



A MODEL OF RELATIONSHIP BETWEEN EMPLOYEE PERFORMANCE AND JOB LOYALTY IN A SMALL COMPANY

Minto Waluyo

Industrial Engineering Department, Faculty of Engineering,
UPN "Veteran" East Java, Surabaya

ABSTRACT

This research aimed at determining the relationship of motivation, development career and job satisfaction with employee performance and job loyalty. The present study was conducted using a quantitative approach by distributing questionnaires with a 5-point likert-type scale. A total of 100 completed questionnaires was obtained. The present study employed the SEM technique. It runs the three procedures of confirmatory factor analysis (CFA), structural model and model modification. Results showed that motivation (X_1) was significantly related to Employee Performance (Y_1); Career Development (X_2) was not significantly related to Employee Performance (Y_1); Job satisfaction (X_3) was significantly related to Employee Performance (Y_1); and Employee Performance (Y_1) was significantly related to Job Loyalty (Z_1).

Key words: Motivation, career development, job satisfaction, employee performance, job loyalty.

Cite this Article: Minto Waluyo, A Model of Relationship Between Employee Performance and Job Loyalty in a Small Company, *International Journal of Mechanical Engineering and Technology* 9(8), 2018, pp. 462–469.
<http://www.iaeme.com/IJMET/issues.asp?JType=IJMET&VType=9&IType=8>

1. INTRODUCTION

It is a small company engaged in modem installation and electric meter replacement services in cooperation with PT. PLN (Persero) of East Java. Its activities are carried out by a team consisting of technicians and drivers. The company has its address in Surabaya. In order to survive the management should develop a model of relationship between employee performance and job loyalty to measure its performance considering the importance of an organization's performance. When the exogenous variables are insignificantly related to the endogenous variables, tactics should be sought to make the former significant. Therefore, the workers should be able to demonstrate an optimal performance. However, to improve performance, employees need motivation, career development and job satisfaction to make them willing and able to perform optimally and loyally. Based on the developed model of relationship (Figure 1), the mathematical model can be used to formulate the future strategies.

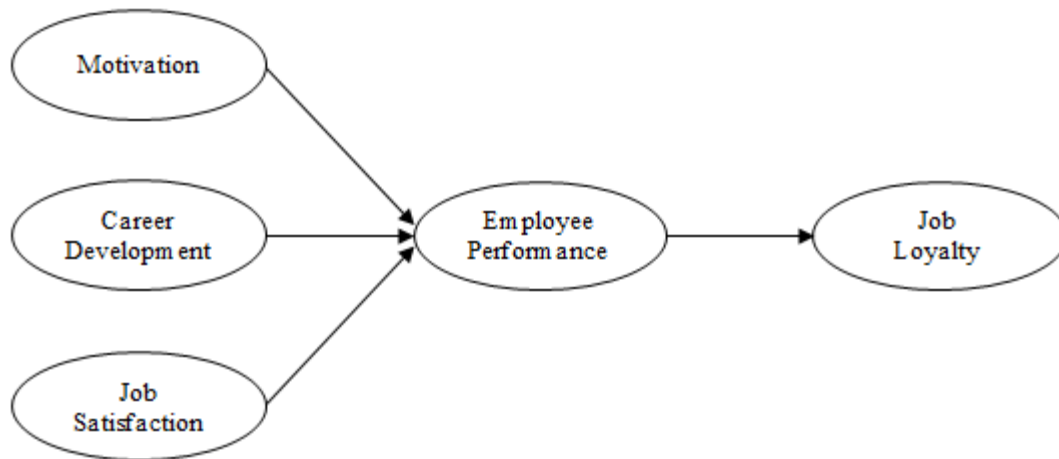


Figure 1. The model of relationship between employee performance and job loyalty

To achieve the company's goals, human resources should be given an impetus in order for them to be motivated, such as by providing them with career development, promotions, and incentives. One strategy that should be implemented by the management is to plan and develop employee career during their employment in the company (Komaruddin, 2006). For some of employees career improvement is crucial since they will be aware of the highest position they will achieve, leading them to be continuously motivated and strive to increase job loyalty to the company. In an effort to improve organizational performance through employee performance, the factors to consider seriously are organizational culture, employee motivation, and employee organizational commitment. On the other hand, career development is expected to result in higher employee performance. The company strives to foster healthy job satisfaction by providing employees with rights and obligations in line with their functions, roles and responsibilities so that employees can participate in the company.

The purpose of the present study was to determine the extent to which motivation, career development and job satisfaction are related to employee performance and job loyalty. Using the SEM method, the results of the present study can provide a solution for the company to understanding their employees with regard to job satisfaction improvement and finding components interconnected with employee performance and job loyalty.

The objectives of the present study were to determine the extent to which: (1) motivation is related to employee performance; (2) career development is related to employee performance; (3) job satisfaction is related to employee performance; and (4) employee performance is related to job loyalty.

2. LITERATURE REVIEW

Companies realize that employee motivation strongly affects their growth rate. Many factors influence an individual's work motivation. One factor affecting the success of a company is human resource management. Human resources are the main driver of the company's operations since they play a role in advancing the company. The company expects not only employees with capability, competence and skills but, most importantly, they should be willing to work diligently and have the desire to achieve optimal outcomes. Thus, the management of companies need to motivate their employees to increase their work discipline and job satisfaction (Hasibuan, 2003; Minto Waluyo, 2015).

Career development is highly important to an organization since career constitutes a requirement that should continue to be developed in an individual employee to motivate them to improve their performance. Career development includes any activity involved to prepare someone to take a particular path of career. A career plan developed by an employee should be accompanied by a realistic career goal. According to Sunyoto (2012), planning a career is a process that individual employees go through to identify and take steps to their achieve career goal.

Employee satisfaction is basically something individual. Every individual has their own satisfaction according to the value system that applies to them. The higher the perceived conformity of an activity with the individual's desire, the higher is their satisfaction with the activity. Thus, in general, job satisfaction can be interpreted as the extent to an employee views his or her work as pleasant or unpleasant (Minto Waluyo, 2015).

In order to advance or develop, a company or organization is demanded to have qualified employees. Quality employees are those with performance that meet the targets set by the company (Simanjuntak, Payaman J., 2005; Marihot Tua Efendi, 2007; Audra Wahyu, 2013; Minto Waluyo, 2015).

Loyalty is the end point of business processes since, as described above, job satisfaction can be generated when such variables as work environment, salary and rewards are fulfilled, ultimately leading to employees' job satisfaction and increased loyalty to the company. According Runtu (2014), employees' effective performance can lead to the efforts of every employee to achieve organizational goals. To manage his or her subordinates, a leader should be capable of reading the situation correctly so as to provide a view with regard to dealing with and resolving problems.

3. METHODS

The present study was conducted using a quantitative approach by distributing questionnaires with a 5-point likert-type scale. The questionnaires were distributed to 120 respondents who were modem installation and electricity meter replacement service teams consisting of drivers and technicians of a small company. A total of 100 questionnaires were returned and completed, fulfilling the assumption of SEM based on the MLE (maximum likelihood estimation) technique (Minto Waluyo, 2011, 2016; Dachlan Uman, 2014; Ferdinand Augusty, 2014).

The exogenous and endogenous variables along with their indicators were adjusted to small companies and the workers' education was below the bachelor's degree.

Table 1. Identification of variables and definition of operational variables

Exogenous variables	Indicators	Endogenous variables	Indicators	Endogenous variables	Indicators
Motivation (X ₁)	Physical Requirements (X _{1.1})	Employee performance (Y ₁)	Quality (Y _{1.1})	Job Loyalty (Z ₁)	Working overtime (Z _{1.1})
	Need for comfort (X _{1.2})		Quantity (Y _{1.2})		Using products (Z _{1.2})
	Need for rewards (X _{1.3})		Timeliness (Y _{1.3})		Promoting Products (Z _{1.3})
Career development	Job performance				

(X ₂)	(X _{2,1})				
	Opportunities for growth (X _{2,2})				
	Loyalty to company (X _{2,3})				
Job Satisfaction (X ₃)	Salary and wages (X _{3,1})				
	Co-workers (X _{3,2})				
	Supervision (X _{3,3})				

4. RESULTS AND DISCUSSION

4.1. Measurement Model Equation (Confirmatory Factor Analysis)

To estimate the measurement model, the unidimensionality of the exogenous and endogenous constructs was tested. The results are as follows:

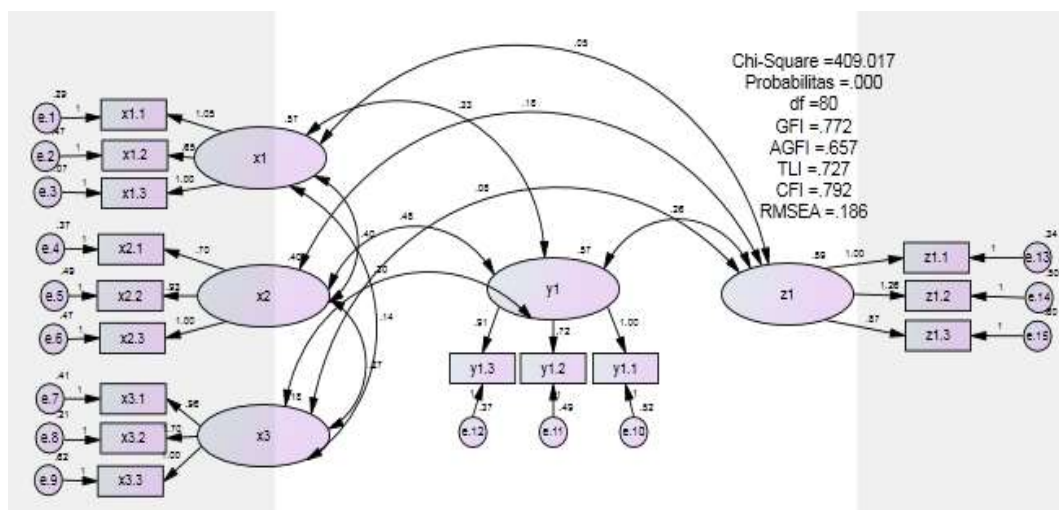


Figure 1 Model equation

4.2. Goodness-of-Fit Test

The test was carried out by using the parameters at its critical values. The output of the confirmatory factor analysis is as follows:

Table 2 Goodness-of-fit and cut-off test values

Criteria	Model Test Results	Critical Value	Remarks
Chi-square (χ^2)	409.017	df = 80 and $\alpha = 0.05$, $\chi^2 = 60.39$	Not good
Probability	0.000	≥ 0.05	Not good
C_{min}/df	5.113	≤ 2.00	Not good
RMSEA	0.186	≤ 0.08	Not good
GFI	0.772	≥ 0.90	Not good
AGFI	0.657	≥ 0.90	Not good
TLI	0.727	≥ 0.95	Not good
CFI	0.792	≥ 0.95	Not good

Source: Primary data processed, 2018

4.3. Validity Test

Validity was tested on the basis of the measurement model developed in the study by determining whether or not each indicator to be estimated as valid measured the dimensions of the construct being tested. Any indicator with C.R. > 2 S.E. was valid and all indicators were significant (Minto Waluyo, 2011; Dachlan Uman, 2014; Ferdinand Augusty, 2014).

Table 3 Regression weight of the measurement model

	Estimate	SE	CR	2 S.E.	Remark
X1.3 ← X1	1.000				
X1.2 ← X1	0.977	0.085	11.544	0.17	Valid
X1.1 ← X1	0.998	0.086	11.562	0.172	Valid
X2.3 ← X2	1.000				
X2.2 ← X2	0.845	0.077	11.038	0.154	Valid
X2.1 ← X2	0.803	0.076	10.549	0.152	Valid
X3.3 ← X3	1.000				
X3.2 ← X3	1.335	0.152	8.773	0.304	Valid
X3.1 ← X3	0.963	0.124	7.756	0.248	Valid
Y.2 ← Y1	1.026	0.170	6.031	0.34	Valid
Y.1 ← Y1	0.988	0.157	6.274	0.314	Valid
Y.3 ← Y1	1.000				
Z.1 ← Z1	1.000				
Z.2 ← Z1	1.083	0.108	10.020	0.216	Valid
Z.3 ← Z1	1.269	0.112	11.302	0.224	Valid

Source: Primary data processed, 2018

4.4. Structural Equation of the Model

As with confirmatory factor analysis, the structural model was also tested as follows:

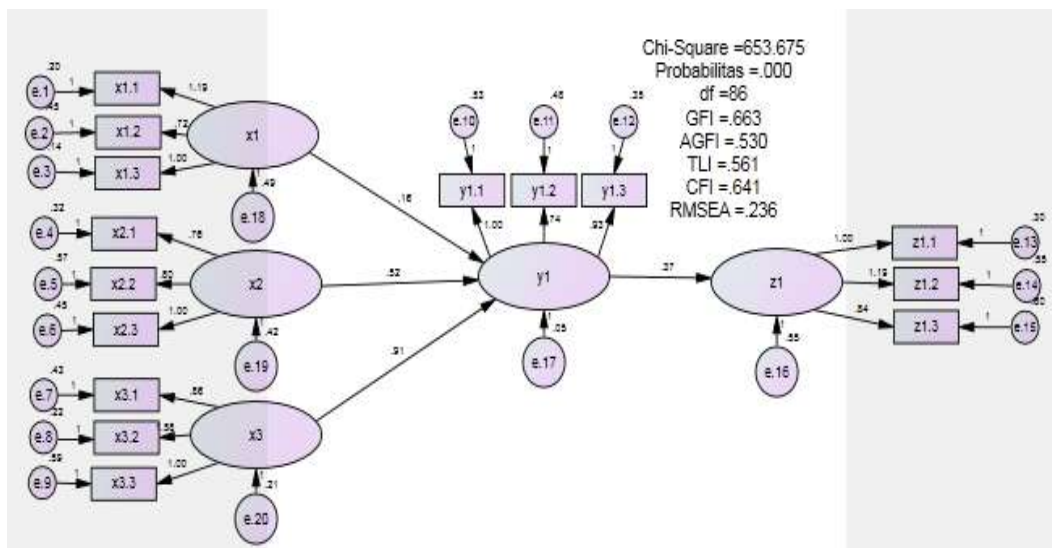


Figure 2 Structural Model

4.5. Goodness-of-Fit Test

Results of the evaluation based on the goodness-of-fit test are shown in the table below.

Table 4 Goodness-of-fit and cut-off test values

Criteria	Model Test Results	Critical Value	Remarks
Chi-square (χ^2)	653,675	df = 86 and $\alpha = 0.05$, $\chi^2 = 119.41$	Not good
Probability	0.000	≥ 0.05	Not good
C_{min}/df	7.601	≤ 2.00	Not good
RMSEA	0.236	≤ 0.08	Not good
GFI	0.663	≥ 0.90	Not good
AGFI	0.530	≥ 0.90	Not good
TLI	0.561	≥ 0.95	Not good
CFI	0.641	≥ 0.95	Not good

Source: primary data processed, 2018

Since the structural model test showed not sufficiently good results, the author modified the model by considering the modification index with the greatest value, the results of which are as follows:

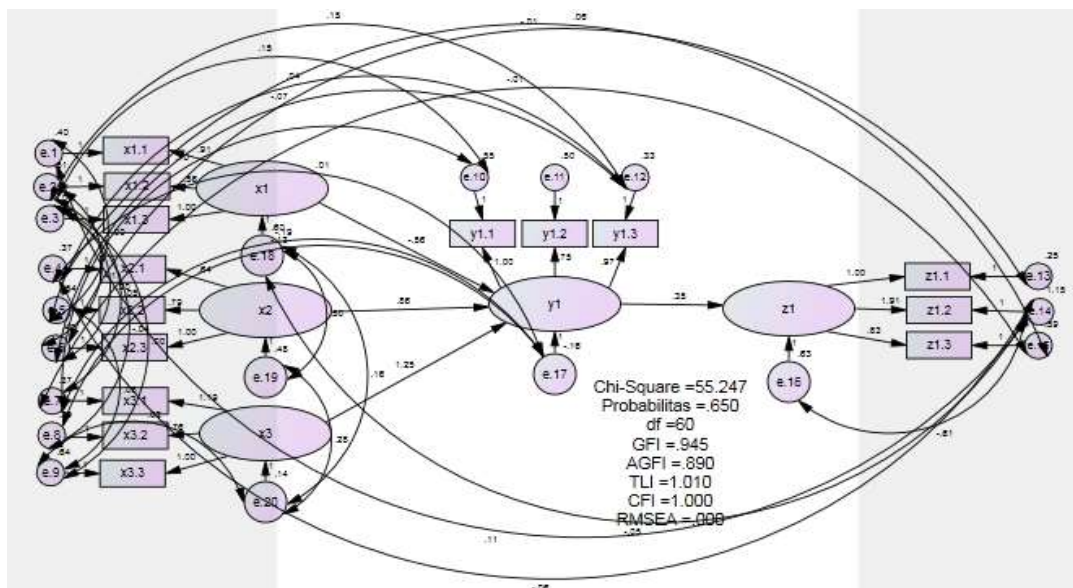


Figure 3. Modification of the model

Table 5 Goodness-of-fit and cut-off test values

Criteria	Model Test Results	Critical Value	Remarks
Chi-square (χ^2)	55.247	df = 60 and $\alpha = 0.05$, $\chi^2 = 88.37$	Not good
Probability	0.650	≥ 0.05	Good
C_{min}/df	0.921	≤ 2.00	Good
RMSEA	0.000	≤ 0.08	Good
GFI	0.945	≥ 0.90	Good
AGFI	0.890	≥ 0.90	Marginal
TLI	1.010	≥ 0.95	Good
CFI	1.000	≥ 0.95	Good

Source: primary data processed, 2018

The further evaluation was to run a reliability test. The results showed that all of the variables were reliable (≥ 0.70) (Nasir M., 2000; Dachlan Uman, 2014; Ferdinand Augusty, 2014).

4.6. Hypothesis Testing

The next step was to test the hypotheses. To simplify the analysis, the effect of each construct variable based on the regression weight is shown as follows:

Table 6 Modified regression weight

	Estimate	SE	CR	Prob.	Standardized Reg. Weight (λ)
Y1 ← X2	0.744	0.436	1.709	0.087	0.717
Y1 ← X3	2.196	0.633	3.468	0.000	1.339
Y1 ← X1	0.529	0.236	2.246	0.025	0.551
Z1 ← Y1	0.328	0.131	2.503	0.012	0.269

Source: primary data processed, 2018

The hypotheses proposed in accordance with the object and the conceptual framework are as follows:

4.7. First Hypothesis

H_0 : Motivation (X_1) is not significantly related to employee performance (Y_1).

H_1 : Motivation (X_1) is significantly related to employee performance (Y_1).

As shown by Table 6, the $Y_1 \leftarrow X_1$ has a probability of $0.025 \leq 0.05$, indicating a significant relationship and a positive effect with a regression coefficient of 0.529. Thus, H_1 is accepted, meaning that a 1-unit increase in motivation will contribute to employee performance of 0.529 times. This result supports that of Satria Arif Wicaksono (2016).

4.8. Second Hypothesis

H_0 : Career Development (X_2) is not significantly related to Employee Performance (Y_1).

H_1 : Career Development (X_2) is significantly related to Employee Performance (Y_1).

As shown by Table 6, the $Y_1 \leftarrow X_2$ has a probability of $0.087 \leq 0.05$, indicating no significant relationship, but a positive effect with a regression coefficient of 0.717. Thus, H_0 is rejected, but there is a positive and direct effect of 0.717, meaning that a 1-unit increase in career development will contribute to employee performance of 0.717 times. This results supports that of Satria Arif Wicaksono (2016).

4.9. Third Hypothesis

H_0 : Job Satisfaction (X_3) is not significantly related to Employee Performance (Y_1).

H_1 : Job Satisfaction (X_3) is significantly related Employee Performance (Y_1).

As shown by Table 6, the $Y_1 \leftarrow X_3$ has a probability of $0,000 \leq 0.05$, indicating a significant relationship and a positive effect with a regression coefficient of 1,339. Thus, H_1 is accepted, meaning that a 1-unit increase in job satisfaction will contribute to employee performance of 1.339 times. Since the regression coefficient is high, the management should pay a major attention to the third hypothesis.

4.10. Fourth Hypothesis

H₀:Employee performance (Y₁) is not significantly related to Job Loyalty (Z₁).

H₁:Employee Performance (Y₁) is significantly related to Job Loyalty (Z₁).

As shown by Table 6, the Z₁←Y₁ has a probability of $0.012 \leq 0.05$, indicating a significant relationship and a positive effect with a regression coefficient of 0.269. Thus, H₁ is accepted, meaning that a 1-unit increase in employee performance will contribute to work loyalty of 0.269 times. Results of these modifications serve as the basic model for performance measurement in the coming years in order to be ready to deal with competition.

5. CONCLUSIONS

In conclusion, the present study ran the three procedures of confirmatory factor analysis (CFA), structural model and model modification. All of the exogenous variables have a positive effect on the endogenous variables. The endogenous variable employee performance has a positive effect on the endogenous variable job loyalty. This results should be a concern of the management. Job satisfaction should be of particular concern due to the promising contribution of its increase to employee performance. As indicated by the second hypothesis, despite the insignificance, the effect is quite large. Thus, the causes of the insignificance needs to be paid a particular attention and minimized.

REFERENCES

- [1] Dachlan Usman ,2014 , Panduan Lengkap Structural Equation Modeling, Lentera Ilmu,Jakarta
- [2] Ferdinand, Augusty. (2014). Metode Penelitian Manajemen, Semarang, Badan Penerbit Universitas Diponegoro.
- [3] Hasibuan, 2008, Metode motivasi. <http://repository.usu.ac.id/bitstream/123456789/31403/4/Chapter%20II.pdf>
- [4] Komaruddin,2006,Pengembangan dan pelatihan,Kappa-Sigma,Bandung.
- [5] Minto, Waluyo, 2011 Panduandan Aplikasi structural equation modeling (SEM), PT. Indeks, Jakarta
- [6] Minto, Waluyo, 2015 Manajemen Psikologi Industri Penerbit @kademia indeks, Jakarta
- [7] Minto, Waluyo, 2016 Mudah Cepat, Tepat Penggunaan Tool Amos dalam Aplikasi SEM, Penerbit UPN "Veteran" Jawa Timur
- [8] Marihot Tua Efendi. 2007. Manajemen Sumber Daya Manusia : Pengadaan, Pengembangan, Pengkompensasian, dan Peningkatan Produktivitas Pegawai. Jakarta : Grasindo
- [9] Nasir,M.2000,Metode Penelitian,Jakarta Ghalia Indonesia
- [10] Rivai, 2013. Faktor-faktor yang mempengaruhi pengembangan karir. <http://theorymanajemendanorganisasi.blogspot.com/2015/12/pengembangan-karier.html>, di akses 11 desember 2015.
- [11] Ridwan, 2009 , Populasi Dan Sampel dalam pelayanan konsumen, Jurnal
- [12] Runtu,Julius 2014.Indikator Loyalitas Karyawan (Bahan Diskusi V MSDM II).
- [13] Simanjuntak, Payaman J. 2005. Manajemen dan Evaluasi Kinerja. Jakarta: FE UI.
- [14] Sunyoto, (2012), pengembangan karir. <http://digilib.unila.ac.id/7020/15/BAB%20II.pdf>