



RESEARCH ARTICLE

The Influence Of Compensation, Career Development, And Organizational Culture On Employee Retention

Wachid Hasym¹, Permana², Rustianah³

Abstract

In the era of globalization and increasingly fierce business competition, companies are faced with the challenge of retaining qualified employees. Competent and experienced employees are valuable assets for organizations because they contribute significantly to the achievement of company goals. Therefore, employee retention is an important strategic issue to be considered by company management. Compensation is one of the main factors that influence employees' decision to stay with a company. According to several studies, fair and competitive compensation can increase employee satisfaction, which in turn has a positive impact on employee retention. Good compensation includes not only basic salary, but also incentives, bonuses, allowances, and other facilities that can improve employee welfare. Thus, effective compensation management is crucial in the effort to retain employees. Career development is another very important aspect in influencing employee retention. Employees tend to feel more satisfied and committed to companies that provide clear and structured career development opportunities. Training programs, further education, mentoring, and transparent career paths can help employees feel valued and motivated to continue growing within the organization. Research shows that employees who see career development prospects where they work tend to have higher loyalty to the company. A strong and positive organizational culture also plays an important role in employee retention. A culture that is supportive, inclusive and in line with employees' personal values can increase their sense of attachment to the company. Organizational culture includes values, norms, and behaviors that are accepted and shared by all members of the organization. When employees feel that the organizational culture matches their personal values, they tend to be more at home and motivated to stay with the company. The objectives of this study are: to find out whether compensation, career development and organizational culture affect employee retention both partially and simultaneously. Then the stages in this research methodology are to test the validity and reliability of the research instrument, after passing these tests, the classical assumption test will then be carried out and then use multiple linear regression tests where the data will be processed using minitab statistical software / SPSS. The implication of this research is that the company will later find out what variables can affect employee retention, especially in the variables of compensation, career development, and organizational culture.

Keyword: Compensation, Career Development, Organizational Culture, Employee Retention

Introduction

In recent years, the world of work has witnessed significant changes in workforce behavior and preferences. One of the most striking phenomena is the increase in workforce mobility, where employees tend to be more open to exploring new career opportunities and moving to other companies. This phenomenon is a response to a variety of factors including globalization, technological developments, and changes in career paradigms that have resulted in dramatic changes in the way individuals view their work and career development. The success of a company in its business is highly dependent on the quality of its Human Resources. If the quality of Human Resources (HR) in the company is considered low, then the company's performance results will definitely decrease. Company performance is measured as the extent to which the company's ability to achieve the goals set within a certain period of time (Nurzaman & Fadhlillah, 2023).

Employee retention refers to the company's capability in maintaining the loyalty of its talented employees, so that they remain committed to the company (Yulian *et al.*, 2016). The purpose of prioritizing employee retention is to prevent the loss

of talented talent from the company, because high-quality employees are an important element in the company's progress (Mardhani & Dewi, 2022). Research conducted by Z. Zakiah with the results of the relationship between compensation schemes and employee retention in the two companies is moderate and has a negative relationship (Zakiah, 2020). Meanwhile, according to research conducted by I.G.M. Suwandana produced a value that shows that compensation has a positive effect on Employee Retention at Batur Natural Hot Spring. In other words, if the value of Compensation (X1) increases, the level of Employee Retention (Y) will also increase (Suwandana, 2019).

Hypothesis (H2) Career Development. Research conducted by (Srimulyani & Jelita, 2022) with the results of the analysis showing that career development variables positively and significantly affect employee retention. Meanwhile, research conducted by (Pratami, 2023) Agung Putri Dian Pratami (2023) the results of the analysis show that career development opportunities in an organization are considered insufficient to retain employees, while working relationships in the agency are considered good, allowing employees to work effectively.

Hypothesis (H3) Organizational Culture. Research conducted by (Murtiningsih, 2020) with the results of the analysis showing that there is a positive impact of organizational culture on the retention rate of permanent employees working at PT Nindya Karya Region IV. (Murtiningsih, 2020). Meanwhile, research conducted by (Farid & Luvia, 2022) with the results of the analysis that organizational culture has no significant effect on employees when job satisfaction is used as an intermediate variable because it does not meet certain requirements. Therefore, it can be concluded that there is no real relationship between the three

Universitas Pelita Bangsa

**) corresponding author*

Wachid Hasym

Email: wachid_hasyim@pelitabangsa.ac.id

factors. In addition, it can be concluded that organizational culture in BPR companies in Batam does not succeed in increasing employee retention through job satisfaction (Farid & Luvia, 2022).

Literature Review

Employee Retention

According to (Putra & Rahyuda, 2016) employee retention is a strategy used by management to keep competent employees in the organization within the specified time period. According to Mathis and Jackson in a journal researched by (Putra & Rahyuda, 2016) revealed that there are three indicators in employee retention. It is considered that employees will remain in the workplace if these three elements are met. These three indicators are used as a tool to assess the level of employee retention, namely:

1. Organizational Career Opportunities
2. Rewards
3. Work Relationships

Compensation

In a study conducted by (Arman, Pramono & Supardi, 2022), compensation can be considered an award given to employees in recognition of their efforts. These awards can be in the form of money, but they do not guarantee weekly or monthly amounts, but are related to goods for services produced. According to (Arman, Pramono & Supardi, 2022), the following are indicators of employee compensation:

1. Salary
2. Bonus
3. Incentives
4. Insurance

Career Development

According to (Soetjipto, 2019) career development is a series of actions involving career planning, followed by strengthening the ability of individual employees to prepare themselves to assume certain responsibilities and positions. (Soetjipto, 2019) suggests that there are seven indicators in career development, namely:

1. Company policy
2. Work Achievement
3. Educational Background
4. Training
5. Work Experience
6. Loyalty to the Organization
7. Sociability and Interpersonal Relationships

Organizational Culture

Organizational culture or often referred to as work culture refers to a set of values that must be respected in an organization, and gradually this value will become a good habit in an operational context and ultimately become a guide for an employee to be consistent in working well and can contribute to overall performance improvement (Sutoro, Mawardi, Sugiarti, 2020).

In research on organizational culture variables, (Sutoro, Mawardi, Sugiarti, 2020) suggests that there are several indicators that can be used to measure specific aspects of organizational culture. These indicators include:

1. Policy Values
2. Work Rule Values
3. Procedure Values
4. Work Ethical Values

Method

The type of research conducted is research with a Quantitative approach. According to (Sugiyono, 2019) quantitative methods are methods based on the philosophy of positivism that aim to describe and test hypotheses made by researchers. Quantitative research contains many numbers starting from data collection, processing, and results that are dominated by numbers. Quantitative research is research that predominantly uses objective quality, examination and disclosure based on specific problems so that it has a single and independent dimension (involvement with the objects under study is low or even non-existent). The type of relationship that is the basis for determining the data and analytical tools used in this study is the type of causal or correlational relationship that will be used to explain one or more problems.

Result and Discussions

Result

Based on the research data processing that has been carried out by the author, the research results can be described as follows:

Table 1. Outer Loading

	Compensation	Career Development	Organizational Culture	Employee Retention	Description
C1	0.742				Valid
C10	0.780				Valid
C2	0.742				Valid
C3	0.789				Valid
C4	0.712				Valid
C5	0.836				Valid
C6	0.776				Valid
C7	0.755				Valid
C8	0.763				Valid
C9	0.740				Valid
CD1		0.732			Valid
CD10		0.792			Valid
CD2		0.743			Valid
CD3		0.756			Valid
CD4		0.817			Valid
CD5		0.763			Valid
CD6		0.786			Valid
CD7		0.854			Valid
CD8		0.779			Valid
CD9		0.790			Valid
OC1			0.799		Valid
OC10			0.714		Valid

OC2	0.878	Valid
OC3	0.754	Valid
OC4	0.835	Valid
OC5	0.767	Valid
OC6	0.800	Valid
OC7	0.887	Valid
OC8	0.720	Valid
OC9	0.783	Valid
ER1		0.720 Valid
ER10		0.746 Valid
ER2		0.789 Valid
ER3		0.801 Valid
ER4		0.783 Valid
ER5		0.723 Valid
ER6		0.762 Valid
ER7		0.798 Valid
ER8		0.812 Valid
ER9		0.745 Valid

Based on the results of table 1 above, it can be seen that all outer loading values have a value greater than 0.7, so it can be declared valid and further testing can be carried out.

Table 2. Composite Reliability

	<i>Composite Reliability</i>	<i>Keterangan</i>
Compensation	0.913	Reliable
Career Development	0.945	Reliable
Organizational Culture	0.967	Reliable
Employee Retention	0.922	Reliable

Based on table 2 above, it can be concluded that the composite reliability value of this study has a value > 0.7, which

means that all constructs meet the criteria and each construct in this study has a high reliability value.

Table 3. Cronbach's Alpha

	<i>Cronbach's Alpha</i>	<i>Keterangan</i>
Compensation	0.910	Reliable
Career Development	0.945	Reliable
Organizational Culture	0.978	Reliable
Employee Retention	0.936	Reliable

Based on table 3 above, it can be concluded that the Cronbach's alpha value of this study has a value > 0.6, which

means that all constructs meet the criteria and each construct in this study has a high reliability value.

Table 4. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Compensation -> Employee Retention	0.112	0.135	0.102	2.115	0.000
Career Development -> Employee Retention	0.510	0.526	0.110	5.708	0.000
Organizational Culture -> Employee Retention	0.215	0.234	0.112	4.150	0.002

From the results of data processing path coefficient and specific indirect effect, the results of this study are as follows:

1. Compensation variable affects on employee retention. The results of data processing show that the t-statistic value is $2.115 > 1.96$. These result in line with research (Suwandana, 2019) which states that compensation has a positive effect on Employee Retention at Batur Natural Hot Spring. In other words, if the value of Compensation (X1) increases, the level of Employee Retention (Y) will also increase. Compensation has a positive and significant effect on employee retention as it directly influences job satisfaction, motivation, and overall commitment to the organization. Competitive pay

- and benefits packages meet employees' financial needs, enhancing their sense of value and reducing turnover intentions. When employees feel adequately compensated for their skills and contributions, they are more likely to remain loyal to the company, leading to higher retention rates. Additionally, fair compensation practices help foster a positive workplace culture, further strengthening employees' desire to stay with the organization for the long term
2. Career Development variable affects on employee retention. The results of data processing show that the t-statistic value is $5.115 > 1.96$. These result in line with research (Srimulyani

& Jelita, 2022) which states that career development has a positive effect on Employee Retention. Career development has a positive and significant effect on employee retention as it enhances employees' job satisfaction and engagement. When organizations invest in career development opportunities such as training, mentorship, and clear advancement paths, employees feel valued and motivated to grow within the company. This not only increases their loyalty but also reduces turnover rates, as individuals are more likely to stay with employers who support their personal and professional growth. Therefore, career development initiatives play a crucial role in retaining talent and fostering long-term organizational success.

3. Organizational Culture variable affects on employee retention. The results of data processing show that the t-statistic value is $4.150 > 1.96$. These result in line with research (Murtiningsih, 2020) which states that there is a positive impact of organizational culture on the employee retention. Organizational culture has a positive and significant impact on employee retention as it creates a supportive, motivating, and conducive work environment. When the organization's values, norms, and practices align with employees' needs and expectations, it enhances job satisfaction, loyalty, and engagement. Employees who feel valued and emotionally connected to the organization are more likely to stay longer, reducing turnover rates and contributing to overall productivity and stability of the company.

Conclusions

1. Compensation has a positive and significant effect on employee retention as it directly influences job satisfaction and motivation. Competitive and fair compensation packages, including salary, bonuses, and benefits, help employees feel valued and rewarded for their contributions. When employees perceive that their compensation aligns with their skills, efforts, and market standards, they are more likely to stay with the company, reducing turnover rates. This creates a sense of security and loyalty, as employees feel their financial needs are being met. In addition to financial rewards, comprehensive compensation packages that include non-monetary benefits, such as health insurance, retirement plans, and work-life balance perks, further strengthen retention. These benefits contribute to employees' overall well-being and satisfaction, making them less likely to seek opportunities elsewhere. When organizations invest in attractive compensation structures, they not only retain talent but also foster long-term engagement, productivity, and organizational stability.
2. Career development has a positive and significant effect on employee retention by fostering a sense of growth and long-term opportunities within the organization. When employees see clear pathways for career advancement, receive regular training, and have opportunities to enhance their skills, they feel more valued and motivated to stay. This investment in personal and professional development not only boosts job satisfaction but also encourages employees to commit to the organization, as they see it as a place where they can achieve their career goals. Moreover, career development helps reduce turnover by addressing one of the primary reasons employees leave: lack of growth opportunities. Organizations that provide structured development programs create a culture of continuous learning, which fosters a loyal workforce. Employees are more likely to remain with a company that supports their ambitions, leading to higher retention rates, improved organizational stability, and a stronger talent pipeline for future leadership roles.
3. Organizational culture plays a crucial role in influencing employee retention by fostering a supportive and engaging work environment. When employees align with the organization's values, norms, and practices, they tend to feel more satisfied, motivated, and committed. A positive organizational culture promotes open communication, collaboration, and recognition, which increases job satisfaction and creates a sense of belonging among employees. This emotional connection strengthens their loyalty to the organization, making them more likely to stay for longer periods, thus reducing turnover. Additionally, a strong organizational culture enhances employee retention by creating a sense of stability and consistency. When employees clearly understand the company's mission, vision, and expectations, they feel more secure and confident in their roles. A culture that prioritizes employee well-being and growth opportunities also increases engagement and retention, as employees are more likely to stay with an organization that invests in their professional development. Ultimately, an effective organizational culture helps retain top talent, boosts overall productivity, and improves long-term business performance.

Recommendations

1. Competitive Salaries : Ensure that compensation aligns with industry standards and is competitive enough to attract and retain top talent. Conduct regular market salary benchmarking to stay competitive.
2. Performance-Based Incentives : Implement performance-linked bonuses or profit-sharing plans to motivate employees and reward them for contributing to organizational success.
3. Comprehensive Benefits : Offer additional benefits such as health insurance, retirement plans, and wellness programs to address employees' holistic needs, which can increase loyalty.
4. Training and Skill Development : Create opportunities for continuous learning, such as workshops, online courses, and leadership programs that allow employees to enhance their skills and grow within the company.
5. Clear Career Pathways : Develop and communicate clear, structured career progression plans, including promotions and lateral movements, to provide employees with a sense of long-term opportunity within the organization.
6. Mentorship and Coaching : Establish mentorship and coaching programs that guide employees toward achieving their career goals and improving their performance.
7. Promote a Positive Work Environment : Foster an inclusive, collaborative, and transparent work culture where employees feel supported and valued. Encourage open communication, feedback, and recognition.
8. Value Alignment : Ensure that the organizational culture aligns with the employees' values and provides meaning to their work, which can increase emotional attachment and retention.
9. Work-Life Balance : Implement flexible work arrangements, such as remote work or flexible hours, to support employees in managing their personal and professional lives, improving their overall job satisfaction and loyalty.
10. Regularly Evaluate Employee Satisfaction : Conduct regular surveys or focus groups to assess employee satisfaction with compensation, career development opportunities, and the work environment. Use the feedback to make informed improvements and address any emerging concerns.
11. Personalize Retention Strategies : Recognize that different employees have different motivations for staying with an organization. Tailor retention strategies to individual needs by offering a variety of incentives, development opportunities, and work arrangements that cater to diverse employee preferences.

Limitations

1. Address potential limitations such as geographic or industry-specific biases, or the inability to generalize findings across all sectors.
2. Propose future research directions, such as longitudinal studies to track changes over time or comparative studies across industries or countries.

Directions for Future Research

1. Explore the existing theories that link compensation (monetary and non-monetary) to retention., consider both extrinsic (salaries, bonuses) and intrinsic rewards (recognition, benefits), and review compensation strategies in different sectors and their effectiveness in improving retention rates.
2. Examine how opportunities for career advancement, skill development, and promotions **impact an employee's** decision to stay, and investigate mentoring, training programs, and the role of career pathways in enhancing job satisfaction.
3. **Study the influence of a company's values, communication** styles, and leadership on retention. Consider the impact of an inclusive, supportive, and collaborative work environment on employee loyalty.
4. Identify the gaps in existing literature regarding the combined influence of compensation, career development, and organizational culture.
5. Explore areas such as how these factors interact with each other, and whether certain combinations are more effective in different industries or demographics.

References

- Farid, R., & Luvia, G. (2022). Faktor-faktor yang mempengaruhi retensi karyawan pada karyawan Bank Perkreditan Rakyat (BPR) di Batam. *Jurnal Mirai Manajemen*, 7(3), 21–29.
- Mardhani, K. K., & Dewi, A. S. K. (2022). Pengaruh kompensasi komitmen organisasi terhadap retensi karyawan dimediasi oleh kepuasan kerja RSU Bhakti Rahayu Denpasar. *E-Jurnal Manajemen*, 11(1), 150–169.
- Murtiningsih, R. S. (2020). The impact of compensation, training & development, and organizational culture on job satisfaction and employee retention. *Indonesian Management and Accounting Research*, 19(1), 33–50. <https://doi.org/10.25105/imar.v19i1.6969>
- Nurzaman, N., & Fadhlillah, P. R. (2023). The influence of work motivation, leadership style, and compensation on employee performance. *Research in Economics and Business*, 1(1), 1–10. <https://doi.org/10.58777/reb.v1i1.24>
- Pratami, I. G. M. S. (2019). 44876-85-103931-2-10-20190701_18102020. *Jurnal Manajemen*, 8(4), 2409–2437.
- Putra, I., & Rahyuda, A. (2016). Pengaruh kompensasi, lingkungan kerja dan perceived organizational support (POS) terhadap retensi karyawan. *E-Jurnal Manajemen Universitas Udayana*, 5(2), 255155.
- Srimulyani, V. A., & Jelita, S. P. P. (2022). Dampak pengembangan karir dan lingkungan kerja terhadap peningkatan retensi karyawan. *JRMA / Jurnal Riset Manajemen dan Akuntansi*, 10(2), 153–162. <https://doi.org/10.33508/jrma.v10i2.1120>
- Sugiyono. (2019). Metode penelitian kuantitatif, kualitatif, dan R&D (26th ed.). CV Alfabeta.
- Sutoro, M., Mawardi, S., & Sugiarti, E. (2020). Pengaruh kepemimpinan, kompensasi, budaya organisasi, dan kepuasan kerja terhadap kinerja pegawai negeri sipil. *Scientific Journal of Reflective Economics, Accounting, Management, and Business*, 3(4), 411–420. <https://doi.org/10.37481/sjr.v3i4.267>
- Zakiah, Z. (2020). Analisis hubungan antara skema kompensasi dan retensi karyawan pada PT Galang Media Utama Yogyakarta dan UGM Press Yogyakarta. *ABIS: Accounting, Business and Information Systems Journal*, 3(2). <https://doi.org/10.22146/abis.v3i2.59290>