

## The Roles of Employee Loyalty between Work Motivation, Job Satisfaction, Leadership Against Employee Performance

Dr. Uli Wildan Nuryanto<sup>1</sup>, Cecep Warman<sup>2</sup>, Suharno<sup>3</sup>, Eka Febrianata<sup>4</sup>  
Ratih Purnamasari<sup>5</sup>, Desty Endrawati Subroto<sup>6</sup>

<sup>1, 2, 3, 4, 5, 6</sup>(Department of Management Studies/ Sekolah Tinggi Ilmu Ekonomi Banten, Indonesia)

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### **Abstract:**

Employees are in important aspects of a business and have a substantial influence on the success of a company, employee with a high level of loyalty essential for the progress of the company. The purpose of this study is to predicted and examine the relationship between employee loyalty and employee performance also the predictor. This research uses three types of variables, employee performance as the criterion meanwhile work motivations, job satisfaction and leadership as the predictor and employee loyalty as the intervening variable. The research conducted with 84 employees at the chemical manufacture by using SEM PLS. From the result shown 25 indicator that used at this result has a good validity and reliability to measure the variable. The result also confirmed the positive effect of work motivation, job satisfaction and leadership on their customer loyalty and employee performance with the significant relationship. Employee loyalty also has a positive and significant relationship to the employee performance. Research also found the employee loyalty able to increase the relationship between leadership to the employee performance, but not for the work motivation and job satisfaction on employee performance. Result from this study will be practically significant to practitioners and academicians in providing them with information on the most effective ways on how to manage their employees.

**Keyword:** Work Motivation, Job Satisfaction, Leadership, Employee Loyalty, Employee Performance

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Date of Submission: 23-01-2021

Date of Acceptance: 07-02-2021

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### **I. Introduction**

In the chemical industry, employees play an essential role for the progress and long-term sustainability the company, where they are responsible for the company's operational activities and at the same time, they are very valuable company assets. Meanwhile, in today's increasingly globalizations industrial, many job opportunities that can be easily accessed by employees that make it easy for employees to get jobs in new places, but on the other hand there are also many employees who actually have high loyalty to the company where usually employees who having these characteristics will be loyal to the company and rarely have the desire to move to a similar industry. Competitiveness also may attention for the organizations since it can be influence on the loyalty issue, also talent attraction and retention have become essential strategy in big organization that realize the cost of high turnover and disloyalty (Salahudin et al., (2018). Employee loyalty is a positive attitude of employees towards the company where they work. employees with high loyalty can work not only for themselves but also for the benefit of the company. Loyalty is one of the elements used in employee appraisal which includes loyalty to their job, position and organization (Hasibuan, 2014).

Employee loyalty doesn't easily build up by short period but it can be formed by a long time and influenced by a lot of variables. Such as work motivation, job satisfaction and leadership. Work motivation has an important role for employees and can be one of the supporters of creating employee loyalty. High work motivation possessed by employees will make employees happy in carrying out their work, healthy and create a desire to work optimally (Changgriawan, 2017). Conversely, with low work motivation, can have a serious impact on employees so it can affect employee performance. Motivation is the desire to act. With the existence of motivation can stimulate employees to move more energy and thoughts in realizing company goals. If the need for this fulfilled then there will be satisfaction and fluency towards increasing employee loyalty. Job loyalty will be realized if employees have the ability to complete work or duties which are their respective responsibilities (Wibowo, 2013).

Meanwhile, with high job satisfaction, employees will have high work morale so that employee performance will be maximized. Otherwise with low job satisfaction, employee performance will be decreased and impact on employee performance which in the end can influence on the company's performance. For this reason, job satisfaction is very important in the company and supports company performance in the current era of globalization (Wijaya & Susanto, 2014). Work satisfaction is the level of pleasant feeling obtained from the assessment of one's job or work experience. For that it is imperative for companies to recognize what factors

make employees satisfied working in the company. With accomplishment employee job satisfaction, loyalty will also increase (Colquitt, J., LePine, J., & Wesson, 2012).

Another important role in increasing employee loyalty and employee performance is the need for the role and task of a leader. Given all the attitudes, decisions and actions of a leader, of course, they are very influential and even play an important role, so that they can become a benchmark for action and motivation for employees in all forms of positive work activities. With this, it can build enthusiasm and job satisfaction and even employee loyalty (Citra & Fahmi, 2019). Leadership is a person's ability to influence others. In this case, his subordinates are such that the other person is willing to do the will of the leader even though personally he may not like it. Leadership as an effort to influence subordinates through a direct or indirect communication process in order to achieve certain goals, shows that it involves the use of influence, therefore all personal relationships can be a leadership effort (Hasibuan, 2014).

Many studies have discussed and tested the relationship between work motivation, job satisfaction and leadership variables on employee performance. However, there still rare research that test the employee loyalty as an intervening variable to assess there is a strong impact between the predictor variable within employee loyalty to improve the employee performance. For this reason, this study has novelty to uses employee loyalty as an intervening variable and tests it together using a variance based structural equation model (VB-SEM) approach in the chemical manufacturing industry.

## **II. Literature Review**

Employee performance isn't just about what an employee achieves, but how do they do it. Performance involves a perspective pay attention to the importance of meaning and benefit from efforts, results achieved, and methods used. Employee performance is the quality and quantity of work achieved by an employee in carrying out their duties according to their responsibilities given to him (A. P. Mangkunegara, 2012). The success rate of a performance includes quantitative and qualitative aspects. Performance is the result of an evaluation of the work performed by employees in comparison criteria that have been previously set (Robbins, S.P. & Judge, 2011). Performance is a circumstance relating to the success of the organization in carrying out its mission which can be measured from the level of productivity, service quality, responsiveness, responsibility, and accountability. This study uses 5 indicators that refer to Robbins, S.P. & Judge (2011), as follows; (1) quality, (2) quantity, (3) timeliness, (4) effectiveness and (5) independence.

High employee performance is vital for the success of any organization and many organizations pay significant effort achieving it but it not always happens in the workplaces. Various factors influencing in employee loyalty including assigning appropriate task, facilities and work environment that fully engage them in the work and opportunities for personal development (Zanabazar & Jigjiddorj, 2018). Loyalty also reflects the loyalty of employees to the company where they work and the tendency of employees not to move to another place, because loyalty can affect the comfort of employees to work in a company (Siagian, 2014). Loyalty also describes the mental attitude of employees who remain at the company even though the company is experiencing progress or setbacks (Nitisemito, 2011). Employee loyalty is influenced by three aspects, namely; rational factors such as salary, bonuses, career path, safe work environment, and facilities obtained. Emotional factors such as self-expectations, feelings to be challenged, work to be proud of, respect by the company and work culture. Personality factors such as employee character and temperament possessed by employees (Almasdi, 2012). This study uses employee loyalty indicators which refer to Putri, (2014) research results, including; (1) obeying regulations, (2) being able to work well, (3) having the courage to take risks, (4). carrying out tasks without coercion, (5) not abusing authority.

Work motivation is a condition that encourages or becomes because someone does a job or activity, which takes place consciously (Bangun, 2012) also energy which moves individuals to try to achieve goals expected in doing his job. Based on some of the above understanding, work motivation is a process move or encourage someone to do something work to achieve the expected goals. Motivation also referred to as drivers, desires, supporters or needs that can be make a person excited and motivated to reduce and fulfill urges yourself, so as to act and act according to certain ways to be leading to the optimal direction (Jufrizen, 2017). Motivation questioned how to encourage the morale of subordinates so that they want to work hard by giving all abilities and skills to achieve goals company (Hasibuan, 2014). Motivation is a psychological process shows the interaction between attitudes, needs, perceptions, and decisions that occur someone. And motivation as a psychological process arises from factors within people itself which is called intrinsic factors or external factors called extrinsic factors (Soeroso, 2004). According to (Gomes, 2009) suggests the following is the motivation of a worker to work is usually a tricky thing, because this motivation involves factors individual and organizational factors. This study uses work motivation indicators which refer to the Mangkunegara (2017): (1) hard work, (2) orientation future, (3) high level of aspiration, (4) target orientation.

Job satisfaction is something that is individual, every time individuals have different levels of satisfaction according to the prevailing value system on him. Job satisfaction is an evaluation that describes

someone above feeling happy or unhappy, satisfied or dissatisfied at work. Job satisfaction employees are a phenomenon that needs to be observed by organizational leaders (Jufrizen, 2016). Job satisfaction as an attitude common to someone's work which shows the difference between the amount of the award received by workers and the amount believed by workers that should be received (Robbins, S.P. & Judge, 2011). Meanwhile, Job satisfaction as evaluation of a person on his job and work context (Wibowo, 2013). Mangkunegara (2017)) argues that job satisfaction is a feeling of support or not support experienced by employees at work and is a feeling that supports the employee in relation to his job as well as with his condition. Meanwhile according to Hasibuan (2014) job satisfaction is a pleasant emotional attitude and loves his job. This attitude is reflected by work morale, discipline, and work performance. job satisfaction is enjoyed at work, outside of work, and a combination of the two. Many factors affect employee job satisfaction. The factors themselves in its role of providing satisfaction to employees depends on the person each employee. The factors that affect satisfaction according to (Hasibuan (2014) are mentally challenging work, rewarding ones appropriate, supportive working conditions and supportive co-workers. This study uses job satisfaction indicators which refer to Luthans (2007); (1) Satisfaction with salary payments, (2) Satisfaction with the work itself, (3) Satisfaction with colleagues, (4) Satisfaction with promotion and (5) Satisfaction with work supervision.

Leadership is a process by which a person influences other to achieve goals and direct it in a more coherent and coherent way and determining factors in a company (Mujiatun, et al., (2019). Leadership in the organization directed to influence the people they lead, to want do as expected or directed by others who lead it (Sutikno, 2014). According to Yukl (2010), leadership is a process of influencing people others to understand and agree on what is needed in carrying out tasks and how to carry out the task, as well as processes to facilitate individual efforts and collective in order to achieve common goals. Meanwhile, Kartono (2014) said Leadership is a talent that people acquire as a special ability carry it from birth. According to Bangun (2012) leadership is a process for directing and influencing others to be willing to carry out their duties to achieve organization goals. This study uses leadership indicator that refer to Siagian (2014) as follows: (1) The ability to make decisions, (2) Ability to motivate, (3) Communication skills, (4) Ability to control subordinates, (5) Ability to control emotions and (6) Ability to unifying the team.

Thanos et al., (2015) has found a positive and significant relationship between motivation on employee loyalty, when the employees have a commitment to the company they will working and give the all-time and energy to the company. Meanwhile, Salahudin et al., (2018) work motivation as some employees seek more responsibility in their job based on the work aspects rather than external drive. For instance, freedom in work, space for creativity and task significance increase meaningfulness of their jobs and get result in higher internal work motivation thus better commitment. Thus, the following hypothesis is developed:

**H1: There is a significant effect between work motivation and employee loyalty.**

According to Chien et al., (2020), work motivation that indicated by financial motivation, external self-concept, enjoyment of work, internal self-concept and goal internalization have a positive and significant relationship to the employee loyalty. Eka (2018) also found the work motivation has a positive and significant effect to the employee loyalty, the important of work motivation for a company that is a factor driving employees and performance can be assessed from the work motivation of employees. Providing motivation means giving employees the opportunity to work well and get what is expected so that employees are able to develop their abilities. The role of motivation is to intensify these desires and desires; therefore, it can be concluded that efforts to increase one's Morale will always be associated with motivating efforts so that to carry out good motivation needs to know human needs. Thus, the following hypothesis is developed:

**H2: There is a significant effect between work motivation and employee performance.**

Saputra, et al., (2016), show that there is a positive and significant influence between job satisfaction on employee loyalty, one way that can be done to increase job satisfaction is by providing a salary that is in accordance with the UMR and giving more appreciation to the achievement of high-performing employees. Otherwise from the research that conducted by Zakaria et al., (2019) has found that job satisfaction confirmed as the partial mediation to the employee loyalty, higher level of rewards and benefit, comfortable and conducive working condition by organizations will able to increase job satisfaction and increase the employee loyalty. Thus, the following hypothesis is developed:

**H3: There is a significant effect between Job satisfaction and employee loyalty.**

According to the Abdulkhalik & Mohammadali (2019), job satisfaction has a positive and significant effect on the employee performance of Al Hayat company. Job satisfaction has two important aspects; first it's human aspects that deserve to be treated fairly and respectfully by the employees and second behavioral dimension that attention to job satisfaction can guide employee behavior in way that affects their performance. Meanwhile, Ezeanyim, et al., (2019) found a linear relationship between job satisfaction and employee performance, also concluded that the management of the company should provide good working conditions for its employees to boost their morale. Thus, the following hypothesis is developed:

**H4: There is a significant effect between Job satisfaction and employee performance.**

According to Ding et al., (2012), there found a positive and significant relationship between leadership and employee loyalty. To improve employee loyalty, the manager should not only develop their leadership but also consideration the individual needs to improves psychological satisfaction. While from the research that conducted by Citra & Fahmi (2019) shown that leadership has a positive and significant effect on employee loyalty at PTPN IV. Regarding to the Abbas (2017), a leadership has a positive and significant effect on employee loyalty and impact to the employee engagement. Thus, the following hypothesis is developed:

**H5: There is a significant effect between leadership and employee loyalty.**

Altun et al., (2017) concluded that leadership can be jointly effect on employee performance and from the research also found that transformational leadership was the best from the leadership style at that their organization. While research from Elisiana et al., (2016) found that leadership has a significant effect om employee performance, and leadership is very important factor for the company so the company need to improving the ability of leader to get closer to employees. Therefore, from the literature review that conducted by Menon (2014) has found across new model based on integrated approach, exhibiting the relationship between leadership and employee performance through the mediating role of culture and gender while the communication playing the moderating role, the research shown a positive and significant proposition between hypothesis. Thus, the following hypothesis is developed:

**H6: There is a significant effect between leadership and employee performance.**

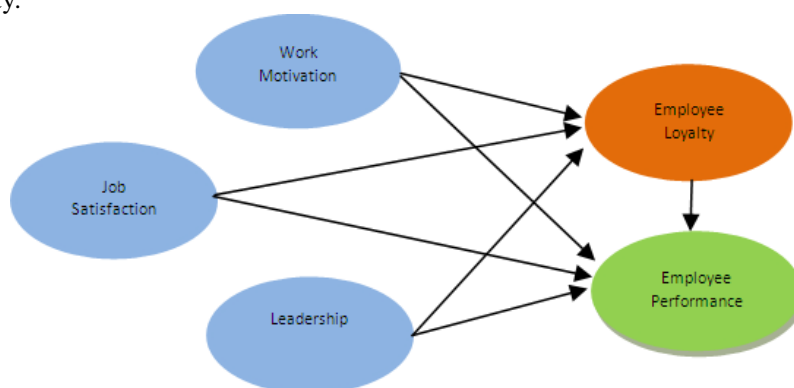
According to Tasi & Syamsir (2020) loyalty had a positive and significant effect on employee performance at the secretariat office of Sijunjung, West Sumatera. This result also relevant with Phuong & Vinh (2020) where the employee loyalty had positive and significant effect on the employee performance at lodging enterprise in Danang city, Vietnam. While, Preko & Adjetey (2013) finding revealed that there are significant linear correlations among employee loyalty and performance at the banking industry. While from the theoretical fragmented field analysis that conducted by Guillon & Cezanne (2014) that using a various type of indicators had pointed that employee loyalty is an important issue and especially in time of economic and social crises. The employee loyalty had and positive effect on the performance, however the perspective could be reserved to consider whether in certain case, loyalty becomes dysfunctional. Thus, the following hypothesis is developed:

**H7: There is a significant effect between employee loyalty and employee performance.**

**III. Research Methodology**

**Research Framework**

According to the above literature review about employee performance, employee loyalty, work motivation, job satisfaction and leadership, Researcher's suggest a research framework shown in figure 1. This framework not only describes the direct relationship but also can be used to examine the mediating role of employee loyalty.



**Figure 1. Framework Research**

**Sample**

The research objects of this study are employees at the chemical manufacturer that has been established since 1972 with totally population are 84 employees. Since the population are under 100 respondents, researcher decided to take all of population become sample, and using a questionnaire as the measuring tools with Likert scales between 1 to 5 that shown strongly disagree to strongly agree.

**Model Analysis**

This study aims to obtain the best model in explaining and prediction the predictor variable of employee performance by using employee loyalty as the intervening variable and using a variance based structural equation model (VB-SEM) method with Smart PLS. Basically, a complete modelling consist of a

measurement models and structural models, the purpose of measurement model test is to specifies the relationship between latent variables with the indicators and it can be said that the outer model defines how each indicator relates to its latent variable. While the purpose of inner model test is a model of the relationship structure that forms or explains the causality between variable. Following the framework research this study has a 7 hypothesis which has been developed using a literature review from previously research.

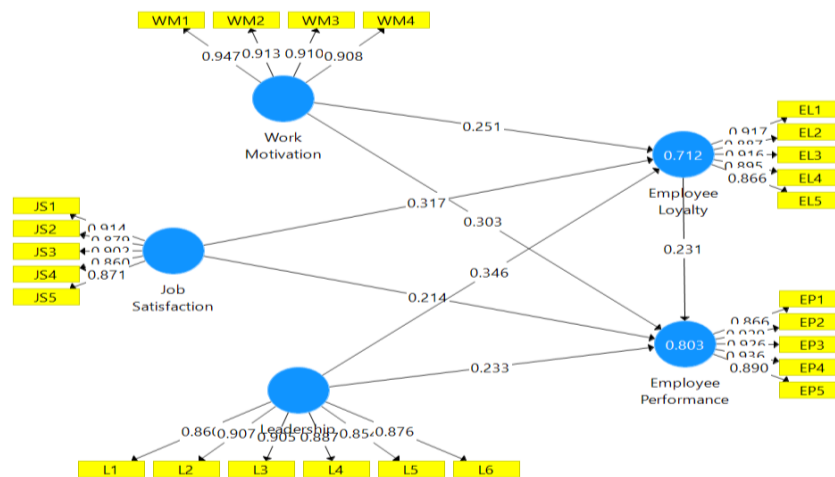
**Table 1. Demographic Characteristic of Respondents**

Demographic Variable	Sample Composition	
Gender	Male	98,8%
	Female	1,2%
Age	20-30 years	10,7%
	30-40 years	57,2%
	40-50 years	25,0%
	>50 years	7,1%
Service Years	< 5 years	25,0%
	6-10 years	17,9%
	11-15 years	13,1%
	15-20 ears	39,3%
	>20 years	4,8%
Education	Secondary High School	67,9%
	Diploma	7,1%
	Bachelor Degree	21,4%
	Postgraduate	3,6%
Work Function	Worker	85,7%
	Middle Management	10,7%
	Top Management	3,6%

**IV. Result & Discussion**

**Outer Model Analysis**

Outer model analysis interpreted by looking at several parameters, including: convergent validity, discriminant validity, average variance extracted (AVE), composite reliability and alpha Cronbach. The PLS Algorithm model is presented in the figure 2.



**Figure 2. Model PLS Algorithm**

Convergent validity is to measure the amount of loading factor each indicator. From the result it shown all indicator has loading factor above 0,70 that represent the indicator could be measure the variable latent as following in the table 2. Highest loading factor for each variable has shown by WM1, JS1, L2, EL1 and EP4.

**Table2. Loading Indicator Model**

Indicator	Work Motivation	Job Satisfaction	Leadership	Employee Loyalty	Employee Performance
WM1	0,947				
WM2	0,913				
WM3	0,910				

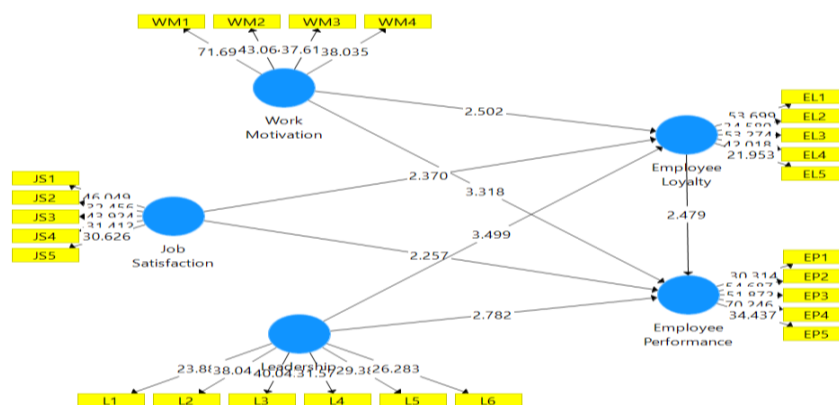
WM4	0,908				
JS1		0,914			
JS2		0,879			
JS3		0,902			
JS4		0,860			
JS5		0,871			
L1			0,860		
L2			0,907		
L3			0,905		
L4			0,887		
L5			0,854		
L6			0,876		
EL1				0,917	
EL2				0,887	
EL3				0,916	
EL4				0,895	
EL5				0,866	
EP1					0,866
EP2					0,929
EP3					0,926
EP4					0,936
EP5					0,890

For the discriminant validity result it has shown all of indicators have higher loading factor value than the cross loadings value, this shows the indicator is able to measure the latent variable effectively than measure others variable. Analysis average variance extracted for each variable has shown each variable has AVE above 0,50. Work motivation has an AVE 0,846, job satisfaction 0,784, leadership 0,777, employee loyalty 0,803 and employee performance 0,827. This average variance extracted value shows the variance value each indicator in the constancy that the variable can capture more than the variance caused by the measurement error. The result of composite reliability shows that the CR value for work motivation was 0,956, job satisfaction 0,948, leadership 0,954, employee loyalty 0,953 and employee performance 0,960. This highlight that the five variables latent have sound internal consistency. The last outer model analysis has indicated by alpha Cronbach, this analysis to measure the reliability and support the composite reliability. Work motivation has alpha Cronbach value 0,939, job satisfaction 0,931, leadership 0,943 employee loyalty 0,939 and employee performance 0,948.

### Inner Model Analysis

The result for the bootstrapping analysis model obtained the path coefficient value of work motivation on employee loyalty is 0,251 while for the work motivation on employee performance is 0,303. For the path coefficient between job satisfaction on employee loyalty is 0,317 and job satisfaction on employee performance is 0,214. While for relationship between leadership on employee performance has shown 0,346 and leadership on employee performance is 0,233 and the last relationship between employee loyalty on employee performance is 0,231. From those path coefficient value has shown all of positive value that indicated each predictor have a positive influence on the criterion.

The value for R square variable employee loyalty is 0,712, which shows that the work motivation, job satisfaction and leadership has an effect of 71,2% on the variable employee loyalty. While the R square value for variable employee performance is 0,803 that indicated that the work motivation, job satisfaction, leadership and employee loyalty have an effect of 80,3% on the variable employee performance. The PLS Bootstrapping model is presented in the figure 3.



**Figure 3. Model PLS Bootstrapping**

GoF test result from the research model obtained a GoF value of 0,782 where that value entered into the range of 0,38-1,00 that illustrates the high fitness model category. While from the Stone Geiser Value ( $Q^2$ ) the result on the employee loyalty variable obtained a value of 0,555 and for the employee performance show 0,647 where this value is greater than 0 and it can be illustrated that there is a structural model relevance matching at the model. Specific for the Stone Geiser Value is represented in the table 3.

**Table 3. Construct Cross Validated Redundancy**

	SSO	SSE	$Q^2$
Employee Loyalty	420.000	187.076	0.555
Employee Performance	420.000	148.213	0.647
Job Satisfaction	420.000	420.000	
Leadership	504.000	504.000	
Work Motivation	336.000	336.000	

The result of testing for the hypothesis obtained the value of T Statistic for each relationship is greater than 1,96 and for the P values as less than 0,05 that represented all of hypothesis accepted as follow:

**Table 4. Original Sample, STDEV, T-Values and P-Values**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Values
Employee Loyalty → Employee Performance	0,231	0,231	0,093	2,479	0,013
Job Satisfaction → Employee Loyalty	0,317	0,325	0,134	2,370	0,018
Job Satisfaction → Employee Performance	0,214	0,209	0,095	2,257	0,024
Leadership → Employee Loyalty	0,346	0,339	0,099	3,499	0,001
Leadership → Employee Performance	0,233	0,238	0,084	2,782	0,006
Work Motivation → Employee Loyalty	0,251	0,251	0,100	2,502	0,013
Work Motivation → Employee Performance	0,303	0,303	0,091	3,318	0,001

**Hypothesis 1**

The first hypothesis obtained a T values of 2,502 where this value greater than 1,96 and the P values 0,013 below than 0.05, so that H0 is rejected and H1 accepted, that describe the significant influence of work motivation on employee loyalty. This result consistent with Thanos et al., (2015) where employee motivation has significant effect on employee loyalty. Moreover, the motivation has a positive relationship with employee loyalty due to motivation consist of commitment, creativity, shelf driven so the employee willing to give their time and energy to the company. Based on the demographic respondent also we found the majority of service year from the employee are 15-20 year and even some employee has more than 20 years of service year, this indicated the motivation has been tested to significantly effect on the employee loyalty. Some employee also argues that they have great motivation to be able optimally work until they retired in the company without ever thinking about being able to move to another company. The result as well as Eka, (2018), where found the work motivation has a positive and significant effect to the employee loyalty, the important of work motivation for a company that is a factor driving employees and performance can be assessed from the work motivation of employees. Providing motivation means giving employees the opportunity to work well and get what is expected so that employees are able to develop their abilities. This result consistent with Kuswati (2020), where the effect of motivation on employee performance is quite good, the result also gives a meaning that the dependent role becomes a supporting factor in an organization to improving their performance. This result also in line with previous study which proven the advance of motivation has a significant effect on employee performance (Elvina, S., & Chao (2019).

**Hypothesis 2**

The second hypothesis obtained a T values of 3,318 where this value greater than 1,96 and the P values 0.001 below than 0.05, so that H0 is rejected and H1 accepted, that describe the significant influence of work motivation on employee performance. This result consistent with Shahzadi et al., (2014) where the motivation influence employee outcomes for instance performance and productivity and also proposed that employee are more oriented towards an autonomy and more self-driven, contradicting to less motivated employees. Based on the interview with the employees, an employee has a high work motivation show by willing to lead and high enthusiasm working this can be indicated by perform the best skill and competence which is increased their performance so can be optimum contribute to the company. Moreover, the result also consists with Omar et al., (2010) where employee loyalty and highly motivated employee have attracted much attention due to the expectation that motivated and loyal employees will act in the best interest of any organization.

### **Hypothesis 3**

The third hypothesis obtained a T values of 2,370 where this value greater than 1,96 and the P values 0,018 below than 0,05, so that H<sub>0</sub> is rejected and H<sub>1</sub> accepted, that describe the significant influence of job satisfaction on employee loyalty. This result consistent with Zanabazar & Jigjiddorj (2018), where satisfaction is key aspects of employee retention for sustaining performance, also contributing to organizational success like employee turnover, absenteeism, commitment and productivity. Job satisfaction and employee loyalty had correlation and number of circumstances including support of management, team work, and work environment where crucial for the job satisfaction Khuong & Tien (2013). The result also in line with Zakaria et al., (2019), where has a positive relation between the working condition, reward and benefit, training and job satisfaction and confirms the partial mediation of job satisfaction between the independent variables, rewards and training with employee loyalty. The result also in line with Chang et al., (2010), where employee empowerment, employee compensation, team work and management leadership are significant positive predictors of employee satisfaction and employee loyalty can be enhanced through the employee satisfaction.

### **Hypothesis 4**

The fourth hypostasis obtained a T values of 2,257 where this value greater than 1,96 and the P values 0,024 below than 0,05, so that H<sub>0</sub> is rejected and H<sub>1</sub> accepted, that describe the significant influence of job satisfaction on employee performance. This result consistent with Abdulkhaliq & Mohammadali (2019), where result show that job satisfaction has a positive and significant effect on employee performance, the result also mentioned that the manager need to focus more on their employees. In fact, the employees are most costly to their organization, but can contribute to the growth and profitability of the company in terms of the performance. The result also in line with Husein & Hanifah (2019), where the job satisfaction has a significant effect on employee performance, while to improve the employee performance is not enough to provide the job satisfaction but also need to involve coaching activities, job satisfaction will be meaningful if employees feel guided, involved, valued, and have ability to solve their own problem in working circumstance.

### **Hypothesis 5**

The hypothesis number five obtained a T values of 3,499 where this value greater than 1,96 and the P values 0,001 below than 0,05, so that the H<sub>0</sub> is rejected and H<sub>1</sub> accepted, this describe the significant influence of leadership on employee loyalty. This result consistent with Citra & Fahmi (2019), where the leadership has a positive and significant influence on employee loyalty that mean organization need to increase the leadership to improve the employee loyalty, meanwhile in other hand the company also need to apply leadership style that meet the organizational culture and circumstance, due to each organization has a different internal condition. This result also in line with Suarmiati et al., (2018), where shows a positive and significant effect on employee loyalty. This result give meaning that better leadership will increase employee loyalty, the leader can increase the loyalty by giving a good communication among an employees and leaders must be capable to taking decision to control the positive power. Similar research result also shown by Dwipayoga & Adnyani (2013), who expressed his result that the leadership in the organization gives a significant influence on employee loyalty, while the lack of structuring the workplace by the leader will create less comfortable for the employee to doing their job.

### **Hypothesis 6**

The hypothesis number six obtained T values of 2,782 where this value greater than 1,96 and the P values 0,006 below than 0,05, so this describe the significant influence of leadership on employee performance. This result consistent with Dwipayoga & Adnyani (2013), where the leadership has a positive and significant on employee performance, that illustrate the ability of leader to take decision will improve the employee loyalty. More often related to the leadership factor that can increase employee performance has explain by Suarmiati et al., (2018) such as good physical work environment and fair work spirituality. Leadership style will significant influenced work motivation and employee performance. However, the leader approach cannot be solely responsible for the employee performance, nor for the attainment of set goals. The employees themselves also play a crucial role. To be specific, employee perception of their leader and their feelings concerning their ability to perform and attain predetermined goals seem to be decisive factors Altun et al., (2017).

### **Hypothesis 7**

The last hypothesis number seven obtained T values of 2,479 where this value greater than 1,96 and the P values 0,013 below than 0,05, so this describe the significant of employee loyalty on employee performance. This result consistent with Suarmiati et al., (2018), where shows a positive and significant effect between



employee loyalty on employee performance, this result provides an idea that higher employee loyalty will increase employee performance. Higher employee loyalty is reflected in the low willingness of employees to move, employees are proud and responsible to the organization, able to keep the asset of the organization and employees are very instrumental in promoting and upholding honesty in work. This result is also in line with Tasi & Syamsir (2020), where loyalty has a positive and significant effect on employee performance, the loyalty is the psychological condition created in employees it will be able to suppress the desire of employees to leave the company where he works that is influenced by four factors, namely personal characteristics, job characteristics, design characteristics concerning internal organizations circumstance, and experience gained in work. According to Wagiman & Sutanto (2019), the higher employee loyalty in his work, the easier it will be to improve the performance and achievement of the goals set by an organization. Conversely, if employee loyalty is low. The more difficult to achievement of objectives predetermined by the organizations, so that the employee loyalty must be considered by the organizations due to important factor.

### Mediating Effect of Employee Loyalty

To determine the mediating effect of variable employee loyalty, researcher calculate the z value of Sobel test from the table 4, and compared by the cut off value 1,98. Detailed for the z value are shown at table 5.

**Table 5. Sobel Test Result**

Relationship	z Value	Cut off value	Mediating Effect of Variable Employee Loyalty
Work motivation → Employee loyalty → Employee performance	1,765	1,98	No mediation effect
Job satisfaction → Employee loyalty → Employee performance	1,713	1,98	No mediation effect
Leadership → Employee loyalty → Employee performance	2,024	1,98	Mediation Effect

From table 5, the only z value that shown higher than cut off value 1,98 is the relationship between Leadership on employee loyalty through the employee loyalty, this indicated the mediating effect of employee loyalty only perform at those relationship, meanwhile for the work environment and job satisfaction on employee performance it no mediation effect. This result also illustrates that employee loyalty reflected in promoting the relationship between leadership and employee performance, while not promoting for the relationship between work motivation and job satisfaction on employee performance. This result also in line with the Suarmiati et al., (2018), where the employee loyalty can be mediating between the relationship of leadership on employee performance, these results provide evidence that employee loyalty is increasingly high with the leadership in the company that the better able to improve the employee performance is getting better.

### V. Conclusion

The result of the confirmatory factor analysis test on the conceptual model show that 25 indicators tested are valid and reliable to measure the latent variables. From the inner model analysis, the model has shown positive influence between the relationship, with the magnitude of the work motivation, job satisfaction and leadership on employee loyalty is 71,2% while for the magnitude of work motivation, job satisfaction, leadership and employee loyalty on employee performance is 80,3%. From seven proposed hypothesis, all hypothesis is accepted which illustrated the significant influence of each relationship between the exogenous and endogenous variable. While for the mediating effect of employee loyalty it only mediating between the relationship leadership on employee performance, meanwhile for the relation between work motivation on employee performance and job satisfaction on employee performance are not mediating. The results of this study also have a managerial implication in which work motivation, job satisfaction, leadership and employee loyalty has a role in improving employee performance.

This result also can be focus of the managerial level to able to continuous increase the work motivation, job satisfaction, leadership and employee loyalty since these variables very important for the chemical company. In optimizing of employee performance, management should pay more attention to the employee loyalty by increasing the motivation and job satisfaction of employee with provide better benefit also increase leadership by improve the communication between leader and the employee.

This study is faced with certain weakness which call for caution in generalizing the finding of study such a limitation of the respondent number. Future research may focus on adding predictors, indicators of employee loyalty and employee performance, based on the determinants of employee loyalty and employee performance there are different conditions of each other's institutions. Future research also needs to test the best leadership style that suitable to be applied at the chemical industry.

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Dr. Uli Wildan Nuryanto, et. al. “The Roles of Employee Loyalty between Work Motivation, Job Satisfaction, Leadership Against Employee Performance.” *IOSR Journal of Business and Management (IOSR-JBM)*, 23(02), 2021, pp. 15-25.