The Influence of Job Satisfaction and Employee Retention on Employee Performance Mediated by Perceptions of Leadership Style

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ABSTRACT
The discussion concerning the role of human resources in company management is closely linked to the effective management of the existing human resources, enabling them to play a significant role in achieving the company’s goals. To ensure the company’s stability, it is essential for human resource management to make efforts in maintaining employee performance. Furthermore, companies must work diligently to develop strategies for retaining employees with high potential and the ability to positively contribute to the overall performance of the company. The objective of this study is to analyze the impact of job satisfaction and employee retention on employee performance, with the mediation of leadership style perception among employees at PT XYZ. The sample for this research comprises the entire population of employees at PT XYZ who have been with the company for a minimum of six months, totaling 150 individuals. This study employs a quantitative correlational method using Structural Equation Models (SEM). Data collection was conducted through a questionnaire distributed via Google Forms among PT XYZ employees. Data analysis for this study was performed using the SmartPLS version 4.0 software. The findings of this study reveal that, at PT XYZ, job satisfaction and employee retention do not directly impact employee performance. However, they do significantly influence employees’ perceptions of leadership style, with leadership style perception being identified as the key factor influencing employee performance.

INTRODUCTION
The business world remains one of the areas significantly affected by the COVID-19 pandemic three years later (Carnevale dan Hatak 2020). Apart from its impact on the business world, the pandemic has had a comprehensive impact on people's lives. While the pandemic has generally led to widespread negative consequences, it cannot be denied that one notable positive impact is the increased public proficiency in using digital platforms (Kominfo News, 2020). This is evident in the notable rise in online transactions, especially in Fast Moving Consumer Goods (FMCG) and other needs connected to the pandemic. This trend underscores the increasing influence of the digital era on various aspects of human life, particularly for urban dwellers. Online shopping businesses are rapidly expanding with the introduction of various online shopping applications.

Telkomsel Enterprise (2021) explains that technological advancements and changing consumer behavior have propelled e-commerce and online stores not only in Indonesia but worldwide. This digital trend is forcing retail businesses, especially those yet to embrace digital transformation, to undertake significant strategic innovations to remain competitive.

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A survey by Katadata Insight Center, as reported by Kominfo, highlights the varied conditions of digital startups during the pandemic. Nearly 50 percent of companies have endured up to this point, while others have faced distinct challenges. Semuel Abrijani Pangerapan, the Director General of Application Informatics at the Ministry of Communication and Information, suggests that this phenomenon reflects mixed results, emphasizing the importance of successfully navigating these challenges to thrive.

In any discussion regarding the role of human resources in organization or company management, one cannot overlook how existing human resources are managed to ensure their significant contribution to the organization’s objectives (Mousa dan Othman 2020; Dewi et al. 2022). Every goal set by the company considers the role of each human resource at its disposal. Effective management of human resources is crucial for every organization or company (Hendri 2019; Indonesia 2019).

In their research, Mira, M., S., Choong, Y., V., & Thim, C., K (2019) explored the impact of human resource management on employee performance and satisfaction. Their findings suggest a positive connection between human resource management and employee performance, although they did not establish a direct link between human resource management and employee satisfaction (Mira et al. 2019). The study also identified a significant relationship between employee satisfaction and performance, with various factors such as training and development, rewards, recruitment and selection, job analysis, employee relationships, empowerment, and social support influencing both satisfaction and performance (Piwowar-Sulej dan Iqbal 2023).

Satisfaction in the workplace has been linked to performance in several studies. According to Rothmann & Cooper (2015), there is a need for a balance between the effort employees put into their work (input) and the rewards they receive (output) for optimal performance. Additionally, providing high-quality training and development is essential for equipping employees with the skills necessary to enhance their performance and satisfaction (Damayanti et al. 2018).

To maintain organizational stability, management of human resources must make efforts not only to maintain employee performance but also to develop strategies for retaining valuable employees who can positively impact the organization’s overall performance (James dan Mathew 2012; Meng dan Berger 2019). Employee turnover is a challenge that should be minimized to ensure stability. Employee turnover can occur for two primary reasons: voluntary departure or forced dismissal due to restructuring or unsatisfactory performance (Sainju et al. 2021). Dissatisfaction with work, job security, compensation misalignment, lack of job autonomy, poor team relationships, adverse working conditions, limited career development opportunities, and other factors can contribute to employee turnover (Lu et al. 2019; Singh 2019).

In the context of the digital era and the dominance of millennial employees, turnover has become a significant concern for human resource management practitioners (Armstrong dan Taylor 2020). Millennials tend to have higher turnover rates and often seek new opportunities, emphasizing their desire for freedom, speed, and digital experiences. As a result, organizations must work on retaining and engaging millennial employees effectively (Stamolampros et al. 2019; Wang et al. 2020).

This issue of turnover is also relevant to PT XYZ, where the study will be conducted. PT XYZ operates as a digital platform company, with ABC (brand) being one of its digital initiatives, providing an online shopping platform, especially during the COVID-19 pandemic. The sales data from PT XYZ indicate that ABC has experienced consistent growth, even if the percentage appears to decrease, it’s essential to understand that this does not imply declining sales. Rather, it reflects the company’s ambitious sales targets.
Considering the significant growth in the number of employees in 2022 compared to 2021, there is a substantial increase of about 60%. However, it's worth noting that this growth is not proportionate to the employee turnover rate, which remained within the range of 9% to 10% in both 2021 and 2022. The IT division, which comprises about 40% of the total employees, contributes significantly to the turnover rate. High turnover rates can significantly impact business continuity.

Despite satisfactory employee engagement indices in 2022, it is essential to maintain individual employee performance, as the achievement of the company’s targets is directly linked to the success of individual employees in reaching their work objectives (Qalati et al. 2022).

METHODS

This research utilizes a quantitative approach, while qualitative research is essentially characterized by a deductive-inductive approach. The researcher employs an approach that starts with a theoretical framework, prior ideas, and the results of previous research, and then builds upon them to formulate new questions and solutions to be empirically evaluated in the field. The research follows a hypothetical-deductive research paradigm, which is a structured approach to problem-solving in a logical, systematic, and comprehensive manner (Rombaut dan Guerry 2020). The hypothetical-deductive method is a valuable and systematic way to create knowledge for addressing both fundamental and business-related issues. This method involves seven key steps, including problem identification, problem definition, hypothesis development, selection of measurement instruments, data collection, data analysis, and the interpretation of results (Sekaran dan Bougie 2016). It’s worth noting that this approach describes variables that represent the issues within the subject of study without necessarily exploring the relationships between these variables.

RESULTS

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<th>Table 1. Results of the T Test or Hypothesis Test</th>
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<td><strong>CONSTRUCT</strong></td>
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<td>Job Satisfaction → Employee Performance</td>
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Source: processed data Researcher (2023)

**H1: Job satisfaction is influential, positive, and significant to the performance of employees.**

The results of the hypothesis testing indicate that the p-value for the influence of job satisfaction on employee performance is 0.869, with a t-statistic of 0.165 and a negative coefficient value of -0.019. This suggests that job satisfaction has a negative and non-significant impact on employee performance. Therefore, the hypothesis that job satisfaction has a positive and significant influence on employee performance is rejected.

**H2: Employee retention has a positive and significant influence on employee performance**

The results of the hypothesis testing suggest that the p-value for the influence of employee retention on employee performance is 0.92, with a t-statistic of 0.1 and a negative coefficient value of -0.012. This indicates that employee retention has a negative and non-significant impact on employee performance.
Hypothesis 3:
Job satisfaction has a positive and significant influence on the perception of leadership style.

The results of the hypothesis testing indicate that the p-value for the influence of job satisfaction on the perception of leadership style is 0.000, with a t-statistic of 7.02 and a positive coefficient value of 0.423. This means that job satisfaction has a positive and significant influence on the perception of leadership style. Therefore, the hypothesis that job satisfaction has a positive and significant influence on the perception of leadership style is accepted.

Hypothesis 4:
Employee retention has a positive and significant influence on the perception of leadership style.

The results of the hypothesis testing indicate that the p-value for the influence of employee retention on the perception of leadership style is 0.000, with a t-statistic of 5.838 and a positive coefficient value of 0.406. This means that employee retention has a positive and significant influence on the perception of leadership style. Therefore, the hypothesis that employee retention has a positive and significant influence on the perception of leadership style is accepted.

Hypothesis 5:
The perception of leadership style has a positive and significant influence on employee performance.

The results of the hypothesis testing indicate that the p-value for the influence of perception of leadership style on employee performance is 0.042, with a t-statistic of 2.038 and a positive coefficient value of 0.241. This means that the perception of leadership style has a positive and significant influence on employee performance. Therefore, the hypothesis that perception of leadership style has a positive and significant influence on employee performance is accepted.

Discussion

Based on existing Smart-PLS tests run, and after analysis hypothesis test results done, then step furthermore is explain and explain every findings and information obtained from study this. Following is explanation and discussion from every findings and information obtained:

1. Job Satisfaction Does Not Positively Impact Employee Performance

The first hypothesis tested in this study was rejected, indicating that job satisfaction does not have a significant positive influence on employee performance. This result contradicts findings from previous research conducted by Bahadur Ali Soomro & Naimatullah Shah (2019), Musa Nyathi & Ray
Kekwaletswe (2023), and Anis Eliyana, Syamsul Maárif & Muzakki (2019), which reported a significant influence of job satisfaction on employee performance.

The discrepancy between the study's findings and the existing research may be attributed to the specific conditions at PT XYZ, where the research was conducted. The company is currently experiencing rapid growth, and the working environment is considered favorable for employees. According to information from the HR department, employees at PT XYZ feel comfortable and highly engaged with the company, as indicated by the results of an employee engagement survey. This positive work environment and employee engagement might explain why job satisfaction was not found to significantly affect employee performance in this particular context. It is important to recognize that the relationship between job satisfaction and employee performance can vary depending on the organization and its unique circumstances. In this case, other factors, such as the company's growth and employee engagement, may be more influential in driving performance, overshadowing the impact of job satisfaction.

2. Employee Retention Does Not Positively Impact Employee Performance

The second hypothesis in this study was rejected, indicating that employee retention does not have a significant positive influence on employee performance. This result is not aligned with a previous study conducted by Cuong Nguyen & An Duong (2020), which found a significant relationship between employee retention and employee performance.

When considered the specific conditions of the company where this study was conducted (PT XYZ), several factors may explain why the second hypothesis was rejected and does not align with the situation at PT XYZ. As discussed in the explanation of the second hypothesis, the current state of the company is characterized by rapid growth, and the overall work environment is conducive for all employees, as indicated by the results of an employee engagement survey. This positive work environment and high employee engagement are strong drivers of employee performance in this specific context, potentially overshadowing the influence of employee retention.

It’s important to recognize that the relationship between employee retention and employee performance can vary depending on the unique circumstances of the organization. In this particular case, other factors, such as the company's rapid growth and the high level of employee engagement, may have a more pronounced impact on performance, which could explain the rejection of the second hypothesis. Further analysis may be necessary to fully understand the dynamics at play within this specific context.

3. Job satisfaction influential positive on perception of leadership style

The results of the third hypothesis in this study were accepted, indicating that job satisfaction has a positive and significant influence on the perception of leadership style. This result is consistent with previous research conducted by Anis Eliyana, Syamsul Maárif & Muzakki (2019) and Prasad Kandi VS, Kona Sri Kapardi & Kavya Kobbarisetty (2022), which found a significant connection between job satisfaction and the perception of leadership style.

When considered the specific conditions of the company where this study was conducted (PT XYZ), several factors may explain why the third hypothesis was accepted. Job satisfaction among employees is closely linked with the overall work environment and conditions in the company. Employees' comfort is influenced by various facilities and programs provided by the company. This, in turn, affects their perception of leadership within the organization. Therefore, it can be concluded that employees' feelings and comfort significantly impact their perception of leadership style within the company. It’s worth noting that in this study, the description of leadership is more directed towards the overall top management of the company rather than individual leaders. This distinction may have influenced the acceptance of the third hypothesis and the overall perception of leadership within the organization.

4. Employee retention has a positive influence on the perception of leadership style.
The results of the fourth hypothesis in this study were accepted, indicating that employee retention has a positive and significant influence on the perception of leadership style. This finding is consistent with previous research conducted by Mohammad Ali Yousef Yamin (2020) and Hongyun Tian et al. (2020), which found a significant connection between employee retention and the perception of leadership style.

When considered the specific conditions of the company where this study was conducted (PT XYZ), the same principle as discussed earlier in the explanation of how job satisfaction influences leadership perception applies to employee retention. The comfort and conducive environment perceived by employees do not only affect their ability to thrive in the company but are also seen as a form of attention and appreciation provided by the top management of the company to its employees. Consequently, it is evident that the conditions related to employee retention significantly influence how employees perceive the leadership style within the company.

5. The perception of leadership style has a positive influence on employee performance.

The results of the fifth hypothesis in this study were accepted, indicating that the perception of leadership style has a positive and significant influence on employee performance. This finding is consistent with previous research conducted by Prasad Kandi VS, Kona Sri Kapardi & Kavya Kobbarisetty (2022), which established a significant connection between the perception of leadership style and employee performance. Additionally, it aligns with a study by Bassem E. Maamari & Adel Saheb (2018), which suggested an influence of leadership style perception on employee performance, with gender as a potential determining factor for its significance.

When considered the specific conditions of the company where this study was conducted (PT XYZ), several factors help explain why the fifth hypothesis was accepted. The overall environment and working conditions at the company are conducive and comfortable, and employee engagement with the company is high. Consequently, employees’ perception of leadership style is positively influenced by how the top management of the company effectively manages its employees. This positive perception, in turn, significantly impacts employee performance within the organization. In summary, the positive and significant influence of leadership style perception on employee performance within PT XYZ is supported by the prevailing conditions in the company, including employee engagement and the effective management of employees by the top management.

6. Perception of leadership style cannot mediate the influence of job satisfaction on employee performance.

The results of the sixth hypothesis in this study were rejected, indicating that the perception of leadership style cannot mediate the influence of job satisfaction on employee performance. This finding contradicts previous research conducted by Bahadur Ali Soomro & Naimatullah Shah (2019), Musa Nyathi & Ray Kekwaletswe (2023), and Anis Eliyana, Syamsul Ma’rif & Muzakki (2019), which reported a significant influence of job satisfaction on employee performance.

In the context of the company where this study was conducted (PT XYZ), it appears that employees’ perception of leadership style does not directly affect how job satisfaction influences employee performance. Instead, the conducive environment created by the company plays a pivotal role in ensuring employee comfort, contributing to their overall job satisfaction and high engagement with the company. This favorable working environment appears to be a key factor in enabling employees to perform well without feeling burdened and driven primarily by the pursuit of high performance. The rejection of the sixth hypothesis suggests that in this specific context, the influence of job satisfaction on employee performance is not mediated by their perception of leadership style. Other factors, such as the overall work environment and employee engagement, may have a more direct impact on employee performance in this particular setting.

7. The perception of leadership style cannot mediate the influence of employee retention on employee performance.
The results of the seventh hypothesis in this study were rejected, indicating that the perception of leadership style cannot mediate the influence of employee retention on employee performance. This finding contradicts previous research conducted by Yamin, M (2020), which suggested a causal connection between transformational leadership and motivational factors, with an impact on employee retention. Additionally, it contradicts the results of a study by Wassem, M., et al. (2019), which identified a significant moderating role of employee retention in the relationship between managerial support and employee performance. In this context, managerial support can be interpreted as a leadership role within the company.

In the specific setting of the company where this study was conducted (PT XYZ), it appears that the perception of leadership style by employees does not play a mediating role in how employee retention influences employee performance. Employee retention does not appear to be the primary determining factor for employee performance within the company. This may be due to the high level of employee engagement with the company, which serves as a motivator for employees to perform well, rendering the influence of retention on performance less significant in this particular context.

CONCLUSION

Based on the results of data processing and discussions, as well as the analysis of the research findings at PT XYZ, the author has drawn several conclusions. First, job satisfaction does not have a positive influence on employee performance. This suggests that performance is more strongly influenced by the working environment and conditions that make employees feel comfortable. Second, employee retention also does not have a positive influence on employee performance. The main factor influencing performance appears to be the conducive working environment and conditions. However, both job satisfaction and employee retention do have a positive influence on the perception of leadership style. This research confirms the existence of a connection between job satisfaction and employee retention with the perception of leadership style. Furthermore, the perception of leadership style has a positive influence on employee performance. This indicates that how employees view leadership directly impacts their performance. Although the perception of leadership style has a positive influence on performance, it cannot mediate the influence of job satisfaction and employee retention on employee performance. In summary, the factors related to a comfortable and conducive working environment within the company appear to be more dominant in influencing employee performance than the other variables studied in this research.

REFERENCES


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