

Comparing the Determinants of Employee Performance Between Satisfaction and Loyalty in an Indonesian Muslim Fashion Company

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ABSTRACT

This study examines the effect of employee satisfaction and employee loyalty on employee performance at PT XYZ, a Muslim fashion company operating in Jakarta, Indonesia. Although both constructs are well established as antecedents of performance, empirical findings on their relative strength remain inconsistent, and studies that compare the two within the Indonesian creative and fashion retail sector are still limited. A quantitative approach with a descriptive-causal design was applied. Data were collected through a structured questionnaire distributed via Google Form to 109 active employees, selected using proportionate stratified random sampling with a minimum tenure of one year. The data were analysed using Structural Equation Modelling based on Partial Least Squares (SEM-PLS) with SmartPLS 4. Descriptive results place all three variables in the good category, namely employee satisfaction at 81.04%, employee loyalty at 78.84%, and employee performance at 80.11% of the ideal score. Hypothesis testing shows that employee satisfaction has a positive and significant effect on employee performance ($\beta = 0.386$; $t = 4.273$; $p < 0.001$), and that employee loyalty also has a positive and significant effect ($\beta = 0.537$; $t = 6.173$; $p < 0.001$). Loyalty is the more dominant predictor, as indicated by both a larger path coefficient and a large effect size ($f^2 = 0.533$) compared with the medium effect size of satisfaction ($f^2 = 0.276$). Jointly, the two variables explain 73.2% of the variance in employee performance. The findings suggest that in an organisation whose workforce is relatively young and mobile, affective attachment functions as a stronger driver of work outcomes than job contentment alone. The study is nevertheless limited by its cross-sectional, single-source design, and its findings should be read as associational rather than strictly causal.

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1. INTRODUCTION

In an era of globalisation and intensifying business competition, organisations are required to continuously improve employee performance as one of the primary keys to achieving organisational objectives. Performance refers to the concrete work output demonstrated by employees in carrying out the duties, responsibilities, and roles assigned to them within the company [1], [2]. Achieving optimal performance requires organisations to create a conducive working environment and to motivate employees to make their best contribution. Conversely, a systematic review of toxic workplace environments reports that behaviours such as harassment, bullying, ostracism, and incivility raise job stress and are associated with lower employee productivity, so that the condition of the work environment may either support or erode performance [3]. In the Indonesian context, this challenge is accompanied by a demographic advantage, as the composition of the national workforce is currently dominated by individuals in productive age groups. This condition creates substantial potential, but it also means that the ability of organisations to retain and mobilise human capital becomes increasingly decisive. Evidence on Indonesian millennial employees indicates that the psychological condition of this cohort, including mental health, readiness for organisational change, and perceived job insecurity, is closely associated with their psychological capital [4].

Human resources are widely regarded as the determinant of organisational success. Effective and efficient management of human resources is necessary to raise employee productivity, and among the

internal factors that must be attended to, employee satisfaction occupies a central position [5]. Employee satisfaction is understood as a pleasant emotional state resulting from an individual's appraisal of their work and work experience, and it is reflected in work morale, discipline, and work achievement [6], [7]. Alongside satisfaction, employee loyalty constitutes a second critical factor. Loyalty describes the faithfulness of employees towards their position, their work, and their organisation, and is expressed through the willingness to defend the organisation and to remain part of it over a longer horizon [8], [9].

The object of this study is PT XYZ, a limited liability company established in 2022 and located in Jakarta. The company operates in the Muslim fashion sector, covering clothing, bags, and footwear, and has more recently expanded into local beauty products. PT XYZ currently manages eight brands and employs 172 people distributed across ten departments. The company operates in a market segment with strong growth prospects, yet this same prospect intensifies competitive pressure and raises expectations regarding internal workforce productivity.

Internal company data indicate that performance outcomes at PT XYZ have not been stable. The accumulated divisional key performance indicator achievement recorded 75% in 2022, rose to 100% in 2023, and then declined to 80% in 2024, as presented in Table 1. Although the monthly performance target of 90% per employee is formally established, the zero-defect indicator is rarely satisfied, and a considerable volume of work still requires rework. This pattern suggests that performance at PT XYZ is achieved but not consistently sustained.

Table 1. Key Performance Indicator Achievement of PT XYZ, 2022–2024

Indicator	2022	2023	2024
Accumulated KPI achievement	75%	100%	80%
Employee satisfaction survey	70%	90%	80%
Attendance (present)	75%	83%	85%
Absence (sick)	20%	15%	15%
Absence (unexcused)	5%	2%	0%

Source: internal data of PT XYZ (2024), processed by the authors.

Table 1 also shows that the annual employee satisfaction assessment conducted by the company follows a similar fluctuating pattern, moving from 70% in 2022 to 90% in 2023 before falling to 80% in 2024. Attendance data, by contrast, are relatively stable and healthy, with the proportion of unexcused absence declining from 5% to 0% and the presence rate rising to 85%. The picture that emerges is therefore not one of a disciplinary problem, but of an organisation in which attendance and compliance are secure while output quality and consistency remain uneven.

A further observation concerns tenure. Company records covering 2022 to 2024 show that employee tenure ranges from less than one month to seven years and five months, and that approximately 47% of employees have been with the organisation for more than two years. Long tenure is conventionally read as an indicator of dedication and loyalty [10]. However, interviews and observation at PT XYZ indicate that a number of long-tenured employees still possess limited knowledge of the organisation's history and its wider strategic direction. This creates an apparent inconsistency with the loyalty indicator proposed by Ikrom, which holds that loyal employees are expected to have adequate understanding of the organisation to which they belong. The condition suggests that loyalty at PT XYZ may currently be expressed more through continuance and compliance than through deep identification with organisational values.

The empirical literature on the relationship between satisfaction, loyalty, and performance is not univocal. Several studies report that both variables exert positive and significant effects on performance [11], [12], [13]. Other studies report weaker or non-significant results; a study of non-academic supporting staff at a private university found that satisfaction significantly affected performance while loyalty did not [14], and comparable inconsistency has been reported elsewhere in the Indonesian literature. This divergence indicates that the relative contribution of the two constructs is

contextual rather than universal, and that it depends on organisational characteristics, workforce composition, and the manner in which loyalty is actually enacted within the firm.

Two gaps follow from this. First, most Indonesian studies test satisfaction and loyalty as parallel predictors without explicitly comparing which of the two is dominant, even though the practical implication of the comparison is considerable, since it determines whether managerial resources should be directed towards improving working conditions or towards strengthening organisational attachment. Second, empirical work situated in the Muslim fashion and creative retail industry remains scarce, despite the sector's rapid growth, its comparatively young workforce, and its high labour mobility. This study addresses both gaps by testing satisfaction and loyalty simultaneously within a single SEM-PLS model and by comparing their effect sizes rather than merely their significance.

Accordingly, this study aims to analyse the effect of employee satisfaction on employee performance, the effect of employee loyalty on employee performance, and the joint effect of both variables on employee performance at PT XYZ. Theoretically, the study contributes to the human resource management literature by providing evidence on the hierarchy of performance determinants in a growing Indonesian creative industry firm. Practically, it offers PT XYZ an empirical basis for prioritising its human resource interventions.

2. LITERATURE REVIEW

2.1 *Employee Satisfaction*

Employee satisfaction is an emotional response of employees towards various aspects of their work. It is defined as an affective condition in which employees find their work pleasant and are able to reconcile their expectations with the reality of their working life, and it is manifested through discipline, work morale, and work achievement [8]. Afandi [6] identifies five dimensions that are

considered to represent employee satisfaction adequately, namely the work itself, wages, promotion, supervision, and co-workers. The work dimension concerns the extent to which the job matches the employee's expectations and abilities; the wage dimension concerns the perceived adequacy and fairness of remuneration; the promotion dimension concerns the transparency and merit basis of career advancement; the supervision dimension concerns the direction and support provided by superiors; and the co-worker dimension concerns the quality of peer relationships.

Empirical studies in Indonesia consistently position satisfaction as a determinant of work behaviour. Employees with higher satisfaction demonstrate greater commitment and dedication, whereas employees with low satisfaction tend to display declining discipline and productivity and a greater propensity to leave [15], [16]. Satisfaction is therefore not only an outcome variable of good human resource practice but also an input to subsequent performance.

2.2 *Employee Loyalty*

Employee loyalty refers to the faithfulness of an employee towards their position, their work, and the organisation. It is expressed in the willingness to protect and defend the organisation, to contribute beyond the minimum formal requirement, and to remain with the organisation over a longer period [8], [17]. Loyalty is conceptually distinct from satisfaction: satisfaction is an evaluative and affective judgement about the work situation, whereas loyalty is an attachment-based orientation towards the organisation as an entity.

Siswanto [18] divides loyalty into four dimensions, namely obedience or compliance, responsibility, dedication, and honesty or integrity. Sutanto and Perdana [17] employ a comparable structure, specifying compliance with organisational rules, the

ability to complete assigned tasks correctly, the contribution of time, energy, and ideas, and the provision of truthful and accurate information. Prior research indicates that loyal employees display lower absenteeism, lower turnover, and greater willingness to make extra contributions [9], [19]. It should be noted, however, that loyalty may be enacted in a passive form, where the employee wishes to remain without any corresponding increase in effort. In such cases the association between loyalty and performance weakens, which offers one explanation for the inconsistent findings reported in the literature.

2.3 *Employee Performance*

Employee performance is the work result achieved by an employee, both in quality and in quantity, in carrying out the duties assigned in accordance with their responsibilities. Performance must be demonstrable through concrete evidence and must be measurable [1], [2]. Beyond task outcomes, performance also encompasses contextual behaviour such as cooperation and professional attitude, which support overall organisational effectiveness [7]. A comparable multidimensional treatment is applied in a recent study of an Indonesian cosmetics manufacturer, in which employee performance is operationalised through quality of work, promptness, initiative, capability, and communication, and in which transformational leadership was found to raise performance only indirectly, through employee engagement, rather than directly [20]. The determinants of performance are correspondingly broad and include ability, motivation, leadership, organisational culture, job satisfaction, the work environment, loyalty, commitment, and work discipline. Their relative influence, however, is not uniform: a study of employees in an Indonesian paper manufacturing plant found that organisational culture had a

significant effect on employee performance, whereas organisational commitment and perceived organisational support did not [21]. A similar conclusion emerges from Indonesian higher education, where servant leadership improved lecturer performance only after it had been converted into psychological resilience and work engagement, so that the personal resources held by the employee, rather than the leadership stimulus itself, carried the greater part of the effect on performance [22].

This study adopts the five-dimensional structure used by Riwukore [2] and consistent with Edison et al. [23], comprising quantity, quality, timeliness, cooperation, and attitude. Performance appraisal is important for both the employee and the organisation, as its results provide the basis for decisions regarding development, placement in accordance with competence, and corrective action [1].

2.4 Hypothesis Development

The relationship among the three constructs can be explained through the reciprocity principle underlying the exchange between employees and organisations. When employees perceive that the organisation provides fair remuneration, credible career paths, supportive supervision, and a harmonious social environment, they reciprocate through higher engagement and greater effort. Satisfaction thus operates as a motivational mechanism that translates favourable working conditions into work behaviour. Evidence from a large Indonesian telecommunications company indicates that this exchange operates through several employee-level channels at once: adaptive leadership exerted only a weak direct effect on organisational agility, but its total effect rose substantially once employee readiness, innovation culture, technology capability, and organisational structure were introduced

as mediators, which suggests that attitudinal and attachment-related variables carry much of the influence that ultimately reaches work outcomes [24].

The effect of employee satisfaction on employee performance. A positive emotional response towards work, wages, supervision, promotion opportunities, and co-workers generates high work morale and encourages improvement in work achievement [6]. Empirical studies in Indonesia and elsewhere have found that job satisfaction significantly improves employee performance, both directly and through increased work engagement and motivation [11], [13], [25]. Accordingly:

H1: Employee satisfaction has a positive and significant effect on employee performance at PT XYZ.

The effect of employee loyalty on employee performance. Loyalty represents a form of emotional attachment and dedication that encourages employees to contribute beyond the minimum standard [9]. Loyal employees display higher discipline, remain with the organisation under unfavourable conditions, and maintain integrity even without close supervision, all of which directly support the consistency and reliability of performance. Prior studies report that loyalty contributes positively and significantly to operational efficiency and work performance [12], [19], [26]. Accordingly:

H2: Employee loyalty has a positive and significant effect on employee performance at PT XYZ.

The joint effect of satisfaction and loyalty. Satisfaction and loyalty are conceptually complementary rather than substitutive. Satisfaction functions as the foundation that generates a positive attitude towards the organisation, and when that attitude is sustained it develops into deeper attachment, which in turn drives performance. Studies that test both variables simultaneously

generally report a significant joint effect on performance [11], [27]. Accordingly:
H3: Employee satisfaction and employee loyalty jointly have a significant effect on employee performance at PT XYZ.

The research model is presented in Figure 1. Employee satisfaction (X1) and employee loyalty (X2) are positioned as exogenous constructs, and employee performance (Y) is positioned as the endogenous construct.

Table 2. Research Model

Exogenous construct	Path	Endogenous construct
Employee Satisfaction (X1)	H1	Employee Performance (Y)
Employee Loyalty (X2)	H2	Employee Performance (Y)
X1 and X2 simultaneously	H3	Employee Performance (Y)

Note: the schematic path structure is reproduced here in tabular form; the corresponding path diagram should be inserted as an image in the final submission.

3. RESEARCH METHODS

3.1 Research Design

This study applies a quantitative approach with a descriptive-causal design, which is intended to describe the condition of each variable and to test cause-and-effect relationships among employee satisfaction (X1), employee loyalty (X2), and employee performance (Y). The research strategy combines a survey with a literature study. Data were collected through a structured questionnaire administered via Google Form. The researcher did not intervene in or manipulate the data, the unit of analysis is the individual employee, and data collection was carried out at a single point in time, making the design cross-sectional.

3.2 Population and Sample

The population consists of all active employees of PT XYZ, totalling 172 people as of December 2024, distributed across ten departments. Sampling was restricted to employees with a minimum tenure of one year, on the consideration that they possess sufficient work experience to form stable perceptions of the company; 150 employees satisfied this criterion. The sample size was determined using the Slovin formula with a 5% margin of error applied to this eligible population, yielding 109 respondents.

Respondents were then drawn using proportionate stratified random sampling, in which the population is divided into strata according to department and the required number of respondents is allocated proportionally to the size of each stratum. The resulting allocation is presented in Table 2.

Table 3. Population and Sample Distribution by Department

Department	Population	Sample
Brand Strategy	43	27
Product Development	47	30
Channel Expansion	30	19
Finance, Accounting & Tax	3	2
HRGA & Operations	24	15
Technology	18	10
Data Analyst	2	1
Commercial & Merchandising	5	3
Purchasing	2	1
General Management	2	1
Total	172	109

Source: data of PT XYZ, processed by the authors (2025).

3.3 Operationalisation of Variables

Data were collected using a questionnaire employing a four-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). A four-point forced-choice format was selected to avoid central tendency bias. Employee satisfaction was measured through the five dimensions proposed by Afandi [6], operationalised into nine statement items. Employee loyalty was measured through the four dimensions proposed by Siswanto [18], operationalised into eight items. Employee performance was measured through the five dimensions used by Riwukore [2], operationalised into ten items. In the structural model, the constructs were specified reflectively

at the dimension level, so that each construct is represented by indicators corresponding to its underlying dimensions.

3.4 Data Analysis Technique

Analysis proceeded in two stages. First, descriptive statistical analysis was used to describe respondents' perceptions of each variable. The cumulative score of each item was compared with the ideal score, where the maximum cumulative value equals $109 \times 4 = 436$ and the minimum equals $109 \times 1 = 109$. The percentage range therefore extends from 25% to 100%, producing an interval of 18.75% when divided into four categories, as presented in Table 3.

Table 4. Score Interpretation Criteria

Percentage Range	Category
25.00% – 43.75%	Very poor
>43.75% – 62.50%	Poor
>62.50% – 81.25%	Good
>81.25% – 100%	Very good

Source: processed by the authors (2025).

Second, hypothesis testing was carried out using Structural Equation Modeling based on Partial Least Squares with SmartPLS 4. PLS was selected because it is variance-based and prediction-oriented, does not require multivariate normality, and performs adequately with moderate sample sizes [28], [29]. The measurement model (outer model) was evaluated through convergent validity, using outer loadings above 0.70 and average variance extracted (AVE) above 0.50; discriminant validity, using cross-loadings, the Fornell–Larcker criterion, and the heterotrait–monotrait ratio (HTMT) below 0.90 [30], [31]; and construct reliability, using Cronbach's alpha and composite reliability above 0.70. This combination of criteria follows the outer-model and inner-model evaluation procedure commonly adopted in Indonesian SEM-PLS research conducted with SmartPLS, in which convergent validity is judged from outer loadings

and average variance extracted, discriminant validity from the HTMT ratio together with the Fornell–Larcker and cross-loading criteria, and the structural model from collinearity diagnostics, the coefficient of determination, effect size, path coefficients, and bootstrapped significance testing [32]. The structural model (inner model) was evaluated through R-square, Q-square obtained by blindfolding, and effect size f-square, interpreted using the thresholds of 0.02 (small), 0.15 (medium), and 0.35 (large), in line with the evaluation criteria applied in comparable PLS-based organisational studies [29], [33].

4. RESULTS AND DISCUSSION

4.1 Respondent Characteristics

A total of 109 active employees of PT XYZ participated in the study. Their demographic profile is presented in Table 4.

Table 5. Respondent Characteristics

Characteristic	Category	n	%
Gender	Male	78	71.56
	Female	31	28.44
Age	20–30 years	4	3.67
	31–40 years	57	52.29
	Other age groups	48	44.04
Department (largest)	Product Development	30	26.90
Department (smallest)	Data Analyst / Purchasing / General Management	1 each	0.92

Source: processed primary data (2025).

The majority of respondents are male (71.56%), which reflects the operational character of a substantial portion of the company's work, requiring relatively high mobility and work intensity. More than half of the respondents fall within the 31–40 age group (52.29%), indicating a workforce that is productive and reasonably experienced, while the smallest group consists of employees aged 20–30 years (3.67%). In terms of department, the largest concentration of respondents comes from Product Development (26.90%), consistent with the proportional allocation described in Table 2. The distribution across all ten departments provides a reasonably representative picture of conditions across the organisation.

4.2 Instrument Validity and Reliability

Item-level validity was examined using Pearson product-

moment correlation. With 109 respondents and a 5% significance level, the critical value is $r = 0.195$. All nine satisfaction items produced correlation coefficients between 0.726 and 0.871, all eight loyalty items between 0.727 and 0.892, and all ten performance items between 0.711 and 0.893. Every item therefore exceeds the critical value and is declared valid. Reliability testing produced Cronbach's alpha values of 0.927 for employee satisfaction, 0.909 for employee loyalty, and 0.946 for employee performance, all comfortably above the 0.700 threshold. The instrument is therefore both valid and reliable.

4.3 Descriptive Analysis

a. Employee Satisfaction

Respondents' assessments of employee satisfaction are presented in Table 5.

Table 5. Respondents' Assessment of Employee Satisfaction

Dimension	Item	Statement (abbreviated)	Score	%	Category
Work	P1	The job matches my expectations	367	84.17	Very good
	P2	The job matches my abilities	339	77.75	Good
Wages	P3	Salary is in line with prevailing standards	352	80.73	Good
	P4	Income is sufficient for my needs	354	81.19	Good
Promotion	P5	Promotion follows established procedures	351	80.50	Good
	P6	Promotion is based on achievement and results	354	81.19	Good
Supervision	P7	Superiors support improvement of achievement	350	80.28	Good
	P8	Superiors provide direction and guidance	347	79.59	Good
Co-workers	P9	Co-workers provide mutual support	366	83.94	Very good

Dimension	Item	Statement (abbreviated)	Score	%	Category
Total			3,180 / 3,924	81.04	Good

Source: processed primary data (2025).

The overall score for employee satisfaction is 81.04% of the ideal score, placing the variable in the good category and close to the boundary of the very good category. The highest item is P1 regarding the fit between the job and employee expectations (84.17%), followed by P9 regarding peer support (83.94%). These results indicate that PT XYZ has succeeded in establishing person–job fit and a supportive social climate. The lowest item is P2, concerning the fit between the job and employee abilities (77.75%), which suggests that a portion of employees perceive a gap

between their competence and the demands of their work. This may arise from placement mismatch, task complexity, or limited access to competence development programmes. All nine items fall within a narrow band between 77.75% and 84.17%, indicating that satisfaction is distributed evenly across dimensions without any aspect falling into a problematic range.

b. Employee Loyalty

Respondents' assessments of employee loyalty are presented in Table 6.

Table 6. Respondents' Assessment of Employee Loyalty

Dimension	Item	Statement (abbreviated)	Score	%	Category
Obedience	P1	I always comply with company rules	353	80.96	Good
	P2	I uphold the vision and mission in daily work	326	74.77	Good
Responsibility	P3	I work willingly and with initiative	351	80.50	Good
	P4	I maintain the company's image	335	76.83	Good
Dedication	P5	I devote my skills to advancing the company	344	78.90	Good
	P6	I will stay even in difficult conditions	346	79.36	Good
Integrity	P7	I cooperate with colleagues to complete work	346	79.36	Good
	P8	I comply with rules even without close supervision	349	80.05	Good
Total			2,750 / 3,488	78.84	Good

Source: processed primary data (2025).

Employee loyalty obtained an overall score of 78.84%, which falls into the good category but is the lowest of the three variables. The highest item is P1 concerning compliance with company rules (80.96%), and P8 concerning compliance without close supervision also scores highly (80.05%). Taken together, these two items indicate that loyalty at PT XYZ is expressed most

strongly through discipline and internalised work integrity. The lowest item is P2, concerning the internalisation of the company's vision and mission in daily work (74.77%), and P4, concerning the maintenance of the company's image (76.83%), is the second lowest. This pattern is consistent with the field observation described in the introduction: employees comply

reliably with operational rules, but identification with the organisation's strategic identity is comparatively weak. Loyalty at PT XYZ is therefore currently stronger in its behavioural form than in its affective form.

c. Employee Performance

Respondents' assessments of employee performance are presented in Table 7.

Table 7. Respondents' Assessment of Employee Performance

Dimension	Item	Statement (abbreviated)	Score	%	Category
Quantity	P1	Able to complete a large volume of work	339	77.75	Good
	P2	Able to complete work in line with targets	351	80.50	Good
Quality	P3	Accuracy in completing work is high	347	79.59	Good
	P4	Very thorough in completing work	359	82.34	Very good
Timeliness	P5	Always arrives at work on time	347	79.59	Good
	P6	Uses time effectively and efficiently	346	79.36	Good
Cooperation	P7	Able to cooperate well with colleagues	350	80.28	Good
	P8	Always respects colleagues at work	347	79.59	Good
Attitude	P9	Skill in completing work is very good	354	81.19	Good
	P10	Does not give up when facing work problems	353	80.96	Good
Total			3,493 / 4,360	80.11	Good

Source: processed primary data (2025).

Employee performance obtained an overall score of 80.11%, placing it in the good category. The highest item is P4 concerning thoroughness (82.34%), the only item in the very good category, while the lowest is P1 concerning the ability to complete a large volume of work (77.75%). The contrast between these two items is informative. It suggests a trade-off in which employees prioritise accuracy and attention to detail over throughput, which is consistent with the persistence of rework issues noted in the company's internal performance records: quality

is protected at the level of the individual task, but overall output volume is constrained. Managerially, this indicates that the appropriate response is not to demand higher quantity directly, but to optimise work processes, simplify procedures, and provide supporting resources so that productivity can increase without compromising the quality standard already achieved.

4.4 Measurement Model (Outer Model)

Convergent validity was assessed through outer loadings and AVE. The results are presented in Table 8.

Table 8. Outer Loadings and Average Variance Extracted

Construct	Indicator	Loading	AVE	Conclusion
Employee Satisfaction	ES1	0.918	0.849	Valid
	ES2	0.946		Valid
	ES3	0.934		Valid

Construct	Indicator	Loading	AVE	Conclusion
	ES4	0.883		Valid
	ES5	0.924		Valid
Employee Loyalty	EL1	0.883	0.832	Valid
	EL2	0.902		Valid
	EL3	0.926		Valid
	EL4	0.937		Valid
Employee Performance	EP1	0.960	0.837	Valid
	EP2	0.856		Valid
	EP3	0.948		Valid
	EP4	0.912		Valid
	EP5	0.894		Valid

Source: SmartPLS output (2025). ES1–ES5 correspond to the satisfaction dimensions of work, wages, promotion, supervision, and co-workers; EL1–EL4 to obedience, responsibility, dedication, and integrity; EP1–EP5 to quantity, quality, timeliness, cooperation, and attitude.

All indicators produce outer loadings above 0.70, ranging from 0.856 to 0.960, and all three constructs record AVE values above 0.50, namely 0.849 for employee satisfaction, 0.832 for employee loyalty, and 0.837 for employee performance. Each construct therefore explains more than 80% of the

variance of its indicators, and convergent validity is satisfied.

Discriminant validity was assessed through cross-loadings, the Fornell–Larcker criterion, and HTMT. The cross-loading matrix is presented in Table 9.

Table 9. Cross-Loadings

Indicator	Employee Satisfaction	Employee Performance	Employee Loyalty
ES1	0.918	0.745	0.689
ES2	0.946	0.696	0.679
ES3	0.934	0.712	0.648
ES4	0.883	0.669	0.607
ES5	0.924	0.711	0.647
EL1	0.575	0.731	0.883
EL2	0.696	0.748	0.902
EL3	0.630	0.701	0.926
EL4	0.687	0.776	0.937
EP1	0.678	0.960	0.812
EP2	0.813	0.856	0.657
EP3	0.660	0.948	0.743
EP4	0.645	0.912	0.690
EP5	0.709	0.894	0.797

Source: SmartPLS output (2025).

Each indicator loads most strongly on its own construct, satisfying the cross-loading criterion. The Fornell–

Larcker and HTMT results are presented in Table 10.

Table 10. Fornell–Larcker Criterion and HTMT Ratio

Construct	ES (F-L)	EP (F-L)	EL (F-L)	HTMT ES	HTMT EP
Employee Satisfaction (ES)	0.921				

Construct	ES (F-L)	EP (F-L)	EL (F-L)	HTMT ES	HTMT EP
Employee Performance (EP)	0.768	0.915		0.804	
Employee Loyalty (EL)	0.710	0.811	0.912	0.751	0.858

Source: SmartPLS output (2025). Diagonal values are the square roots of AVE.

The square root of AVE for each construct exceeds its correlations with the other constructs, and all HTMT values remain below the 0.90 threshold. Discriminant validity is therefore established, although it should be noted

that the HTMT value between employee loyalty and employee performance (0.858) approaches the threshold, a point returned to in Section 4.7.

Construct reliability results are presented in Table 11.

Table 11. Construct Reliability

Construct	Cronbach's Alpha	Composite Reliability
Employee Satisfaction	0.955	0.966
Employee Loyalty	0.933	0.952
Employee Performance	0.951	0.962

Source: SmartPLS output (2025).

All constructs record Cronbach's alpha and composite reliability values well above 0.70, confirming internal consistency reliability. The measurement model is therefore adequate for structural evaluation.

4.5 Structural Model (Inner Model)

The explanatory and predictive capacity of the model was assessed through R-square, Q-square, and f-square, as presented in Table 12.

Table 12. Structural Model Evaluation

Measure	Value	Interpretation
R ² (Employee Performance)	0.732	Moderate to substantial
Q ² (Employee Performance)	0.595	Predictive relevance established
f ² Satisfaction → Performance	0.276	Medium effect
f ² Loyalty → Performance	0.533	Large effect

Source: SmartPLS output (2025).

The R-square value of 0.732 indicates that employee satisfaction and employee loyalty jointly explain 73.2% of the variance in employee performance, while the remaining 26.8% is explained by variables outside the model. Measured against the benchmarks frequently used in PLS research, in which R-square values of approximately 0.67, 0.33, and 0.19 are described as strong, moderate, and weak respectively [33], the value obtained here lies at the upper end of that range. Blindfolding produces a Q-square of 0.595, which is greater than

zero and therefore confirms the predictive relevance of the model. The effect size analysis provides the most substantively interesting result: loyalty exerts a large effect on performance ($f^2 = 0.533$), whereas satisfaction exerts only a medium effect ($f^2 = 0.276$). The two exogenous constructs are therefore not equivalent in their contribution.

4.6 Hypothesis Testing

Hypotheses were tested using bootstrapping. The path coefficients are presented in Table 13.

Table 13. Path Coefficients and Hypothesis Testing Results

H	Relationship	Original Sample	t-Statistic	P-Value	Decision
H1	Employee Satisfaction → Employee Performance	0.386	4.273	0.000	Supported
H2	Employee Loyalty → Employee Performance	0.537	6.173	0.000	Supported

Source: SmartPLS output (2025); bootstrapping procedure, t-table = 1.982 (df = 107, $\alpha = 5\%$).

H1 is supported. The path from employee satisfaction to employee performance yields a coefficient of 0.386 with a t-statistic of 4.273, which exceeds the critical value of 1.982, and a p-value below 0.05. Employee satisfaction therefore has a positive and significant effect on employee performance at PT XYZ.

H2 is also supported. The path from employee loyalty to employee performance yields a coefficient of 0.537 with a t-statistic of 6.173 and a p-value below 0.05. Notably, this coefficient is larger than that of satisfaction, and the difference is corroborated by the effect sizes reported in Table 12.

The joint effect stated in H3 was evaluated using the coefficient of determination and a corresponding F-test. With $R^2 = 0.732$, $k = 2$, and $n = 109$:

$$F = (R^2/k) \div [(1 - R^2)/(n - k - 1)] = (0.732/2) \div (0.268/106) = 0.366 \div 0.00253 = 144.76$$

The critical value of F at a 5% significance level with $df_1 = 2$ and $df_2 = 106$ is 3.081. Since 144.76 exceeds 3.081, the null hypothesis is rejected and H3 is supported: employee satisfaction and employee loyalty jointly exert a significant effect on employee performance. It should be acknowledged that a classical F-test is not a native component of PLS-SEM, which conventionally evaluates joint explanatory power through R^2 and f^2 rather than through a global fit statistic. The F-test is therefore reported here as a supplementary indication that is fully consistent with, but not independent of, the R^2 result.

4.7 Discussion

a. The Effect of Employee Satisfaction on Employee Performance

The finding that employee satisfaction significantly improves employee performance is consistent with the theoretical proposition that a positive emotional response towards work, wages, supervision, promotion, and co-workers generates work morale and encourages higher achievement [6]. It is also consistent with prior Indonesian empirical work reporting that the fulfilment of employee expectations is directly related to the reliability of task completion [11], [25].

The medium rather than large effect size ($f^2 = 0.276$) nonetheless deserves attention. Two explanations are plausible. First, the descriptive results show that the weakest satisfaction item is the fit between the job and employee ability (77.75%), which implies that part of employees' potential is not being fully actualised because of a competence gap; satisfaction with the working environment cannot compensate for a placement mismatch. Second, a substantial share of work at PT XYZ is operational and governed by standard procedures. In such settings satisfaction tends to function as a stabiliser that prevents performance deterioration rather than as a driver of performance improvement. This reading is supported by studies showing that the satisfaction–performance relationship is frequently indirect and may be transmitted through commitment or

engagement, so that its direct magnitude varies across organisational contexts [27], [34]. The same pattern is visible in an Indonesian cosmetics company, where transformational leadership showed no significant direct effect on employee performance and exerted its influence entirely through employee engagement [20]. A comparable pattern of context dependence is reported in an Indonesian manufacturing setting, where organisational culture significantly predicted employee performance while organisational commitment and perceived organisational support did not, which suggests that the weight of attitudinal determinants is contingent on organisational conditions rather than fixed [21].

b. The Effect of Employee Loyalty on Employee Performance

Employee loyalty emerges as the dominant predictor of performance, with both a larger path coefficient (0.537 against 0.386) and a large effect size ($f^2 = 0.533$ against 0.276). This result is consistent with studies reporting that loyalty encourages contributions beyond the minimum formal requirement and reduces turnover intention [9], [19], [26].

(80.05%), that is, through behavioural consistency. In an organisation with dynamic workloads and a young workforce, this behavioural consistency translates directly into performance reliability, because it does not depend on favourable circumstances. Satisfaction, by contrast, is more responsive to immediate conditions such as workload peaks or specific supervisory episodes, and is therefore more volatile. Loyalty consequently provides a steadier basis for sustained performance. Read through a job demands–resources lens, loyalty of

this kind operates as a personal resource that sustains effort when task demands are high, which is the mechanism through which psychological resilience and work engagement were found to carry the effect of leadership on performance among Indonesian lecturers [22].

The result should be read with a qualification. The literature also records cases in which loyalty exerts no significant effect on performance [14]. The divergence is usually attributable to the form loyalty takes: where loyalty is passive, consisting only of a desire to remain without a corresponding increase in effort, its association with performance weakens. At PT XYZ, loyalty is enacted actively through compliance, responsibility, dedication, and integrity, which offers the most plausible explanation for the strong association observed. What matters, therefore, is the quality of loyalty rather than its mere presence.

c. The Joint Effect and the Relationship between the Two Predictors

The joint explanatory power of 73.2% indicates that satisfaction and loyalty together account for a substantial portion of the variance in performance, and the two constructs appear complementary rather than substitutive. Satisfaction constitutes the foundation that generates a positive orientation towards the organisation, while loyalty converts that orientation into consistent work behaviour. This interpretation aligns with studies reporting significant simultaneous effects of both variables on performance [11], [27].

An observation that runs against a purely optimistic reading is nevertheless warranted. Loyalty records the lowest descriptive score of the three variables (78.84%) yet exerts the strongest effect on

performance. The variable with the greatest leverage is therefore also the variable in the weakest condition. Combined with the finding that the internalisation of vision and mission is the single lowest item across the entire instrument (74.77%), this suggests a specific vulnerability: current loyalty rests largely on compliance and continuance rather than on identification with organisational values. Loyalty of this kind is sensitive to changes in external labour market conditions, particularly among employees aged 31–40 who typically retain high career mobility. Research on millennial employees in Jakarta reports that psychological capital is positively associated with mental health and readiness for organisational change and negatively associated with perceived job insecurity [4], which suggests that affective attachment is sustained by psychological resources and organisational conditions rather than by tenure alone. In a similar direction, the review of toxic workplace environments concludes that organisational support, supportive policies, and leadership development are central to maintaining employee engagement and well-being [3]. The strong performance observed at present should not, therefore, be assumed to be structurally secure.

d. Alternative Explanations and Methodological Caveats

Several considerations qualify the interpretation of these results and should be weighed before drawing causal conclusions.

First, all three constructs were measured through a single self-report questionnaire administered at one point in time. This raises the possibility of common method variance, which tends to inflate observed correlations. The concern is most acute for employee

performance, which was self-rated rather than obtained from supervisory appraisal or objective output records, even though the company maintains such records in its KPI system. The relatively high HTMT value between loyalty and performance (0.858), while formally acceptable, is consistent with some degree of conceptual and method overlap between the two measures.

Second, the claim that loyalty is the dominant predictor rests on a comparison of two path coefficients and their associated effect sizes, not on a formal statistical test of the difference between them. Although the gap is supported by two independent indicators, namely the coefficients (0.537 against 0.386) and the effect sizes (0.533 against 0.276), a rigorous confirmation would require a test of the difference between coefficients, such as a permutation-based comparison or the construction of bootstrap confidence intervals for the difference. The conclusion regarding dominance should therefore be treated as strongly indicative rather than definitively established.

Third, the cross-sectional design does not permit causal inference. The reverse direction is theoretically plausible: employees who perform well are likely to receive recognition and advancement, which in turn strengthens their attachment to the organisation. A reciprocal relationship is equally consistent with the data.

Fourth, the sampling frame was restricted to employees with at least one year of tenure. This restriction improves the stability of perceptions but introduces survivorship bias, since employees with the lowest satisfaction or loyalty are precisely those most likely to have already left. The observed distribution of loyalty is therefore

probably truncated at the lower end, which may attenuate rather than inflate the estimated relationships.

Fifth, the descriptive scores of all three variables fall within a narrow range (78.84% to 81.04%) on a four-point forced-choice scale. Limited variance of this kind reduces the model's capacity to discriminate among respondents and should be borne in mind when interpreting the magnitude of the coefficients.

Finally, the sample size determination applied the Slovin formula to the 150 employees meeting the tenure criterion rather than to the full population of 172. This is defensible given that the tenure criterion defines the accessible population, but it should be stated explicitly rather than left implicit, since the resulting sample of 109 does not represent employees in their first year of service.

5. CONCLUSION

This study examined the effect of employee satisfaction and employee loyalty on employee performance at PT XYZ using SEM-PLS on data from 109 respondents. Three conclusions follow. First, employee satisfaction has a positive and significant effect on employee performance, with a medium effect size. Second, employee loyalty has a positive and significant effect on employee performance, with a large effect size, and is the more dominant of the two predictors. Third, the two variables jointly exert a significant effect on employee performance and together explain 73.2% of its variance.

The principal contribution of the study lies in the comparison rather than in the confirmation of significance. In the setting examined, organisational attachment proved a stronger determinant of work outcomes than job contentment, which suggests that in growing Indonesian creative-industry firms with a young and mobile workforce, strategies aimed at strengthening

identification may yield greater returns than strategies aimed solely at improving working conditions. This does not diminish the role of satisfaction, which functions as the foundation on which loyalty is built.

Three practical recommendations follow directly from the weakest indicators observed. In relation to satisfaction, the lowest item concerns the fit between the job and employee ability, so the company should evaluate job-person fit through competence mapping and workload analysis, and provide targeted training and task adjustment. In relation to loyalty, the lowest item concerns the internalisation of the company's vision and mission, so the company should strengthen internal communication through regular briefings, organisational culture programmes, and the explicit linking of individual targets to strategic objectives. In relation to performance, the lowest item concerns the volume of work completed, so the company should reassess workload distribution, simplify work processes, and provide adequate supporting systems, rather than simply demanding higher output at the risk of eroding the quality standard already achieved.

The study has limitations that also indicate directions for further research. Its cross-sectional and single-source design does not permit causal inference and leaves open the possibility of common method variance; future studies should combine self-reported attitudinal measures with supervisory or archival performance data, and where possible adopt a longitudinal design. The restriction of the sample to employees with at least one year of tenure excludes those in their first year, who arguably face the highest turnover risk. Finally, since 26.8% of the variance in performance remains unexplained, subsequent research should extend the model with variables such as work motivation, leadership style, organisational culture [21], compensation, workload, and the physical work environment, whether as additional predictors or as mediating and moderating variables. Individual-level constructs that have been shown to shape work behaviour in Indonesian organisations,

such as psychological capital [4] as well as self-leadership and digital competency [33], together with the quality of the work environment and its potentially toxic dimensions [3], represent further candidates for extension. Organisational-level constructs shown to shape work outcomes in other Indonesian settings, such as employee

readiness, innovation culture, and organisational structure in the telecommunications sector [24], and self-directed learning together with work engagement in the cosmetics manufacturing sector [20], are equally plausible extensions of the present model.

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