational Culture has a coefficient value of -0.051, t-statistics value of 0.675 and p-value of 0.500. This explains that there is an insignificant influence of Organizational Culture on Employee Engagement, which means that the higher the level of Organizational Culture does not have a significant impact or contribution to employee engagement.

Hypothesis 3

The results of the analysis show that leadership has a coefficient value of 0.239 t-statistics value of 3.149 and p-value of 0.002. This explains that there is a significant and positive influence from Leadership on Employee Engagement, which means that the better the level of Leadership, the stronger the Employee Engagement in the company.

Hypothesis 4

The results of the analysis show that Compensation has a coefficient value of 0.657 t-statistics value of 10.774 and p-value of 0.000. This explains that there is a significant and positive influence of Compensation on Employee Engagement, which means that the better the Compensation level, the stronger the Employee Engagement level.

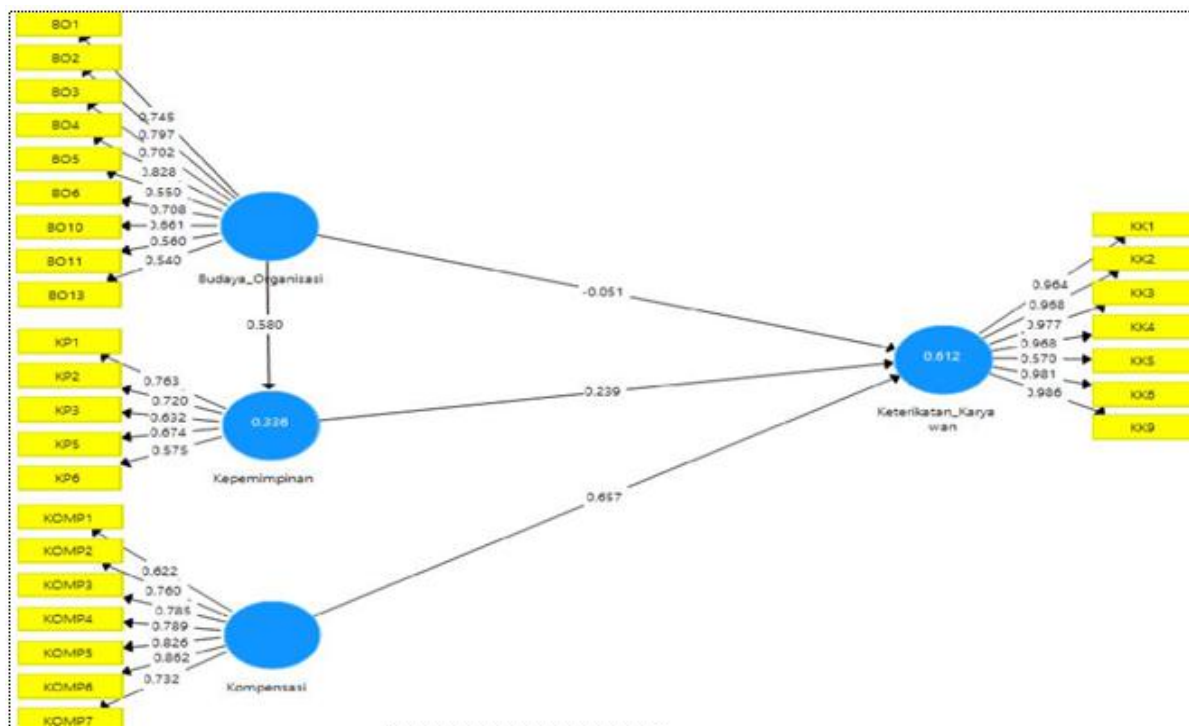


Figure 1 Model using PLS

Discussion

The influence of Organizational Culture on Leadership of Coca-cola Amatil Indonesia Central Sumatra
Based on the analysis, Organizational Culture has a significant and positive effect on the Leadership of Coca-Cola Amatil in Central Sumatra Indonesia. This means that the higher the level of Organizational Culture, the Leadership will increase.

Organizational Culture has a significant and positive effect on the leadership of Coca-Cola Amatil Indonesia Central Sumatra. This is in line with some of the opinions of experts below. (Dierendonck, 2011) shows that culture seen from the distance of power and human orientation has an influence on leadership. Research (House, 2002) states that organizational culture and practices affect what leaders do. The results of the study (Nikčević, 2016) state that various types of organizational culture, depending on the content, imply a different leadership style.

The Influence of Organizational Culture on the Engagement of Coca-cola Amatil Indonesia Central Sumatra Employees.

Based on the analysis, organizational culture has no significant effect on the attachment of employees of Coca-Cola Amatil Indonesia Central Sumatra. This explains that organizational culture does not contribute significantly to employee engagement. This means that the higher the level of organizational culture, the attachment of employees will not increase significantly. Organizational culture does not significantly influence the engagement of Coca-cola Amatil Indonesia Central Sumatra employees. This explains that organizational culture does not make a significant contribution to employee engagement. This means that the higher the level of organizational culture, the engagement of employees will not increase significantly.

Organizational Culture is what employees observe and the results of this observation will produce an outline of value and anticipation opinions. The work environment, team relations and co-workers or in general the corporate culture can be seen as the main things that influence employee engagement which in turn will have a significant effect on employee performance (Mehrzi, 2016).

The Influence of Leadership on the Engagement of Coca-cola Amatil Indonesia Central Sumatra Employees

Based on the analysis, Leadership had a significant and positive effect on the Engagement of Coca Cola Amatil Employees in Central Sumatra. This shows that leadership contributes significantly to employee engagement. This means that the higher the level of Leadership, the more attached employees will be.

Based on the analysis conducted on the third hypothesis, that leadership has a significant and positive influence on the Employee Engagement of Coca-cola Amatil Indonesia Central Sumatra. This shows that leadership contributes significantly to employee engagement. This is in line with the following expert opinion.

Appropriate and effective leadership will increase employee engagement, a sense of ownership and accountability among employees achieved by engagements will be obtained through leadership. Leaders will be able to directly influence morale, retention, commitment and satisfaction and perception of stress. It can be concluded that leadership is an effective tool to increase employee engagement and they will be ready to work and place their hearts and minds at work (Parimalam, 2012). If a leader has a good personality and behaviour, then the level of engagement in the organization will increase but on the contrary if the leader has a personality that is not good then automatically the existing engagements in the organization will be low (Saks, 2011). The behaviour of a leader who focuses on supporting and developing his followers will have an impact on the employee's engagement to the organization, and the sincere willingness of his followers to be willing to be guided and directed by their leaders is the key to success in gaining engagement to his followers (Thomas, 2011).

The Effect of Compensation on the Engagement of Coca-cola Amatil Indonesia Central Sumatra Employees

Based on the analysis, compensation has a significant and positive effect on the Engagement of Employees of Coca-Cola Amatil Indonesia Central Sumatra. This shows that compensation contributes significantly to employee engagement. This means that the higher or better the compensation level, the more the employee's attachments will increase.

Based on the analysis carried out in the fourth hypothesis, that compensation has a significant and positive effect on the Employee Engagement of Coca-cola Amatil Indonesia Central Sumatra. This shows that compensation contributes significantly to employee engagement. This is in line with the opinions of the following experts. The better and better the compensation given by the company to its employees, this will have a significant effect on employee engagement, because employees no longer think about how to meet the needs of their lives and families because everything has been fulfilled and they will survive and give the best results to the company (McMullen, 2010). Employees who have received awards and high recognition will feel obliged to appreciate it and this will have a direct impact on the level of engagement (Dajani, 2015).

Conclusion

The results of the study prove that organizational culture has a significant and positive influence on leadership; Organizational Culture has no significant effect on employee engagement; Leadership has a significant and positive effect on employee engagement; Compensation has a significant and positive effect on the engagement of Coca-cola Amatil Indonesia Central Sumatra employees

Based on the conclusion, then there are some suggestions that the authors propose to increase leadership in Coca-cola Amatil Indonesia Central Sumatra i.e. with Enhancing organizational culture. Furthermore, to be able to increase employee engagement by way of: 1) Increasing compensation and maintaining the system that has been done now; 2) Improve leadership in the company so that it can make capable leaders communicating a clear and positive vision and future, treating his team humanely and supporting his development, providing motivation and recognition to his team, maintaining and maintaining trust, involvement and collaboration among his team. Motivates thinking about new problems and things, explains the values and ways of working that are conveyed, pride and respect for others and inspires them to have better abilities.

In order for employee engagement Coca-cola Amatil Indonesia Central Sumatra stronger, then Cocacola Amatil Indonesia Central Sumatra need to improve leadership factor that can provide a positive influence for the work of employees. In addition, in improving leadership, companies also need to consider the factor of organizational culture. Positive organizational culture it will make leadership able to work and carry out its functions as a leader who is able to contribute to employee success.

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