THE ROLE OF COMPENSATION, JOB ROTATION, EMPLOYEE ENGAGEMENT AND EMPLOYEES PERFORMANCE OF SMEs

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\textbf{ABSTRACT}

\textbf{Purpose:} The purpose of this study is to analyze the relationship between compensation and employee performance, analyze the relationship between job rotation and employee performance, and analyze employee engagement on employee performance in SMEs.

\textbf{Design/Methodology/Approach:} The method used in this study is quantitative to test the hypothesis taken from the research variables in numbers and then the data is analyzed using statistical procedures. This study explains the causal relationship between variables through hypothesis testing. The population in this study were 670 SMEs owners. Data collection techniques in research were carried out by distributing questionnaires containing statements related to the variables studied. The measurement scale used for this research is a 7-point Likert scale. Data analysis uses the Partial Least Square (PLS) method.

\textbf{Findings:} The results of this study are compensation has a significant effect on employee performance, job rotation has a significant effect on employee performance, employee engagement has a significant effect on employee performance.

\textbf{Practical implications:} SMEs managers should implement compensation, job rotation to encourage employee performance improvement and also to encourage employee engagement to improve SME employee performance.

\textbf{Authenticity/Value:} The novelty of this research is the discovery of a relationship model of compensation, job rotation, Employee Engagement and performance of SMEs employees.

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O PAPEL DA REMUNERAÇÃO, DA ROTAÇÃO DE EMPREGOS, DA PARTICIPAÇÃO DOS TRABALHADORES E DO DESEMPENHO DOS TRABALHADORES DAS SMEs

\textbf{RESUMO}

\textbf{Objetivo:} O objetivo deste estudo é analisar a relação entre remuneração e desempenho do funcionário, analisar a relação entre rotação de trabalho e desempenho do funcionário e analisar o envolvimento do funcionário no desempenho do funcionário em SMEs.

\textbf{Design/Metodologia/Abordagem:} O método utilizado neste estudo é quantitativo para testar a hipótese tirada das variáveis de pesquisa em números e, em seguida, os dados são analisados usando procedimentos estatísticos. Este

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The Role of Compensation, Job Rotation, Employee Engagement and Employees Performance of SMEs


EL PAPEL DE LA REMUNERACIÓN, LA ROTACIÓN DE PUESTOS DE TRABAJO, LA PARTICIPACIÓN DE LOS EMPLEADOS Y EL RENDIMIENTO DE LOS EMPLEADOS DE LAS SMEs

RESUMEN

Objetivo: El objetivo de este estudio es analizar la relación entre la remuneración y el rendimiento de los empleados, analizar la relación entre la rotación laboral y el rendimiento de los empleados, y analizar la participación de los empleados en el rendimiento de los empleados en las pymes.

Diseño/Metodología/Enfoque: El método utilizado en este estudio es cuantitativo para probar la hipótesis tomada de las variables de investigación en números y luego se analizan los datos mediante procedimientos estadísticos. Este estudio explica la relación causal entre las variables a través de la prueba de hipótesis. La población en este estudio fue de 670 propietarios de pymes. Las técnicas de recolección de datos en la investigación se realizaron mediante la distribución de cuestionarios que contenían enunciados relacionados con las variables estudiadas. La escala de medición utilizada para esta investigación es una escala Likert de 7 puntos. El análisis de datos utiliza el método de mínimos cuadrados parciales (PLS).

Hallazgos: Los resultados de este estudio son que la remuneración tiene un efecto significativo en el desempeño de los empleados, la rotación laboral tiene un efecto significativo en el desempeño de los empleados, el compromiso de los empleados tiene un efecto significativo en el desempeño de los empleados.

Consecuencias prácticas: Los administradores de las SMEs deberían aplicar la remuneración, la rotación de puestos para alentar la mejora del desempeño de los empleados y también alentar la participación de los empleados para mejorar el desempeño de los empleados de las SME.

Autenticidad/Valor: La novedad de esta investigación es el descubrimiento de un modelo de relación de remuneración, rotación laboral, Compromiso Laboral y desempeño de los empleados de las SMEs.

Palabras clave: Remuneración, Rotación de Puestos, Compromiso de los Empleados, Rendimiento de los Empleados, Pymes.

INTRODUCTION

Human resources are the most important asset for an organization which essentially functions as a driving factor for every activity within the company. An organization to carry out its activities to achieve the desired goals needs good management, especially human resources, because human resources are the main capital in planning, organizing, directing and activating other existing resources within an organization. The resources owned by the company are limited in nature, so the company is required to be able to empower and optimize
it in order to achieve its goals and maintain its survival. Human resources (HR) is one of the company's competitive advantages in terms of efficiency, effectiveness and flexibility of the company in achieving its goals. In facing intense competition in the current era of globalization, companies must maintain their assets in order to be able to face the competition. One asset that does not escape attention is human resources in a company. Humans are a unique asset, because they are the only living assets, so special treatment is needed to maintain their loyalty to the company. Employee Engagement is one way to make employees have high loyalty, According to Vizano et al. (2020); Sunarsi et al. (2020); Khanet al. (2023) which states that employee engagement makes employees have higher loyalty thereby reducing the desire to leave the company voluntarily. Employee engagement itself is a psychological state in which employees feel interested in the success of the company and are motivated to improve performance to a level that exceeds the job requirements requested. Furthermore, Purwanto et al. (2023) stated that employee engagement is considered as something that can provide change to individuals, team and company.

One of the successes of a company's performance is determined by the results of good employee performance, and good employee performance is created by carrying out good human resource management and professional. According to Sunarsi et al. (2020); Raharjo et al. (2022) stated that performance is a result or achievement that is influenced by the company's operational activities in utilizing its resources. Employee performance is influenced by several factors, one of the factors that can affect employee performance is job rotation. According to Sunarsi et al. (2020) revealed that job rotation can increase work productivity because it will affect the employee's performance. According to Sunarsi et al. (2020); Kadiyono et al. (2020) work rotation is the periodic change of an employee from one task to another. When one activity is no longer challenging, the employee is transferred to another job, usually at the same level, that has the same skill requirements. Research on the effect of work rotation on employee performance has been carried out by previous researchers, namely Vizano et al. (2020); Sunarsi et al. (2020); Aldaihini et al. (2022). The results of his research show that job rotation has a positive and significant effect on employee performance. This means that when work rotation increases, employee performance will also increase. However, research conducted by Anggraini (2013) showed different results. The results of his research show negative results on employee performance. This means that when work rotation increases, employee performance decreases.
The results of previous research conducted by Wibowo et al. (2020); Sunarsi et al. (2020) proved that compensation does not have a significant effect on job satisfaction. According to Abdul (2013) different research, namely compensation has a significant effect on job satisfaction. Several studies have shown that compensation has a negative effect on employee job satisfaction, for example, research conducted by Wibowo et al. (2020); Sulaeman et al. (2022) as well as the results of research by Vizano et al. (2020); Sunarsi et al. (2020); Kadiyono et al. (2020) which states that the relationship between compensation and job satisfaction is weak enough to suggest the development of a theory related to the relationship between compensation and job satisfaction. Previous studies state that compensation consisting of financial and non-financial compensation has a positive effect on job satisfaction. However, several studies have shown that compensation has a negative effect on employee job satisfaction, for example the research conducted by Young et al. (2014), also the results of research by Wibowo et al. (2020); Kadiyono et al. (2020) which states that the relationship between compensation and job satisfaction is weak enough to suggest the development of a theory related to the relationship between compensation and job satisfaction.

THEORITICAL FRAMEWORK

Compensation

According to Vizano et al. (2020); Sunarsi et al. (2020); Utomo et al. (2023) Compensation is all income in the form of money, direct or indirect goods received by employees as compensation for services provided to the company. According to Prayuda et al. (2019) the purpose of providing compensation is as follows: 1. Cooperation Bonds, by providing compensation a formal cooperative bond is established between the employer and the employee. Employees must carry out their duties properly, while employers/employers are required to pay compensation in accordance with the agreed agreement. 2. Job Satisfaction, with remuneration, employees will be able to meet their physical, social status and egoistic needs so as to obtain job satisfaction from their position. 3. Effective Procurement, if the compensation program is determined to be large enough then the procurement of qualified employees for the company will be easier. 4. Motivation, if the remuneration provided is large enough, the manager will easily motivate his subordinates. According to Firdaus et al. (2023) there are several factors that influence the provision of compensation, namely: 1. Productivity, the provision of compensation looks at the amount of productivity contributed by employees to the company. For this reason, the higher the output level, the greater the compensation provided
by the company to employees. 2. The ability to pay logically the size of compensation is very dependent on the company's ability to pay employee compensation. Because it is impossible for companies to pay compensation above their existing capabilities. 3. Willingness to pay even though the company is able to pay compensation, it is not certain that the company is willing to pay the compensation properly and fairly. 4. Supply and demand for labor. Supply and demand for labor have quite an effect on compensation. If there is a large demand for labor by the company, the compensation tends to be high, and vice versa if the supply of labor to the company is low, the payment of compensation tends to decrease.

\textit{H1: Compensation has a significant effect on employee performance.}

\textbf{Job Rotation}

According to Sunarsi et al. (2020); Kadiyono et al. (2020) work rotation is the periodic shift of an employee from one task to another. When one activity is no longer challenging, the employee is transferred to another job, usually at the same level, that has the same skill requirements. Job rotation indirectly benefits the organization because employees have many skills give management more in planning work, adapting to changes and filling vacancies. Job rotation according to Nurlatifah (2009: 3) besides functioning for development of human resources work rotation is believed to be able to provide many other benefits for the organization, rotation can prevent boredom and can also reduce labor turnover (absence of workers) employee. Indirect benefits, work rotation for the organization is when employees have broader skills in various fields of work, making it easier to schedule work, arrange leave employees and adapt to change. The job rotation indicators developed by According to Kadiyono et al. (2020), namely: level of job saturation; additional knowledge, skills, and competencies; management preparation; the right choice of working position; development of social relations.

\textit{H2: Job Rotation has a significant effect on employee performance}

\textbf{Employee Engagement}

Employee engagement is the emotional commitment of employees to the organization and its goals. This emotional commitment means employees really care about their job and the company. They don't work just for a paycheck, or just for a promotion, but work on behalf of the goals of the organization. Engaged employees have confidence in and support organizational goals, have a sense of belonging, feel proud of the organization in which they
work and have the desire to develop and survive in the organization. The Job Demand Resource Model (JD-R Model) is a theoretical framework model that attempts to integrate the two research traditions: the stress research tradition and the motivational research tradition. According to Prayuda (2019) job demands are the initiator of the health disorder process and work resources are the initiator of the motivational process. In addition, models determine how demands and resources interact, and predict important organizational outcomes

\[ H3: \text{Employee engagement has a significant effect on employee performance}\]

**Employee Performance**

According to Kadiyono et al. (2020) the definition of employee performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. According to Rahmawati et al.(2020); Ristian et al. (2023) stated that performance refers to the level of achievement of the tasks that make up an employee's job. Performance reflects how well an employee fulfills the requirements of a job. The performance of an employee is an individual thing, because each employee has a different level of ability in carrying out their duties. Management can measure employees for their performance based on the performance of each employee. Job satisfaction is basically something that is individual. Each individual has a different level of satisfaction according to the value system that applies to him. The higher the assessment of the activity felt in accordance with individual wishes, the higher the satisfaction with the activity. So in line Most job satisfaction can be interpreted as a pleasant or unpleasant thing in which employees perceive their work. According to Rachmawati et al. (2020); Kadiyono et al. (2020) Job satisfaction is the result of employee remuneration, both financial and "non-financial". Job satisfaction reflects a person's feelings towards his work. This job satisfaction appears in the positive attitude of employees towards work and everything that is encountered in the work environment.

**METHODOLOGY**

The method used in this study is quantitative to test the hypothesis taken from the research variables in numbers and then the data is analyzed using statistical procedures. This study explains the causal relationship between variables through hypothesis testing. The population in this study were 670 SMEs owners. Data collection techniques in research were carried out by distributing questionnaires containing statements related to the variables studied.
The measurement scale used for this research is a 7-point Likert scale. Data analysis uses the Partial Least Square (PLS) method.

**Research Hypothesis**

H1: Compensation has a significant effect on employee performance.
H2: Job Rotation has a significant effect on employee performance
H3: Employee engagement has a significant effect on employee performance

![Research Model](source)

**RESULT AND DISCUSSION**

**Validity Testing**

Based on the validity test analysis using structural equation modeling, it was found that all indicators had a loading factor greater than 0.70, so it was concluded that all indicators met the validity requirements.
Hypothesis Testing

The next step is to test the hypothesis, based on the analysis of the validity test using structural equation modeling, the results are as follows.
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Table 1. Hypotheses Testing

<table>
<thead>
<tr>
<th>No</th>
<th>Hypotheses</th>
<th>Path Coefficients</th>
<th>Significant Level</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Compensation on employee performance</td>
<td>0.402</td>
<td>0.000&lt;0.050</td>
<td>Accept the Hypothesis</td>
</tr>
<tr>
<td>2</td>
<td>Job Rotation on employee performance</td>
<td>0.129</td>
<td>0.000&lt;0.050</td>
<td>Accept the Hypothesis</td>
</tr>
<tr>
<td>3</td>
<td>Employee engagement on employee performance</td>
<td>0.346</td>
<td>0.000&lt;0.050</td>
<td>Accept the Hypothesis</td>
</tr>
</tbody>
</table>

Source: Results of analysis by the authors

Relationship of Compensation and Performance

Based on the results of the structural equation modeling analysis, the results obtained were a value of 0.000 <0.50, so it was concluded that there was a positive and significant relationship between compensation and performance. Therefore, the theory of compensation in the form of direct income will be discussed with the results of existing research as follows.

Basic wages are usually calculated to be able to support the needs of workers/laborers for one month or a certain period. Therefore, to fulfill a decent living, the government establishes a wage policy that protects workers. In this basic wage indicator, it can be seen that the results show that the company is quite appropriate in the provision of basic wages because the basic wages given are sufficient to meet the daily needs of employees, are quite fair and decent, and are quite in line with what is expected. Even though the actual basic wage given by the company is below the stipulated minimum wage, this is due to the company's ability to pay wages. Even so, the company always provides basic wages on time. Based on the theory of compensation goals as job satisfaction. Compensation is used to meet the physical needs, social status, and selfishness of employees so as to obtain job satisfaction. Employee job satisfaction can be seen from the level of discipline, work morale, and employee turnover. Employees who have a high level of discipline, good work morale and low employee turnover mean good employee job satisfaction.

According to Kadiyono et al. (2020) divides compensation into two types, namely: 1) Financial Compensation, 2) Non-Financial Compensation. Direct financial compensation consists of: Base Pay, namely salaries and wages, Merit Pay, Incentive Pay, namely bonuses, commissions, profit sharing, profit sharing and stock distribution. According to Kadiyono et al. (2020) compensation can be divided into two, namely: direct and indirect compensation. Direct compensation is compensation that is directly felt by the recipient, namely in the form of salaries and wages. Direct compensation is the employee's right and the company's obligation to pay it. Indirect compensation is compensation that cannot be felt directly by employees, namely benefits and services (benefits and services). Benefits and services are additional
compensation (financial or non-financial) provided based on an organization's policy towards all employees in an effort to improve their welfare. Of the several dimensions of compensation put forward by the experts above, the authors use the dimensions put forward by Vizano et al. (2020); Sunarsi et al. (2020); Ahmad et al. (2023), namely financial compensation which includes direct and indirect compensation and non-financial compensation.

**Relationship of Job Rotation and Employee Performance**

Based on the results of the structural equation modeling analysis, the results obtained were a value of 0.000 <0.50, so it was concluded that there was a positive and significant relationship between job rotation and performance. Job rotation from what Desky (2020); Haudi (2022) in his research revealed that models related to job design can be classified as job rotation and job expansion. Job rotation is estimated to provide job satisfaction and increase the highest work productivity when adding and enriching jobs together can be applied to design a suitable work system. Because most consider job rotation to be accepted as an effective method for developing skills and increasing job satisfaction which ultimately affects performance. According to Desky (2020); Serang (2023) with job rotation, employees can start with new tasks and functions and workplaces. This is where employees begin to learn, both in new tasks and functions in their work, as well as being ready to face them various problems and difficulties in his work, which are different from the tasks at his previous job. From the description above, the hypothesis proposed is as follows:Job rotation based on the transfer of productive tasks is a policy of organizational leaders to increase productivity, by placing an employee in a job assignment according to his skills. Considerations for taking this step, among others, because based on the results of a performance appraisal, employees have a good level of performance. Thus, if it is based on productive task transfer, work rotation will be a form of organizational appreciation for the achievements achieved by an employee, and when that happens one of the impacts is the realization of employee job satisfaction. This research is in line with the results of other empirical studies conducted by Purwanto et al. (2020); Desky (2020); Haudi (2022) shows that job rotation carried out in an organization has a positive and significant role in increasing employee motivation.

**Relationship of Employee Engagement and Employee Performance**

Based on the results of the structural equation modeling analysis, the results obtained were a value of 0.000 <0.50, so it was concluded that there was a positive and significant
relationship between employee engagement and performance. Based on the results of the Structural Equation Modeling analysis, many employee engagement variables are reflected by work passion. According to Haudi et al. (2020); Asbari et al. (2020); Purwanto et al. (2020); Desky (2020); Haudi (2022) The level of employee engagement does not determine employee performance improvement, but companies still need to pay attention to employee engagement in order to improve company performance even though it only contributes a small influence because with employee engagement it will create emotional involvement which will have an impact on creative work activities and high morale. Likewise with leaders, the existence of emotional involvement will have an impact on high work participation and will be active in providing information, as well as being empathetic and sympathetic to their subordinates.

CONCLUSION

The results of this study are that compensation has a significant effect on employee performance, job rotation has a significant effect on employee performance, employee engagement has a significant effect on employee performance. From the results of the study it can be seen that employees quite agree with giving incentives given to employees who excel, employees also agree that incentives provide more enthusiasm at work, and employees feel quite agree that the amount of incentives is adjusted to the amount of achievement. Incentives given by the company to employees such as weekly money are given to employees every week for those who are always present at work and don't come late and Monthly Money for employees who always come to work for a month (never been absent). Suggestions that can be given are To improve employee performance, this can be done with an approach to job rotation variables that are sought by: Carrying out periodic and planned job rotations, b. The job rotation carried out must consider the suitability of the abilities and skills of employees with the new job. c. In order for employees whose job rotations can adapt, it is necessary to carry out an employee introduction program for new jobs. d. Socialization was carried out for employees who were rotated so that these employees could prepare themselves. To improve employee performance, it can also be done with an approach to work motivation variables that are sought by: always involving employees in every activity of the organization through a bottom up policy. Evaluating the implementation of activities and performance results to ensure consistency. Further researchers are advised to conduct research with different or similar company research objects. This is because each company has different policies so that the employee engagement that occurs can be compared from one company to another. Research
result will also provide more effective input for the company to continue to improve the level of engagement of its employees

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