THE EFFECT OF JOB SATISFACTION AND EMPLOYEE ENGAGEMENT ON EMPLOYEE RETENTION FOR STARTUP COMPANY IN INDONESIA

AS SEEN IN THE EVIDENCE AT PT. LBB

THESIS

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CHAPTER I
INTRODUCTION

1.1 Background

Startups are companies or ventures that are focused on a single product or service that the founders want to bring to market (Investopedia, 2022). Startups are created by one or more business owners who desire to provide a good or service they feel there is a market for. These businesses typically start with high costs and limited income, which is why they seek funding from a number of sources, such as venture capitalists. Usually, startup companies don't have a fully developed business model, they build a minimum viable product (MVP) to develop and validate their business models. Most startup companies' goods or services were based on technology or digital platform. According to Ethan Perez (2019), the top five most popular startup sectors in the world are; Business-to-Business Software and Services, Healthcare, Consumer Goods and Services, Financial Technology (Fintech), and Consumer Media.

Meanwhile, Indonesia is the fifth country to produce the biggest number of startup companies (CNN Indonesia, 2022). According to the Center of Economics and Law Studies (CELIOS), Bhima Yudhistira, Indonesia has 2,203 startup companies. Meanwhile based on Startup Ranking, per April 2022, Indonesia has 2,345 startup companies as mentioned also in figure 1.1 below.

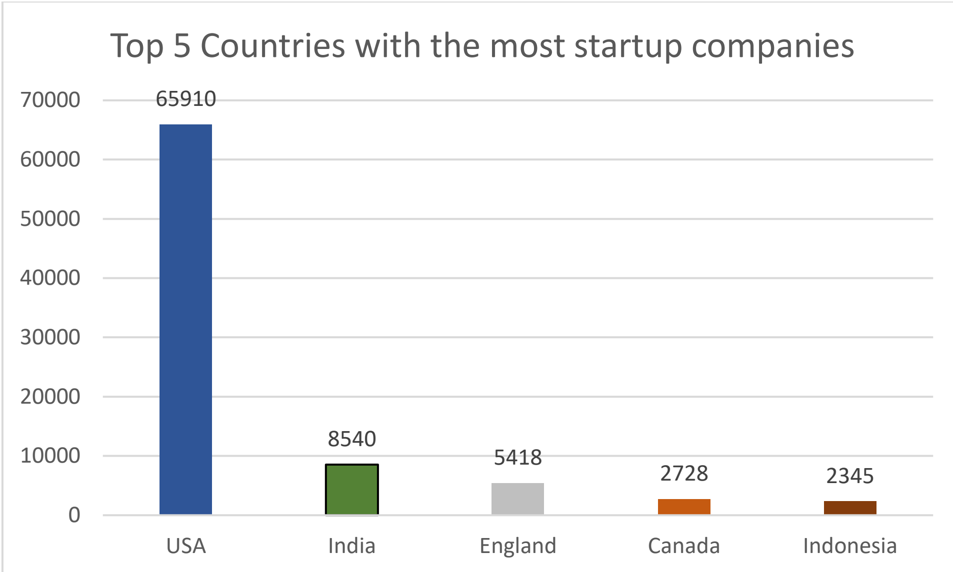

Figure 1.1 Top 5 Countries with the most startup companies

(Source: Startup Ranking, April 2022)

The top industries for startup companies in Indonesia are e-commerce, education, finance, and the game industry. According to Cento Ventures report, Indonesian startups have received around 42% capital invested and valuated around $5,96 billion in 2021 (CNBC Indonesia, 2022).

There are several things that differentiate startup companies from conventional businesses, and one of them is the environment. The environment and culture of a startup company are more flexible and innovative compared to a conventional company. Starting from working hours, dress code, work location, career path, etc. Most of the startup companies adopt this environment and culture due to the demographic of their employees. Based on the survey that has been released by katadata & Wanasida and others in 2021, the majority of the founder of startup companies in Indonesia are Gen Y (Millennials) as stated in Figure 1.2 below.

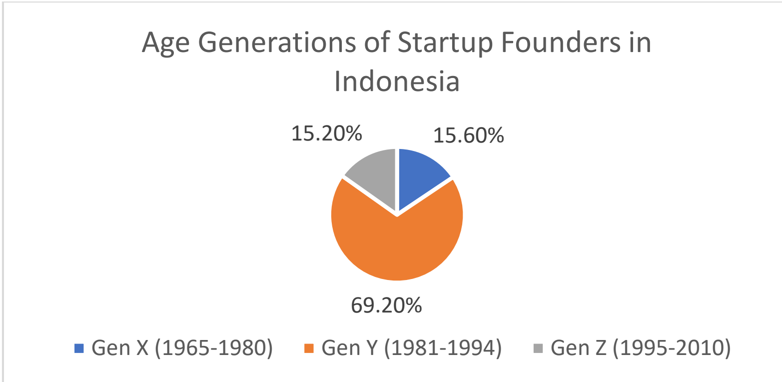

Figure 1.2 Age Generations of Startup Founders in Indonesia

(Source: Katadata.co.id,2019)

In terms of gender, male founders dominated with 91.2% compared to female founders with 8.8%. The survey also stated that Gen Y (Millennials) and Gen Z are the generations that fitted the most with the startup environment and culture.

With these younger generation working on their small business, and with their unique working environment and culture, this study wants to identify and analyze what are the factors, whether within or outside the company, that will help these younger generation employees feel satisfied and decide to stay in their startup company, especially in startup companies in Indonesia. This study will be based on a real startup company in Tangerang Selatan, Indonesia. In this study, the company name will be PT. LBB.

PT. LBB is an Indonesian-based educational technology company established in 2017. The company provides digital products and services on giving courses and content regarding digital skills. PT. LBB currently employs around 350 employees with the majority of the age generation Gen Y (Millennials) and Gen Z. Realizing that this age generation that the company will hire more Gen Y (Millennials) and Gen Z to match with the company culture, the company is still researching for ways to maintain the happiness and satisfaction that suit with the company. Based on the survey that the company did before, 66% of the company's employee is Gen Z and 34% of them is Gen Y as shown in Figure 1.3 below.

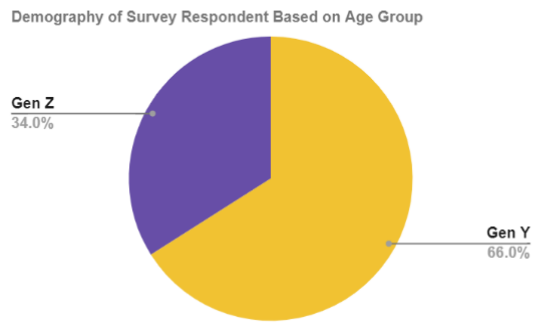

Figure 1.3 Age Generations of PT. LBB Employees

(Source: Data processed by Author from PT. LBB, 2022)

PT. LBB perceived that the Company must set the organization standard to retain the existing employees with strategic actions to keep employees motivated and focused so they elect to remain employed and fully productive for the benefit of the organization since it is more efficient to retain a quality employee than to recruit, train and orient a replacement employee of the same quality.

1.2 Problem Statement

One of the definitions of a startup company is a business that is trying to solve one problem in the market or society with an unproven success rate or scalability (M. Fajrin Rasyid, 2017). It means that the business's product or services do not have a lot of users or the business is not sustainable yet. Some of the startup companies in this stage probably already gain revenue, but not profit, or in other words still in a loss situation. What attracted the investors to invest capital in these startup companies are the prospect, future valuation, and growth of the company.

According to Calvino (2015), that startup companies are growing above 60% after three years from entry, to about 50% after five years, and to just over 40% after seven years. It means that startup companies can grow above 20% annualy. With these high expectations, startup companies tend to push their employee to work harder and longer. Overload of work tends to happen to startup employees. As startup employees, they also need to multi-task, adapt, and performed at the highest level in a short amount of time due to the work demand. According to Krishna, Agrawal, & Choudhary (2016), 90% of startups fail in their first three years due to instability and unclarity, this means startups can change their organization or business model in a very short time, hence the employee needs to adapt faster. These situations sometimes disrupt the satisfaction and work-life balance of their employees. These situations also impacted a lot of their employees decided to resign from the company faster.

Table 1.1 Comparison Turnover Rate in Companies

(Source: Katadata.co.id,2019)

Startup/Corporate	Name Of Company	Turnover Rate
Startup	HappyFresh and Reddorz	25%/tahun (2019)
Startup	Urbanhire Benson Engelbert Kawengian	10%/tahun (2019) 30%/tahun (2018)
Startup	Urbanindo	18,1%/tahun (2017)
Corporate	PT Kediri Matahari Corn Mills	7,9%/tahun (2016)
Corporate	PCDI	9,3%/tahun (2015)

According to Mercer, in its annual ‘2019 Indonesia Total Remuneration Survey’, the voluntary attrition rate across industries is 7% in 2019. In 2018, the attrition rate across industries is at 8%. With startup companies, that consist of Gen Y (Millennials) and Gen Z, the attrition rate is even higher and impacted to a low retention rate. Based on result of a survey in Indonesia conducted by Dale Carnegie Indonesia through a study titled "Employee Engagement Among Millennials" (2016) mentioned only 25% of millennial workers are fully engaged with the company they work for, shown also in the Table 1.1 above. According to research by Deloitte (2019), startup companies reach above 10% of the average turnover rate. Compared to corporates, startup companies' turnover rate is higher. Most employees leave after 2-3 years in the company.

Therefore, startup companies in Indonesia are figuring out the factors that will increase their retention rate. With the aim to increase retention rate and decrease turnover rate, human resources in startup companies tried to develop systems, workflows, culture, and benefits, both financially and non-financially, that fit with their employees, especially Gen Y (Millennials) and Gen Z employees.

In PT. LBB, the company uses Quarterly Pulse Check to know the level of happiness and satisfaction of the employees in the company. The quarterly pulse check has six (6) factors that the company consider impacting the happiness and satisfaction of the employee; Leader Review, Culture Implementation, Engagement Activities, Learning & Career Opportunities, Compensation & Benefit, and Tools & Working Facilities. Meanwhile, the pulse check data is still in the gathering stage, the company already faced with 6.57% turnover rate in just Q2 2022. Based on the company data, 60% of the new hire resigned under 6 months after joining the company. With the number of employees still around 350 employees, the state of the turnover rate is not looking ideal.

1.2 Research Gap and Novelty

The following are some of the studies that have been carried out and have similarities with the current research by the Author, as listed in Table 1.2 below:

Table 1.2 Research Gap

Author	Year	Title of Research	Variable of Interest
- Nina Poloski - Tomislav Hernaus	2015	The Triad of Job Satisfaction, Work Engagement, and Employee Loyalty	- Job Satisfaction - Work Engagement - Employee Loyalty
- Kristina J. Calecas	2019	Job Satisfaction, Employee Engagement, and Turnover Intention in Federal Employment	- Job Satisfaction - Employee Engagement - Turnover Intention
- Ricardo Biason	2020	The Effect of Job Satisfaction on Employee Retention	- Job Satisfaction - Employee Retention
- Rommel P. Sergio - Maria Rylova	2018	Employee Engagement and Empowerment as Gateway towards Retention: The Case of Volkswagen Group	- Employee Engagement - Employee Empowerment - Employee Retention
- Aga H. Tirta - Amelia Enrika	2020	Understanding the impact of reward and recognition, work-life balance, on employee retention with job satisfaction as mediating variable on millennials in Indonesia	- Job Satisfaction - Employee Retention - Millennials Employee

Source: Data processed by Author (2022)

Employee loyalty, work engagement, and job happiness were all evaluated by Nina and Hernaus (2015). The correlation study showed a strong positive association between the HR concepts that were investigated. Single and multiple regression analyses revealed that employee loyalty is highly predicted by work engagement, but job satisfaction is a significant predictor of both. Work engagement mediates the association between job happiness and employee loyalty, according to mediation analysis.

Using multiple linear regression, Calecas (2019) found a statistically significant association between work satisfaction, employee engagement, and intention to leave their current position: F (2, 563,432) = 33,273, P = .001, R^2 = 0.106. By empowering HR managers to alter retention-related methods to lower staff turnover and maintain knowledge in the US Federal Government, this study may have an impact on societal change. The goal of retention programs is to boost employee work satisfaction generally while long-term job creation in other industries.

Biason (2020)'s study shows that higher job satisfaction increases employee retention. A valid and accurate predictor of employee retention is job satisfaction. It is advised that businesses adopt procedures that promote positive working relationships and perks; this raises job satisfaction since employees are more likely to feel that their abilities are being used and that their dedication and service are valued. Higher levels of employee retention follow often from higher levels of work satisfaction.

According to Sergio & Rylova (2018), with their research in the Volkswagen case, employee engagement and empowerment are tools to decrease organizational turnover. Although many people might overlook it, employee retention is a crucial factor that can help a business save a lot of money and, more crucially, keep the best employees on staff. Retention rates can be indirectly influenced by employee empowerment and engagement. Therefore, no organization can disregard the significance of the two ideas.

A study by Tirta & Enrika (2020), concluded that job satisfaction played a role in employee retention of millennials in Indonesia. The study focused on two specific variables of job satisfaction which are work-life balance & reward and recognition. However, work-life balance does not support an increase in job satisfaction. Due to the distinctive qualities of the millennial workforce, current top-level management may require a different strategy to comprehend their expectations.

1.3 Research Questions

As was previously mentioned, startups are not the mini version of established businesses; rather, they are in the product research and development stage, when day-to-day tasks necessitate making mistakes. Startups follow a consistent process to make their products more comprehensive and shipping-ready, which includes creating a prototype, obtaining feedback from real customers, and upgrading the prototype's features. To make this happen, startups need talented employees that fit with their culture and environment. Finding the ideal candidates is already a success; the challenge is keeping them in the company.

Based on the above reasoning, this study aspired to answer the following three research questions:

1. How is the effect of Job Satisfaction on Employee Retention in PT. LBB as a startup company in Indonesia?
2. How is the effect of Job Satisfaction on Employee Engagement in PT. LBB as a startup company in Indonesia?
3. How is the effect of Employee Engagement on Employee Retention in PT. LBB as a startup company in Indonesia?
4. How is the effect of Employee Engagement as a mediating variable from Job Satisfaction to employee retention in PT. LBB as a startup company in Indonesia?

1.4 Research Objectives

To accomplish this research, the specific objectives of the research are stated as follows:

1. To evaluate how is the effect of job satisfaction on employee retention rate in PT. LBB as a startup company in Indonesia.
2. To evaluate how is the effect of job satisfaction on employee engagement in PT. LBB as a startup company in Indonesia.
3. To evaluate how is the effect of employee engagement on employee retention rate in PT. LBB as a startup company in Indonesia.
4. To evaluate how is the effect of Employee Engagement as a mediating effect from Job Satisfaction to employee retention in PT. LBB as a startup company in Indonesia.

1.5 Scope of the Study

The research will focus on employees on one startup company in Tangerang Region, called PT. LBB in this study as the population. The population can be derived from an educational technology startup company. The data will be collected from a particular population and sample at a certain time. This particular company also analyzing the factors that will help its company retention rate. The research includes hypotheses regarding the impact of job satisfaction and employee engagement on employee retention focused in startup company.

1.6 Significance of the study

The research is expected to bring useful results in both theoretical and practical in relation to employee retention in startup company:

1. Theoretical

   To provide the research result on the relationship between job satisfaction and employee management, focused on different job satisfaction and employee management theories, with employee retention rate focused in startup company;
2. Practical

   Based on the research result on the effect of job satisfaction and employee engagement on employee retention for startup company in Indonesia, the finding will be able to inform startup company on how to retain talents in startup companies, despite different culture and generational gap. The finding will also inform startup company on what to prioritize from job satisfaction factors to improve retention rate in startup company.

1.7 Thesis Structure

This thesis is comprised of six sections that gave a precise cycle to assist peruses with understanding the substance of this exploration.

Chapter I Introduction

This is the first part of thesis, and it consists of the following: background of the study, statement of the problem, research questions, research objectives, scopes of research and significance of the research

Chapter II Literature Review

This chapter explains the theoretical basis that includes an explanation of the variables studied, namely Personal Attitude, Subjective Norm, Perceived Behavioral Control, Purchase Intention and Actual Purchase. The results of previously empirical studies that are relevant to research, conceptual hypotheses, and research models will be explain.

Chapter III Methodology

This chapter describes the time and place of research, research variables, operational definitions of variables, population, sample, data collection methods, and data analysis methods.

Chapter IV Data Analysis

This chapter discusses an overview of research objects / data, data analysis, and discussion of research results.

Chapter V Conclusion and proposals

This chapter contains the conclusions of the research results and suggestions based on the research findings.

Chapter VI References

This section comprises of a rundown of reference that utilized in this theory. It is an alphabetical list of source and materials that have been used in the research. It enables the reader to have a scholarly grasp of the research.

CHAPTER II
LITERATURE REVIEW

2.1 Introduction

In Chapter Two, author will review the literature on job satisfaction, employee engagement, and employee retention. This chapter also the author will explain from relevant previous studies regarding job satisfaction, employee engagement, and employee retention. Hypothesis development and the research model were developed toward the literature review on the relationship between variables.

2.2 Job Satisfaction

One of the most studied job attitudes in Industrial and Organizational Psychology is job satisfaction (Judge et al., 2017). Hoppock was one of the pioneers in popularizing the concept of job happiness and according to Aziri in 2011. "Any combination of psychological, physiological, and environmental variables that cause a person to honestly state I am content with my job," was how he described job satisfaction. This also refers to the satisfaction a worker feels after having their desires met.

Job happiness continues to empirically fascinate managers, practitioners, and researchers for a number of reasons, most of which are related to the knowledge that "happy employees" can help firms prosper more and not only in terms of economic returns. Job satisfaction has been shown to be positively correlated with organizational citizenship behaviors (Foote & Tang, 2008; Swaminathan & Jawahar, 2013), improved working conditions (Newsham, Jay Brand, et al, 2009), improved employee health (Faragher, Cass, & Cooper, 2005), and more effective performance (Mafini & Pooe, 2013). Additionally, attributes relating to the workplace including administrative control, instructional competency, and organizational culture are positively correlated with job satisfaction (Ma & MacMillan, 1999).

An individual with a high level of job satisfaction will feel positive about their work, whereas one with a low level will perceive their work negatively. A happy employee is a successful employee, and a satisfied employee is both. When considering the numerous negative effects of job unhappiness, such as a lack of loyalty, increased absenteeism, an increase in accidents, etc., the significance of job satisfaction particularly comes to light (Aziri, 2011).

Job satisfaction is under the influence of a series of factors. According to Dienhart et al. (1992), job satisfaction includes factors including attitudes toward coworkers, supervision, general working conditions, and financial benefits. There may be many other ways to keep employees satisfied in their current position & company, but motivational strategies help employees perform better every day.

According to Seashore et al.(1975), there are two categories of factors that can affect job satisfaction: environmental factors and individual characteristics. The internal environment of the company, the industrial environment, the political environment, the economic environment, etc are all examples of environmental factors in this context. The individual factors include things like demographic traits, aptitudes, personalities, and perceptions. Job satisfaction will have an impact on three areas for the outcomes of the job, namely the social reflection (gross domestic product, social stability, etc.), the organization's reflection (absenteeism rate, turnover rate, etc.), and the employees' individual reflection (such as job performance, demission, etc).

There are numerous methods an organization can use to gauge employee job satisfaction. The four methods listed by Luthan (1989) are the (1) Rating Scale, (2) Critical Incidents, (3) Interviews, and (4) Action Tendencies. The method that is frequently used to measure job satisfaction is the rating scale. (1) The Minnesota Satisfaction Questionnaire, (2) Job Descriptive Index, (3) Job Diagnostic Survey, (4) Job in General Scale, (5) Michigan Organizational Assessment Questionnaire Subscale, and (6) Job Satisfaction Survey are all methods that are frequently used to measure job satisfaction using The Rating Scale. The Job Satisfaction Survey (JSS) is the rating scale method employed in this study.

The JSS was created using samples from community health centers, state psychiatric hospitals, state social service departments, and nursing homes (Spector, 1985). Nevertheless, the tool was later employed in several research across diverse organizational sectors and cultural contexts (Giri & Kumar, 2010; Liu, Borg & Spector, 2004; Watson, Thompson & Meade, 2007). The Job Satisfaction Survey (JSS) assesses nine aspects of job satisfaction that are connected to general happiness. The Job Satisfaction Survey's (JSS) 9 dimensions of job satisfaction are as follows: (1) Salary Pay, (2) Promotion, (3) Supervision, (4) Fringe Benefits, (5) Contingent rewards, (6) Operating Conditions, (7) Co-Workers, (8) Nature of Work, (9) Communication.

Hassan (2014) explained related to Salary Pay that one of the key issues for business owners and employees is wages. For workers, receiving a salary is crucial to meeting their financial needs an employee must be content with their overall pay because it can influence their attitudes and behavior. Meanwhile, Promotion is the process of moving employees from one position to another with an increase in pay, the addition of new duties or responsibilities, and a higher job level. Effective supervision at the worker level can help improve positive outcomes like job satisfaction, organizational commitment, and employee retention. Fringe Benefits - allowances can be provided for a variety of reasons. According to Hayes & Gaskell (2007) allowances are divided into three categories: obvious benefits, foregone labor benefits, and hidden benefits. Contingent rewards are presents from employers that may take the shape of acknowledgment and kudos, assignments with more responsibility, greater delegation of authority, or freedom to act, or it may even take the form of a unique job assignment from the management. Operating Conditions are a set of guidelines, instructions, norms, and prerequisites that must be followed while on the job (Spector, 1997). Coworkers are defined as Employees who collaborate with others who share their beliefs and will help one another accomplish organizational objectives. The camaraderie among employees in a company promotes enjoyment and productivity. Nature of Work is explained as the nature of the task relates to the employee's attitudes while performing their work, or whether the employee is motivated to accomplish their job. Effective communication between people, between groups within an organization, and with the environment depends on management's capacity to receive, transmit, and act on relevant information. Indicators for evaluating communication characteristics include happiness, comprehensiveness, completeness, and transparency, according to Spector (1997).

Compared to other job satisfaction scales, this JSS instrument is fairly common for evaluating job satisfaction and is also simpler to change. JSS scale uses a summation rating scale format and has 36 items. Each of the nine job satisfaction aspects has four items, and the sum of all items can be used to calculate the score of overall satisfaction. Each item is a positive or negative assessment of a component of the job.

2.3 Employee Engagement

Employee engagement can be defined in many ways. Employee engagement or work engagement was first described by Kahn (1990) as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances". The cognitive aspect of employee engagement is focused on how people perceive their organization, its leaders, and their working environment. The emotional aspect focuses on the attitudes that employees have toward the organization and its leaders as well as how they feel about each of those three components. The physical aspect of employee engagement relates to the physical efforts made by individuals to carry out their responsibilities. Therefore, carrying out an organizational position requires being both physically and psychologically present, according to Kahn (1990).

Employee engagement is typically referred to as the level of discretionary effort people put forth in their work (Frank et al 2004) or their emotional and intellectual commitment to the organization (Baumruk 2004, Richman 2006, and Shaw 2005). Truss et al. (2006) defines employee engagement as simply "passion for work," a psychological state that is seen to encompass the three dimensions of engagement discussed by Kahn (1990) and captures the common theme running through all these definitions. Employees that are engaged in their work will be enthusiastic about it, resulting in a positive working relationship. According to Federman's (2007) definition of employee engagement, it is understood to be a state in which a person has a commitment to an organization so that it may determine how a person behaves and how long they will remain in that position.

Recruitment, job design, career development opportunities, leadership, empowerment, fair treatment, training and development, performance management, compensation, health and safety, job satisfaction, and family friendships were among the factors of employee engagement identified by Kertiriasih (2018). The majority of businesses today are having trouble engaging young employees. According to a Deloitte report from 2016, millennial employees will be eager to switch employers by the year 2020. The biggest problem for firms today, in the opinion of the majority of CEOs, is attracting, keeping, and engaging millennials, according to a PwC (2011) report. For millennials, being engaged means having many possibilities for personal and professional development. For firms, achieving employee engagement means achieving their passion, knowledge, and enthusiasm for their jobs.

One of the methods to measure employee engagement in an organization is through an employee engagement survey. Twelve elements of employee engagement have been identified by The Gallup Organization as indicators of strong team success. Four types or levels of employee performance improvement needs are the foundation of the Q12 survey developed by the Gallup Organization: Growth, cooperation, management support, and basic needs are listed in that order. The Gallup Q12 questionnaire was developed as a result of more than 30 years' worth of quantitative and qualitative research. Numerous studies have been done on reliability, convergent validity, and criterion-related validity. This tool has been approved through psychometric research and practical evaluations of its value to managers in implementing workplace reforms.

2.4 Employee Retention & Turnover

Employee retention is a method in which the personnel is confident to continue with the association for the greatest historical occasion or pending the achievement of the project (Priya, M. R. Sudhamathi, 2019). Retaining the best talents is a common challenge for most organizations. Not only acquiring talents and managing them, retaining them is also a challenge for a lot of businesses. Although the phrase "employee retention" has many different definitions, it generally refers to the various steps taken by firms to motivate their staff members to stay with the company for a longer period of time (Diwakar Singh, 2019).

An employee who quits a company takes their knowledge, experience, culture, and value system with him/her. These elements could be mined and exploited against the company. Employee turnover is defined by the number or percentage of employees leaving an organization and being replaced by new employees. Turnover intention is an employee’s intention or planning to leave their current position and seek other alternative jobs in another organization (Nomahaza Mahadi,2020). A high turnover rate is detrimental to the company's reputation since it could provide the wrong impression to potential customers and employees (Diwakar Singh, 2019). Aside from the wrong impression, based on research, employee turnover turns out to be costly. The cost that an organization has to cover after losing an employee are hiring expenses, training and development, loss of sales, and productivity during replacement search and retaining. A few studies found that the estimated cost for employee turnover is about 20%- 500% of those leaving employees’ annual salary (Nomahaza Mahadi,2020). This is why employee retention is important for a company.

The basic aim of employee retention strategies and practices is twofold within the organizations. One is to reduce employee turnover and, the second is to considerably reduce the associated expenses of hiring and training, and orientation of new employees (Iqbal & Hashmi, 2015). With the inclusion of more and more Generation Y and Z employees in the workforce, utilization of these traditional retention strategies is becoming less effective to meet the requirements of these generations (Kashyap & Rangnekar, 2014). Therefore, it is crucial to understand employees' preferences to adjust managerial policies, as ignoring these differences can lead to greater tensions among employees (Gursoy, Chi and Karadag, 2013).

Motivation and commitment are essential elements in a start-up's talent retention strategy. Organizational commitment is the extent to which people have internalized the trust in the organization's goals and values, their disposition to work for the organization to achieve its goals, and the motivation to remain a member of the organization (Vural, Vardarlier and Aykir, 2012). The rate of retention translates to the number of workers retained by a company over a period of time. The retention programs established in organizations should resolve issues such as a lack of engagement and employee discontent ranging from pay policy, learning and growth, job development, managerial disputes, recruitment, and selection and promotion processes (Kumudha, 2016).

2.5 Hypothesis Development

Hypothesis development is a crucial stage involving the formulation of a specific and testable statement that proposes a relationship between variables or explains a phenomenon. This process requires a clear and falsifiable statement rooted in existing literature or observations. The hypothesis guides the research design, shaping the methods and data collection techniques needed for empirical testing. It is an iterative process, allowing for refinement based on emerging evidence. Overall, hypothesis development in a thesis provides a structured and systematic approach, serving as a roadmap for investigation and contributing to the expansion of knowledge within the chosen field of study.

2.5.1 The Effect of Job Satisfaction on Employee Retention

Job satisfaction is a critical factor in attracting and retaining a skilled workforce. Numerous earlier studies investigated the link between work satisfaction and employee retention. According to the majority of academics (Carmeli, 1991; DeConinck & Stilwell, 2004; O'Reilly et al., 2005), the turnover intention is inversely connected to job satisfaction, and the two variables are negatively related to each other.

Based on previous research by Biason (2020) shows that higher job satisfaction increases and impacts positively on employee retention. Low work satisfaction is a sign of increasing intention to resign (Medina, 2012). Additionally, it is generally accepted among researchers that low employee work satisfaction in a company results in absenteeism, a lack of commitment, and a higher turnover rate. A high turnover rate is the complete opposite of good employee retention. Employee job satisfaction was also discovered to be a good predictor of retention of a highly skilled and experienced labor force in an organization Management (Alexander, Litchtenstein, & Hellman, 1998).

H_1: Job Satisfaction has a positive effect on employee retention in PT. LBB employees

2.5.2 The Effect of Job Satisfaction on Employee Engagement

Employees enter an interactive phase with challenges, inspiration, and pride when they are actively engaged in their work. The primary factor in these employees' job satisfaction is the interaction mode of their work engagement. According to Lu, Lu, Gursoy, and Neale (2016), job satisfaction is the result of each individual dimension that makes up work engagement. According to Karanika-Murray, Duncan, Pontes, and Griffiths (2015), employees who are highly and positively involved in their work and display vigor and dedication to it as a result feel satisfied with their jobs. These justifications lead to the conclusion that employee engagement will rise along with job satisfaction (Vorina, 2013).

Employees that are highly engaged are devoted to completing the task well and in line with the objectives and are ready to do self-evaluations as needed (Marciano, 2010). Employee engagement, according to Marciano (2010), has a number of benefits, including increased productivity, profits, efficiency, decreased turnover rate, higher customer satisfaction, fewer workplace accidents, and fewer employee complaints. In their study, Vorina et al. (2017) discovered a positive and substantial relationship between job satisfaction and employee engagement. The same finding is supported by research by Deshwal (2015) and Kaliannan (2014), which found a generally positive association between employee engagement and job satisfaction.

H_2: Job Satisfaction has a positive effect on employee engagement in PT. LBB employees

2.5.3 The Effect of Employee Engagement on Employee Retention

Implementing people management methods has changed studies on the factors that influence employee engagement, and consequently, employee retention (Bhatnagar, 2007; Hughes & Rog, 2008). A number of studies have recently been conducted to address the problem of employee turnover by implementing talent management procedures that could dramatically increase employee engagement and, as a result, employee retention. Employee productivity, organizational performance, and the ease of hiring and retaining new employees are all significantly impacted by employee engagement (Bhatnagar, 2007). Work engagement is linked to outcomes that are advantageous to the organization like higher levels of performance and lower levels of turnover intentions (Halbesleben, 2010). The same conclusion is drawn in the Tower Perrin Global Workforce Study (2007-2008) that "It is unquestionably true that the more engaged employees are also more likely to remain with a firm."

H_3: Employee Engagement has a positive effect on Employee Retention in PT. LBB employees

H_4: Employee Engagement has a mediating effect from Job Satisfaction to employee retention of PT.LBB Employees

2.6 Research Framework

Based on the explanation above, this study will focus on the factors which affect employee retention in startup companies, especially PT.LBB. This study will determine the effect of job satisfaction and employee engagement on employee retention with the research framework will be as follow:

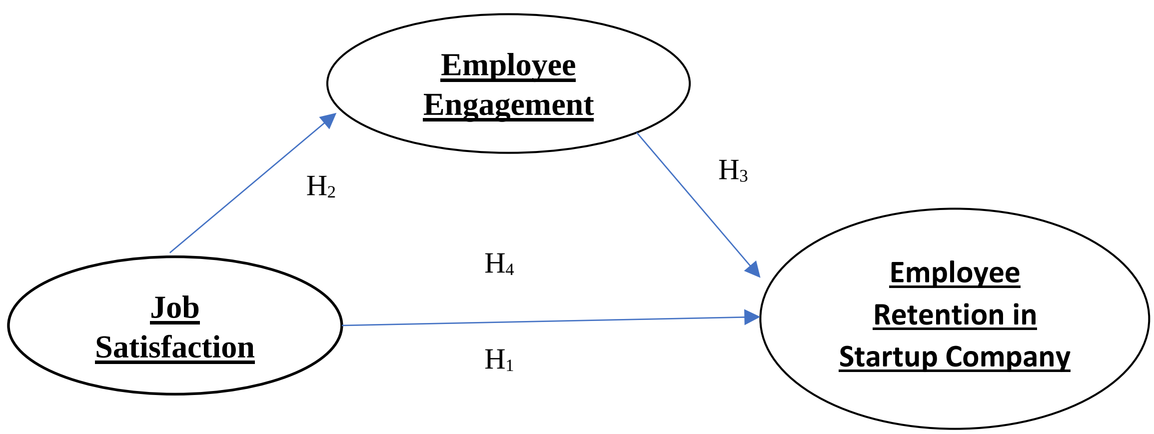

Figure 2.1 Research Framework

Source: Data Processed by the Author 2022

Based on the literature reviewed, the data collected, and the research framework designed for this study, the 4 (four) hypotheses are as follows:

- H_1: Job Satisfaction has a positive effect on employee retention in PT. LBB employees.
- H_2: Job Satisfaction has a positive effect on employee engagement in PT. LBB employees.
- H_3: Employee Engagement has a positive effect on Employee Retention in PT. LBB employees.
- H_4: Employee Engagement has a mediating effect from Job Satisfaction to employee retention of PT.LBB Employees

CHAPTER III
METHODOLOGY

3.1 Introduction

Research techniques are a scientific means to gather data for certain purposes and uses (Sugiyono, 2017). A set of methods or techniques that can be used to identify, choose, process, and analyze the material involved in a research topic in order to grasp the problem and comprehend the issue can also be referred to as a research methodology.

This research will use a quantitative methodology that relied on primary data. The focus of quantitative methodology is on precise measurement and statistical analysis, as well as mathematical or numerical data derived from information gathered through surveys, polls, and other forms of data collection, or by modifying already-existing statistical data using computational methods. The goal of quantitative research is to gather numerical data and generalize it to a population so that specific phenomena may be explained (Baby, 2010). By examining the relationship between variables, quantitative research is a method for testing objective theory, as stated by Creswell (2014).This research aims to provide answers to problems that have been formulated, therefore it starts with the formulation of the problem. Create a research concept that includes the study's goals and objectives, and include pertinent theories in the literature review that will be used as an analytical tool. Later on, a framework and research variables from the literature review will be obtained. (Kriyantono, 2008). Following the formulation of research problems and objectives, theory review, research methods, data collection methods, measurement methods (concept operationalization), techniques for data collection, and data analysis methods, the author then compiled these research steps into the following research framework:

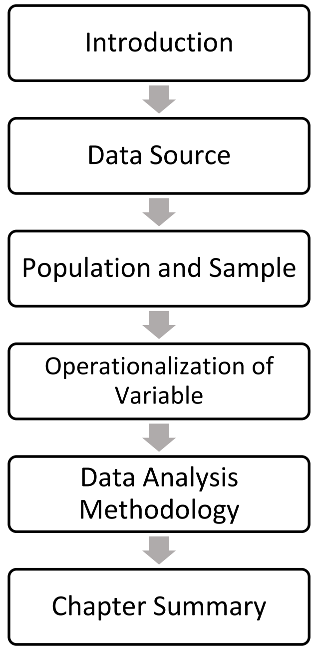

Figure 3.1 Research Methodology

Source: Data Processed by the Author (2022)

Based on Figure 3.1 as above, the research methodology starts with a search for concepts and background information on the problem, then moves on to defining the issue and conducting a literature review to provide evidence for the study. This identify the research variables, hypothesis, and source of data to be researched from the literature review procedure.

This study uses surveys to collect data by distributing questionnaires to a sample in order to acquire insightful information on the actual situation that typically occurs. The purpose of the questionnaire is to understand individuals' opinions regarding what made them satisfied and engaged in the startup company and how is it related to their willingness to stay at the company. The following step will be examining the validity and reliability of the survey results when it has been returned. The research can move on to the data analysis stage, interpretation of the analysis's findings, and eventually drawing conclusions and making recommendations or inputs if it is determined to be legitimate and reliable.

3.2 Data Source

Data source refers to the origin or reservoir from which the researcher derives information to support and substantiate their study's objectives and hypotheses. These sources include both primary and secondary data, and they cover a broad spectrum of items.

Primary data sources are those that are obtained directly from the source and provide firsthand knowledge that is uniquely suited to the research topic. These sources may include surveys, interviews, experiments, or observations. On the other hand, secondary data sources refer to the use of pre-existing data sets, scholarly publications, official reports, or other published resources that were not created specifically for the current study. Since they have a major impact on the validity, reliability, and generalizability of the study's findings, the definition and careful selection of data sources are essential components of the research process.

There are two types of supporting data used in the study as follows:

3.2.1 Primary Data

Primary data is a data source that is directly collected from the respondents.

3.2.2 Secondary Data

Secondary data sources are sources that supply information to the research indirectly, such as through other individuals, survey results, or documents. The study's secondary data came from earlier studies, journals, and publications deemed relevant to the subject of the study.

3.3 Data Collection Procedure

A questionnaire was used as the main method of data collection in this study to obtain information from participants. The questionnaire was a structured tool that made it easier to collect data in a methodical manner related to the study's goals and research questions. A wide range of variables and constructs could be measured by using a questionnaire, enabling a thorough investigation of the research issue. A questionnaire refers to a group of written formula questions (Sekaran & Bougie, 2016).

To guarantee that the procedure is efficient and finished quickly, data will be gathered for this study using a questionnaire that will be distributed to respondents via an online form. The questionnaire is composed of closed-ended questions; it is customary to use the Likert scale in the form of interval scales to assess a person's intentions, attitudes, opinions, or perceptions of social phenomena.

In this study's questionnaire, a key assessment technique will be using the Likert scale. An organized method for evaluating respondents' attitudes, opinions, or perceptions about a collection of statements or items is provided by the Likert scale. It includes a variety of response choices that normally range from "strongly disagree" to "strongly agree," allowing participants to indicate how much they agree or disagree. Due to its ease of use and capacity to capture complex responses, this scale is frequently employed in social sciences and business research.

Collecting quantitative data for study and quantify arbitrary constructs using the Likert scale will be the next step in this study. The reliability and validity of the assessments were ensured by using recognized standards and best practices in the design and implementation of the Likert scale items (Johnson et al., 2017).

3.4 Population and Sample

3.4.1 Population

Kothari (2022) asserts that the term "population" in the context of a thesis refers to the full set of people or things that have things in common and are of interest to the research. It reflects the bigger target population from which a sample is chosen in order to collect information and make judgments.

The population is defined according to certain criteria, which may include characteristics like age, gender, geography, or other pertinent characteristics that are consistent with the goals of the study. In order to guarantee the representativeness and validity of study findings, it is crucial to understand the population. Currently, there are currently 350 people working for PT. LBB, the bulk of them are from the Gen Y (Millennials) and Gen Z generations with the age range around 20-55 years old.

3.4.2 Sample

A sample in a thesis is a subset of people or things that are chosen from a larger population in order to represent and shed light on the population as a whole. A common research method is probability sampling, which makes sure that each person in the population has a known, non-zero chance of being included in the sample. The representativeness and generalizability of the results are improved by this methodology.

This study uses a sampling technique with a probability sampling technique. This technique aid in reducing bias and raising the possibility of getting a sample that fairly represents the population under study. Additionally, they enable statistical inference and the extrapolation of the results to a larger population. (Creswell, 2018). This study determines the sample size, using Cohen Table (Table 3.1)

Table 3.1 Cohen's Table

Exhibit 1.7 Sample Size Recommendation a in PLS-SEM for a Statistical Power of 80%

Maximum Number of Arrows Pointing at a Construct	Significance Level											
	1%				5%				10%			
	Minimum R^2				Minimum R^2				Minimum R^2			
	0.10	0.25	0.50	0.75	0.10	0.25	0.50	0.75	0.10	0.25	0.50	0.75
2	158	75	47	38	110	52	33	26	88	41	26	21
3	176	84	53	42	124	59	38	30	100	48	30	25
4	191	91	58	46	137	65	42	33	111	53	34	27
5	205	98	62	50	147	70	45	36	120	58	37	30
6	217	103	66	53	157	75	48	39	128	62	40	32
7	228	109	69	56	166	80	51	41	136	66	42	35
8	238	114	73	59	174	84	54	44	143	69	45	37
9	247	119	76	62	181	88	57	46	150	73	47	39
10	256	123	79	64	189	91	59	48	156	76	49	41

Source: Cohen, J. A power primer. *Psychological Bulletin*, 112, 155–519.

As shown in Table 3.1 above, this research uses a significance level of 5% and minimum R2 at 0.25% and involves 3 (four) arrows pointing at the construct, the required sample size for this research will be 59. According to Hair et al. (2010), a sample size of 100 or more is recommended; as a result, the research's planned sample size is 100 respondents, with a 95% confidence level.

3.5 Measurement & Scaling

The research variables are assessed using a Likert scale with six possible responses: (1) Strongly Disagree, (2) Disagree, (3) Slightly Disagree, (4) Slightly Agree, (5) Agree, and (6) Strongly Agree. The explanations and measurement items for the variables are presented in the following Table 3.2 in the form of a questionnaire:

Table 3.2 Operations of Variable

Variables	Dimension	Code	Measurement	Source
Job Satisfaction (JS)	Compensation & Benefit	JS1	I feel that I receive fair compensation for the work I do	Munir, Rahman, et al, 2015
		JS2	I am satisfied with my opportunities for a salary increase.	
	Promotion	JS3	The promotion opportunities in my company are quite fair.	
	Managerial Support	JS4	I like my supervisor at my current job.	
	Co-workers Support	JS5	I feel confident in my job because of the competence of the people I work with.	
		JS6	I enjoy working together with my colleagues.	
	Nature of Work	JS7	I feel that my job has meaning.	
Employee Engagement (EE)	Job Fit	EE1	I feel that my personality aligns with my current job.	Shuck, Reio Jr,et al, 2011 Gallup's Q12 Employee Engagement Survey in Harter, et al. (2006)
		EE2	I feel that my values align with my current job.	
	Affective Commitment	EE3	At the workplace, I have the	

			opportunity to give my best every day.	
	Psychological Climate	EE4	My boss, or someone at the workplace, cares about me personally.	
		EE5	The company management pays attention to employees through its policies.	
	Growth	EE6	In the past year, I have had opportunities to learn and develop myself.	
	Teamwork	EE7	I feel that I can collaborate well with my team	
Employee Retention (ER)	Basic Needs	ER1	I feel my current company can fulfill my basic needs	Nausheen Shakeel, 2015
	Job Satisfaction	ER2	I am satisfied with my current working conditions in the company.	
	Job Involvement	ER3	I feel involved in the company's mission.	
	Job Commitment	ER4	I am ready to consistently contribute to the company's goals.	
	Work-life Balance	ER5	I feel there is a balance between work and personal life.	
	Work Location	ER6	I am satisfied with the location of my company's workplace.	

	Social Environment	ER7	I am comfortable with the social environment at the office.	
	Status	ER8	I am content with my status in the office.	

3.6 Questionnaire Design

The full set of questionnaires that have been given is divided into sections A and B. Section A of the questionnaire includes questions about the respondents' demographic backgrounds (gender, age, tenure, and profession). These questions are included in this part to better understand the likelihood of respondents' responses differing based on their own demographic and selection criteria. You will find various questions about descriptive analysis in Section B. The questions are answered using a Likert scale with a range of 1 to 5. It was designed with the operational factors of this research endeavor in mind.

3.7 Reliability and Validity of the Instrument

To make sure the instruments are good and the respondents can comprehend the developed questions, research projects must undergo a pilot testing phase. The proposed questionnaire's degree of validity and reliability will be demonstrated by the analysis of the pilot testing.

Validity is a measurement used to evaluate the correctness and consistency of the data gathered by the questionnaire that represents the concept of the study, according to Hair (Jr., J. F. Hair et al., 2016). In conducting validity and reliability tests, this study uses PLS.

Reliability is also relevant to repeatability, a scale or test is considered reliable if it yields the same result when administered under the same circumstances each time

(Moser & Kalton, 1989). Since this study uses a Likert scale, the Cronbach Alpha coefficient—the most widely used internal consistency measurement tool—would be pertinent. Likert scales are thought to be the most appropriate way to measure dependability (Whitley, 2002, Robinson, 2009).

Table 3.3 Cronbach Alpha Criteria

Cronbach Alpha Criteria	Classification
$a \geq 0.9$	Very good
$0.8 \leq a < 0.9$	Good
$0.7 \leq a < 0.8$	Be accepted
$0.6 \leq a < 0.7$	Doubtful
$0.5 \leq a < 0.7$	Very good
$0.8 \leq a < 0.6$	Bad
$a < 0.5$	Not acceptable

Source: Hair et al (2017)

For a high-quality result, the Cronbach's Alpha should be more than 0.7, otherwise, most academics will consider it adequate (Hair, 2003).

3.8 PLS-SEM Analysis

This section will elucidate the fundamental principles of Structural Equation Modeling (SEM) alongside the measurement model utilized for analysis. The evaluation of research hypotheses employed a PLS (Partial Least Square)-based approach within the framework of SEM. PLS is a type of structural equation model that operates on components or variances. SEM is a statistical domain capable of assessing a series of interconnected relationships that can be challenging to measure simultaneously.

As per Sarstedt and Cheah (2019), Structural Equation Modeling (SEM) is a multivariate analytical method that merges elements of factor analysis and regression or correlational analysis. Its primary objective is to scrutinize the connections among variables within a model, encompassing the relationships between indicators and their constructs, as well as the associations between different constructs.

As per Hair et al. (2014), Structural Equation Modeling (SEM) encompasses various techniques, each tailored to specific research goals with different tools and applications. Covariance-Based SEM (CB-SEM) and Partial Least Squares SEM (PLS-SEM) serve distinct purposes in research, where CB-SEM is employed for confirmation and PLS-SEM for prediction. As stated by Hair et al. (2017), Partial Least Squares (PLS) represents an alternative methodology that deviates from the covariance-based Structural Equation Modeling (SEM) approach to adopt a variance-based approach. Because of the research objective; to identify the effect of job satisfaction and employee engagement to employee retention, PLS-SEM was selected as the methodology, and the Smart PLS application was chosen for the computations.

Partial Least Squares (PLS) is a robust analytical technique due to its independence from numerous assumptions. Unlike methods requiring normally distributed data or large samples, PLS does not have these stringent prerequisites. In addition to its capacity for theory confirmation, PLS can elucidate the existence or absence of relationships between latent variables. Furthermore, PLS is versatile enough to concurrently analyze constructs composed of reflective and formative indicators, as highlighted by Yuteva (2010). This study's analytic method employs the PLS approach, which is done in two steps, namely:

a) The first stage is to test the measurement model, which is to test the validity and construct reliability of each indicator.
b) The second stage is to conduct a structural model test which aims to determine whether there is an influence between variables/correlation between constructs as measured by using the t-test of the PLS itself.

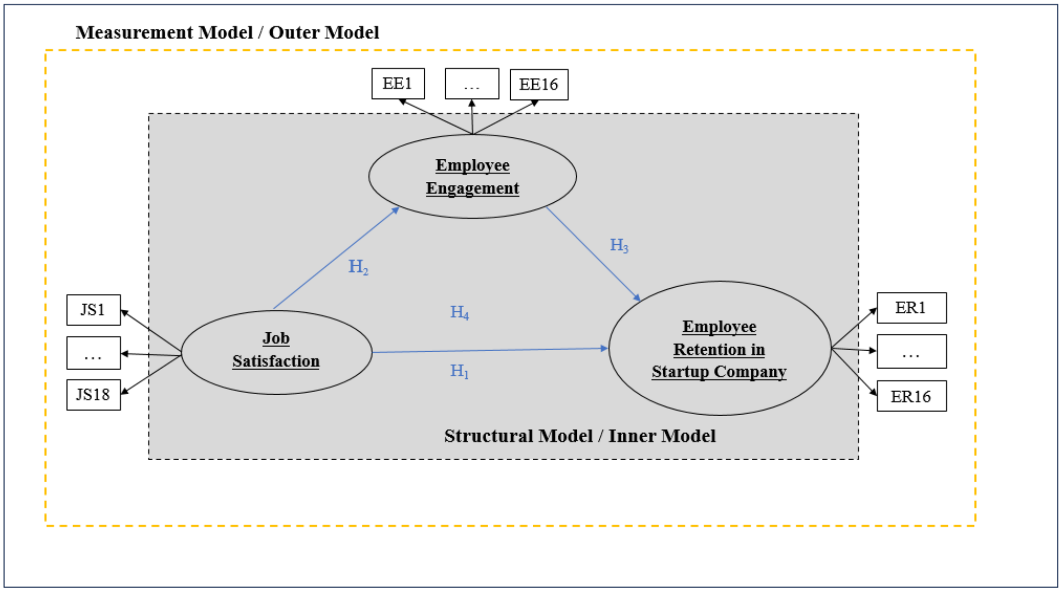

Figure 3.2 PLS-SEM Conceptual Model

Source: Author (2023)

The applicability of PLS-SEM as a practical methodology is becoming more widely recognized across multiple business disciplines. A number of scholars have written summaries of articles that cover the use of PLS-SEM in various domains. These studies offer a thorough understanding of the application of PLS-SEM; they include the year of publication, the duration of the investigation, the quantity of articles examined, and the justifications for selecting PLS-SEM. The articles also discuss the main justifications for choosing PLS-SEM, addressing topics including sample size, data dispersion, and the use of formative markers.

3.9 Data Analysis Method

A questionnaire is used in this study to collect research data. Using the SmartPLS 4.0 software, evaluate the validity and reliability of the questionnaire will be more measured. Convergent validity is examined as part of the validity assessment procedure. This is accomplished by establishing a correlation between the construct score and the item score (component score), which eventually yields the loading factor value. The loading factor value is considered to be strong if the component or indicator correlates with the construct being tested at a level greater than 0.70. However, for research in the early stages of development, a loading factor of 0.5 to 0.6 is considered sufficient.

Reliability refers to the extent to which results or measurements can be trusted, providing consistently stable measurement outcomes across multiple measurements. Measures such as Alpha coefficients, Cronbach's alpha, and composite reliability are employed to assess the reliability of the research variables. Reflective measurement models are evaluated based on criteria such as internal consistency, convergent validity, and discriminant validity.

3.9.1 Internal Consistency

Internal consistency pertains to the overall harmony among various items, typically Likert scale items, that constitute the composite score of a survey assessing a specific concept. The correlation between the items is a commonly employed approach to gauge this agreement. Cronbach's Alpha is a typical metric for quantifying internal consistency, with values ranging from 0 to 1 indicating the degree of internal agreement. A result of 1.0 signifies "perfect agreement" among the items, necessitating the potential removal of some to enhance reliability. In certain instances, a negative Cronbach's Alpha value typically signals a coding error, a small sample size, or significant issues with internal consistency.

3.9.2 Convergent Validity

Convergent validity, falling under construct validity, signifies that a test intended to assess a specific construct, like intelligence, effectively does so. This type of validity highlights the connection between two ostensibly similar metrics. Typically, convergent validity is established by showing a correlation between the two measures; however, complete convergence between any two measures is seldom observed.

Correlation is assessed through a correlation coefficient, denoted as "r," which ranges from -1 to 1. A perfect negative correlation is indicated by r = -1, perfect correlation by r = 1, and no correlation by r = 0. Convergent validity is sometimes asserted when the correlation coefficient exceeds 50, and it is typically recommended when the correlation value surpasses 70.

3.9.3 Discriminant Validity

Discriminant validity measures how distinct a construct is from other constructs. It is indicated by the outer loading (correlation) of an indicator on its intended structure being higher than its cross-loading (correlation) on other structures. The term refers to a test's capacity to differentiate among unrelated attributes, as explained by Hair et al. (2017).

3.10 Structural (Inner) Model

The structural model, also known as the inner model, is the relationship structure between the latent variables or concepts in the model. The model's specification or identification refers to the entire procedure for constructing or describing the structural model. The structural model is evaluated using estimations and hypothesis testing for the exogenous and endogenous variables stated causal links. The purpose of the structural model test is to see the correlation between the constructs measured which is the t-test of the partial least square itself.

The assessment of the structural or inner model involves examining the R-Square model value, indicating the degree of influence between variables in the model. Subsequently, the estimation of the path coefficient is conducted, representing the anticipated value for the path relationship in the structural model. This estimation is achieved through the bootstrapping procedure, with a two tailed significance level considered significant if the t-statistic value surpasses 1.65 (at a 5% significance level) for each path relationship, as outlined by Latan and Ghozali (2012).

The SmartPLS Bootstrapping feature is used to calculate standard errors and test statistics for the relevant parameters. Once it is confirmed that the measurement fit is satisfactory, attention is directed towards assessing the structural fit. The structural or internal model is composed of factors and arrows connecting one element to another. The standardized regression coefficients depict the direct path connecting factor loadings. The subsequent section discusses the criteria for evaluating the model fit:

3.10.1 Structural Path Coefficients

Structural path coefficients, referred to as loadings, are the weights assigned to the paths that link the factors to each other. These path loadings, which range from 0 to 1 due to data standardization, should demonstrate significance, typically assessed through bootstrapping. A more substantial path in the structural (inner) model signifies a stronger connection. If a path is found to be nonsignificant, it is better to consider reconfiguring the model by either removing it or, alternatively, retaining the path for theoretical reasons and potential discussion.

3.10.2 R-square

The coefficient of determination (R^2) represents the fraction of variance in the dependent variable(s) that can be predicted by the independent variable(s). Its primary utility lies in testing hypotheses with additional relevant data. R^2 serves as an indicator of how effectively the model replicates observed outcomes, reflecting the proportion of total variation in observed results that the model accounts for. R^2 values can fall outside the 0 to 1 range when the model fits the data less effectively than a horizontal hyperplane. This situation may arise from the selection of an inappropriate model or the imposition of unreasonable constraints due to human error.

3.10.3 Collinearity

Collinearity refers to the linear correlation among predictor variables or independent variables in a regression model. When these predictor variables are correlated, their ability to independently predict the value of the dependent variable diminishes. Essentially, they jointly account for a portion of the same variance in the dependent variable, consequently elucidating a part of the variance in the independent variable. To evaluate collinearity, one must examine the Variance Inflation Factor (VIF) values for all predictor components in the structural model. If the VIP score is below 5, collinearity among predictor constructs is generally not a significant concern in the structural model.

3.10.4 Effect Size f^2

The inclusion of effect size reporting in scientific articles is on the rise, with journals actively encouraging it. However, selecting an appropriate effect size for mixed effects regression modeling and hierarchical linear modeling can pose challenges. Cohen's f^2, a standardized measure of effect size offering an assessment of local impact size, is relatively uncommon but proves highly valuable (Selya, Rose, et al., 2012). As a general guideline, f^2 values of 0.02, 0.15, and 0.35 are indicative of small, medium, and large effects, respectively, while f^2 values below 0.02 suggest no discernible effect (Cohen, 1998). The effect size can be calculated using the formula below:

$$f^2 = \frac{R^2_{included} - R^2_{excluded}}{1 - R^2_{included}}$$

3.11 Hypothesis Testing

The t-test is employed to assess the significance of a variable's impact in a study. To obtain test data, the author needs to utilize bootstrapping. As per Hair et al. (2017), bootstrapping is employed to establish whether the examined variables exhibit a meaningful relationship. To render the research t-values meaningful, the hypothesis should be reasonable, with a significance level of 5%, and the probability value (p-value) should be 0.05 (Nara, 2020). For this particular study, the t-table value for the one-tailed hypothesis with a 95% confidence level (α 0.05) was determined as 1.65 (Hair et al., 2017).

CHAPTER IV
FINDING, ANALYSIS, DISCUSSION

4.1 Introduction

This section will delineate the comprehensive process and results of the questionnaire creation, assessment of reliability and validity, data collection, data processing, findings from the data analysis, and a descriptive examination of the outcomes. The impact of each independent variable and moderating variable on the dependent variable should be elucidated through the analysis.

The survey instrument was crafted using the Google Forms platform and subsequently disseminated to the employees of PT.LBB. With the confirmed acceptance of the questionnaire, data collection continued until reaching a total of 100 responses. The procedure of data analysis are presented on Figure 4.1.

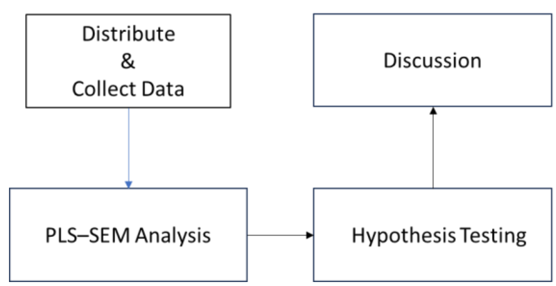

Figure 4.1 Procedure of Data Analysis

Source: Author (2023)

4.2. Characteristics of Research Respondents

4.2.1. Respondents Characteristics Based on Gender

The following is the respondent characteristics data based on gender:

Table 4.1
Respondents Characteristics Based on Gender

Gender	Qty	%
Male	48	38%
Female	78	62%
	126	**100%**

Source: Primary Data 2024

Based on the table above, it is known that 78 respondents (62%) are female, while the remaining 48 respondents (38%) are male.

4.2.2. Respondents Characteristics Based on Age

The following is the respondent characteristics data based on age:

Table 4.2
Respondent characteristics data based on age

Category	Qty	%
< 21 years	4	3%
21 - 30 years	110	87%
30 - 40 years	8	6%
> 40	1	1%
TOTAL	**126**	**100%**

Source: Primary Data 2024

Based on the table above, the majority of respondents are between 21-30 years old, totaling 110 respondents (87%). Furthermore, 8 respondents (6%) are aged 30-40 years, 4 respondents (3%) are under 21 years old, and 1 respondent is over 40 years old.

4.3. Distribution of Respondent’s Answer

4.3.1. Distribution of Respondents' Answers for the Job Satisfaction Variable

The following is the distribution of respondents' answers for the Job Satisfaction variable questionnaire:

Table 4.3
Distribution of Respondents' Answers for the Job Satisfaction Variable

Score	Item			
	JS 2		JS5	
1	0	0%	0	0%
2	0	0%	0	0%
3	2	2%	5	4%
4	18	14%	27	21%
5	51	40%	52	41%
6	55	44%	42	33%
TOTAL	**126**	**100%**	**126**	**100%**

Source: Primary Data 2024

Based on the table above, most respondents strongly agreed with the second questionnaire item for the Job Satisfaction variable, indicating that most respondents are satisfied with their opportunities for a salary increase. Furthermore, for the fifth questionnaire item, most respondents agreed, suggesting that they feel confident in their work due to the competence of their colleagues. Therefore, it can be concluded that most respondents are satisfied with their current jobs.

4.3.2. Distribution of Respondents' Answers for the Employee Engagement Variable

The following is the distribution of respondents' answers for the Employee Engagement variable questionnaire:

Table 4.4
Distribution of Respondents' Answers for the Employee Engagement Variable

Score	Item					
	EE1		EE2		EE6	
1	0	0%	0	0%	0	0%
2	0	0%	0	0%	0	0%
3	3	2%	1	1%	3	2%
4	21	17%	26	21%	20	16%
5	62	49%	56	44%	54	43%
6	40	32%	43	34%	49	39%
TOTAL	**126**	**100%**	**126**	**100%**	**126**	**100%**

Source: Primary Data 2024

Based on the table above, the majority of respondents agreed with the first questionnaire item for the Employee Engagement variable, indicating that most respondents feel their personality aligns with their current job. For the second questionnaire item, most respondents also agreed, showing that the values they uphold align with the values implemented by the Company. Lastly, for the sixth questionnaire item, the majority of respondents agreed, indicating that the Company provides opportunities for employees to learn and grow. Based on these responses, it can be concluded that most respondents feel a strong connection with the Company, both in terms of their work, shared values, and opportunities for learning and development.

4.3.3. Distribution of Respondents' Answers for the Employee Retention Variable

The following is the distribution of respondents' answers for the Employee Retention variable questionnaire:

Table 4.5
Distribution of Respondents' Answers for the Employee Retention Variable

Score	Item					
	ER1		ER2		ER5	
1	0	0%	0	0%	0	0%
2	0	0%	0	0%	0	0%
3	5	4%	5	4%	4	3%
4	12	10%	23	18%	12	10%
5	55	44%	52	41%	66	52%
6	54	43%	46	37%	44	35%
TOTAL	**126**	**100%**	**126**	**100%**	**126**	**100%**

Source: Primary Data 2024

Based on the table above, the majority of respondents agreed with the first statement in the Employee Retention variable questionnaire, indicating that most respondents feel they earn enough income from working at this Company to meet their living needs. For the second statement, the majority also agreed, suggesting that respondents are satisfied with their current working conditions. Lastly, for the final statement, most respondents agreed, reflecting that they feel there is a good balance between their work and personal life.

4.4. Data Analysis

4.4.1. Model Measurement (Outer Model)

The measurement model determines whether the indicators used in the study are valid and reliable. The results of the testing on the path diagram of the research model are as follows:

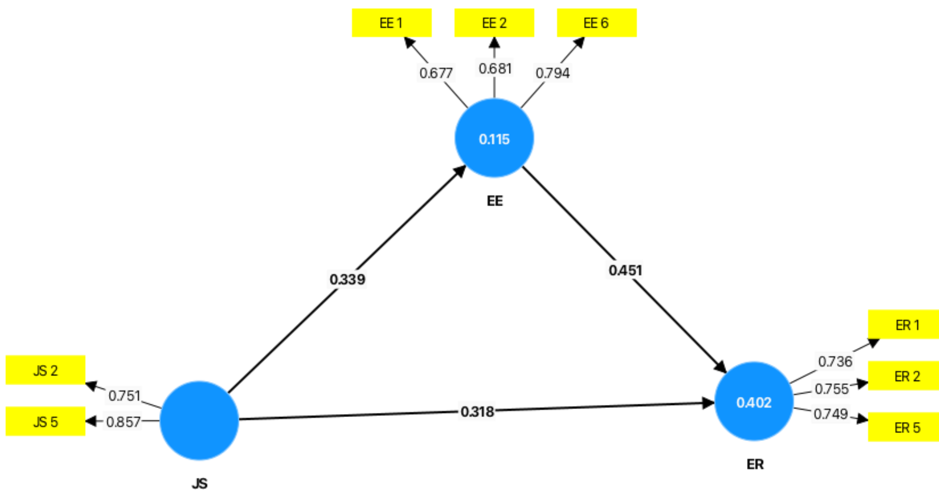

Figure 4.1
Outer Model

Based on Figure 4.1 above, it is shown that the construct of the job satisfaction variable consists of 2 items. Then, the employee engagement variable consists of 3 items, and the employee retention variable consists of 3 items as well.

4.4.2. Validity and Reliability Test

This test is used to assess the outer model, which includes convergent validity measured by the outer loading values, discriminant validity measured by cross loading, and composite reliability (CR) to measure the level of reliability.

1. Convergent Validity

   Convergent validity measured using the parameters of outer loading and AVE (Average Variance Extracted). According to Ghozali and Latan (2015), individual reflective measures are considered to be correlated if the correlation value is above 0.5.

Table 4.6
Convergent Validity – Outer Loading

Variables	Dimension	Code	Loading Score	Criteria	Note
Job Satisfaction	Compensation & Benefit	JS 2	0.751	0.6	Valid
	Co-workers Support	JS 5	0.837	0.6	Valid
Employee Engagement	Job Fit	EE 1	0.677	0.6	Valid
		EE 2	0.681	0.6	Valid
	Growth	EE 6	0.794	0.6	Valid
Employee Retention	Basic Needs	ER 1	0.736	0.6	Valid
	Job Satisfaction	ER 2	0.755	0.6	Valid
	Work Life Balance	ER 5	0.749	0.6	Valid

Source: Primary Data 2024

Based on the table above, it is shown that the selected indicators are those that meet the validity requirement, which is > 0.5. Therefore, other indicators with values < 0.5 are excluded from the model.

2. Reliability Analysis

   The reliability criteria can be seen from the composite reliability value of each variable. The threshold value for the reliability level is above 0.7 (Ghozali, 2016). Below are the reliability test results as follows:

Table 4.7
Reliability Test

Variable	Cronbach Alpha	Minimum
Job Satifaction	0.81	0.7
Employee Engagement	0.75	0.7
Employee Retention	0.79	0.7

Source: Primary Data 2024

Based on the table above, it is shown that the Cronbach's Alpha values for all variables are > 0.7. Referring to Ghozali's theory (2016), the respondents' responses to the questionnaire items are declared reliable, thus fulfilling the reliability test.

4.4.3. Model Measurement (Inner Model)

The structural model in PLS is evaluated using R^2 for the dependent constructs, path coefficients, or t-values for each path to test the significance between constructs in the structural model. In this study, two stages of data calculation were conducted: first, using the algorithm process to obtain the latent scores of the second-order variables, and then bootstrapping was performed between the latent variables of the second-order variables.

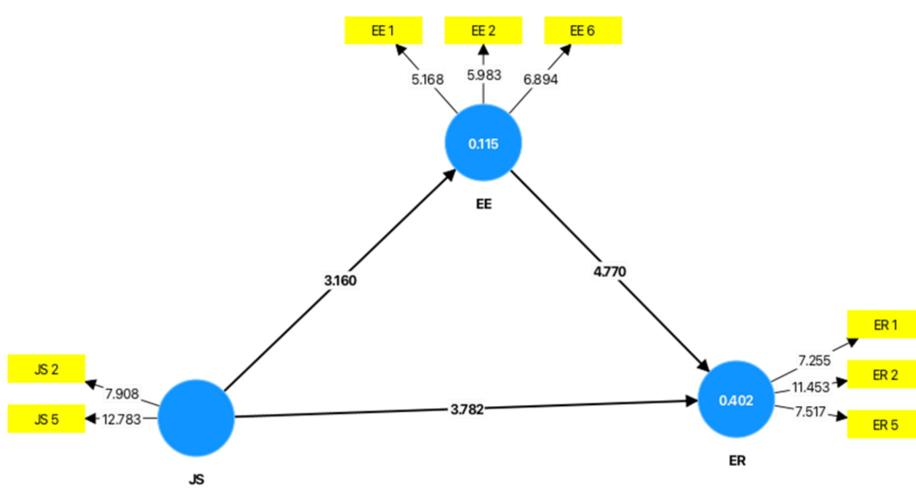

Figure 4.2
Inner Model

4.4.3.1. R Square

The R-Square analysis shows the extent of the influence of exogenous variables on their endogenous variables. The magnitude of the R-Square in the relationships between the research constructs will be explained in the following table:

Table 4.8
Convergent Validity – Outer Loading

Construct	R Square
Employee Engagement	0.115
Employee Retention	0.402

Source: Primary Data 2024

Based on the table above, it can be concluded that the influence model of Job Satisfaction on Employee Engagement is 0.115 (11.5%), which can be interpreted that the variability of the Employee Engagement construct explained by the variability of the Job Satisfaction construct is 11.5%, while the remainder is explained by other variables outside this study. Furthermore, the table also shows that the influence model of Job Satisfaction and Employee Engagement on Employee Retention is 0.402 (40.2%), which can be interpreted that the variability of the Employee Retention construct explained by the variability of the Job Satisfaction and Employee Engagement constructs is 40.2%, while the remainder is explained by other variables outside this study.

4.4.4. Hypothesis Testing

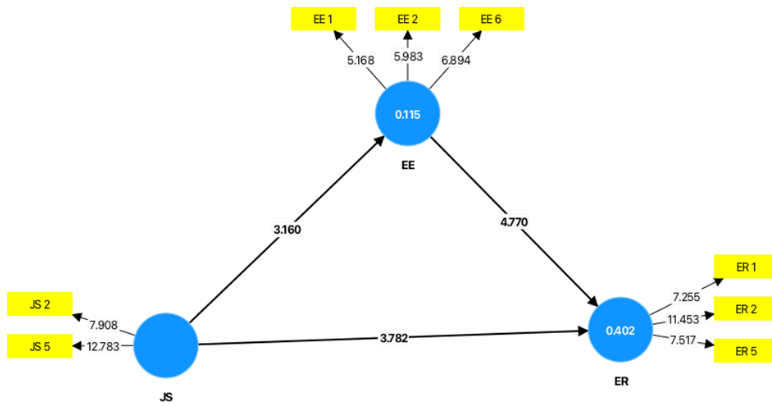

Figure 4.3
Result of Hypothesis Testing

Based on the figure above, the results of the structural model testing can be explained as follows:

Table 4.9
Structural Model Testing

	Origin Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistics	P Values
EE >> ER	0.451	0.448	0.095	4.770	0.000
JS >> EE	0.339	0.347	0.107	3.160	0.001
JS >> ER	0.318	0.314	0.084	3.782	0.000
JS >> EE >> ER	0.153	0.157	0.063	2.418	0.008

Source: Primary Data 2024

From the table above, the acceptance or rejection of the hypotheses can be determined as follows:

1. **First Hypothesis Testing**

   Based on the t-test results in Table 4.9, the original sample value is 0.314, with a t-statistic value of 3.782. Since the t-statistic value > the t-table value (3.782 > 1.979), it can be interpreted that Job Satisfaction has a significant effect on Employee Retention. Therefore, the first hypothesis stating that Job Satisfaction positively and significantly affects Employee Retention is supported.

2. **Second Hypothesis Testing**

   Based on the t-test results in Table 4.9, the original sample value is 0.339, with a t-statistic value of 3.160. Since the t-statistic value > the t-table value (3.160 > 1.979), it can be interpreted that Job Satisfaction has a significant effect on Employee Engagement. Therefore, the second hypothesis stating that Job Satisfaction positively and significantly affects Employee Engagement is supported.

3. **Third Hypothesis Testing**

   Based on the t-test results in Table 4.9, the original sample value is 0.451, with a t-statistic value of 4.770. Since the t-statistic value > the t-table value (4.770 > 1.979), it can be interpreted that Employee Engagement has a positive and significant effect on Employee Retention, thus supporting the third hypothesis.

4. **Fourth Hypothesis Testing**

   Based on the t-test results in Table 4.9, the original sample value is 0.153, with a t-statistic value of 2.418. Since the t-statistic value > the t-table value (2.418 > 1.979), it can be interpreted that Employee Engagement mediates the effect of Job Satisfaction on Employee Retention.

4.5 Discussion

4.5.1. Job satisfaction to Employee Retention

Job Satisfaction (JS) is one of the most critical factors influencing Employee Retention (ER). When employees are satisfied with their jobs, they are more likely to remain with their current employer, reducing turnover rates. Numerous studies have shown that job satisfaction is significantly and positively related to employee retention. For instance, research by Hom et al. (2017) suggests that high levels of satisfaction, derived from fulfilling work environments, supportive leadership, and growth opportunities, result in lower turnover intentions. In addition, according to Herzberg's Two-Factor Theory (1959), job satisfaction stems from intrinsic factors such as achievement, recognition, and the nature of the work itself. When these needs are met, employees are less likely to seek employment elsewhere, as they feel valued and motivated within the organization.

Recent empirical studies support this relationship. For example, Al-Emadi et al. (2020) found that employees who are satisfied with their roles and work conditions show a lower propensity to leave, particularly when they perceive their work as meaningful and their compensation as fair. Therefore, enhancing job satisfaction through intrinsic and extrinsic rewards plays a vital role in retaining employees.

4.5.2. Job satisfaction to Employee Engagement

Job Satisfaction also significantly impacts Employee Engagement (EE). Engaged employees are those who are emotionally invested in their work and willing to go above and beyond in their roles. Satisfaction with various aspects of the job, such as the work itself, management, and career opportunities, is a strong predictor of engagement. Schaufeli and Bakker (2010) in their Job Demands-Resources (JD-R) model indicate that employees with higher job satisfaction tend to experience fewer job demands and more job resources (such as support and feedback), which fosters a greater sense of engagement.

A more recent study by Lee et al. (2021) reaffirms that employees who are satisfied with their work environment, career development, and work-life balance are more engaged. Satisfaction promotes positive emotions and psychological states that enhance an individual’s connection with their tasks, thus increasing engagement. Employees who are content with their job are more likely to contribute actively, innovate, and feel a deeper connection to the organizational goals, ultimately leading to higher engagement levels.

4.5.3. Employee Engagement to Employee Retention

Employee Engagement has been extensively studied as a mediating variable that can influence the relationship between various job-related factors (like job satisfaction) and retention. Engaged employees are highly motivated, committed to their work, and likely to develop emotional connections to their organizations, all of which contribute to lower turnover rates.

According to Kahn's (1990) theory of engagement, employees who experience psychological safety, meaningfulness, and availability are more engaged and less likely to leave. Research by Saks (2019) supports this, indicating that engaged employees tend to exhibit strong loyalty to the organization and are more likely to stay long-term. A Gallup report (2020) also highlights that organizations with high employee engagement levels experience significantly lower turnover rates, as engaged employees perceive higher value in their current roles and see personal alignment with organizational objectives.

4.5.4. Job Satisfaction to Employee Retention Trough Employee Engagement

Job Satisfaction indirectly influences Employee Retention through Employee Engagement, acting as a mediating factor in this relationship. Employees who are satisfied with their job are more likely to become engaged, and this engagement then enhances their loyalty to the organization, thus promoting retention.

Studies by Albrecht et al. (2018) emphasize that job satisfaction contributes to engagement by fulfilling employees' intrinsic needs, which then drives their commitment to stay with the organization. This aligns with the Social Exchange Theory (SET), which posits that when employees feel that their needs and expectations are met by the organization, they are likely to reciprocate with higher engagement and retention (Cropanzano & Mitchell, 2005).

In this mediating role, engagement serves as a channel through which the positive effects of job satisfaction are translated into behaviors that enhance retention.

For instance, Shuck et al. (2017) found that job satisfaction alone may not guarantee retention, but when it leads to high engagement, the likelihood of an employee staying with the company increases significantly. Engaged employees, who are satisfied with their job, are more emotionally and cognitively attached to their work, making them less inclined to leave, even in the presence of external job offers or unfavorable conditions.

CHAPTER 5
CONCLUSSION & RECOMMENDATION

5.1. Conclussion

The discussion highlights the critical interplay between Job Satisfaction (JS), Employee Engagement (EE), and Employee Retention (ER). Job satisfaction, driven by intrinsic and extrinsic factors such as meaningful work, recognition, and fair compensation, directly influences employee retention. Satisfied employees are less likely to leave their organizations. Moreover, job satisfaction also promotes higher levels of employee engagement, which further contributes to retention. Employee engagement acts as a mediator, where satisfied employees become more engaged, and this engagement strengthens their emotional connection and commitment to the organization, reducing turnover. Hence, fostering both job satisfaction and employee engagement is crucial for enhancing retention.

5.2. Limitation

According to conclussion above, this research have some limitation as it follows:

1. **Generalizability**: The studies cited, though robust, may have limitations in terms of generalizability across different industries, cultures, or organizational contexts.

2. **Lack of Consideration for External Factors**: External variables such as labor market conditions, economic fluctuations, or personal circumstances that could impact retention decisions are not deeply explored in this discussion.
3. **Temporal Aspect**: Job satisfaction and engagement are dynamic and may change over time due to evolving work conditions or personal factors, which are not accounted for in this static analysis.

5.3. Recommendation

According to limitation above, the author have some recommendation as it follows:

1. **Holistic Engagement Strategies**: Organizations should implement holistic engagement strategies that focus on enhancing both intrinsic and extrinsic aspects of job satisfaction, such as meaningful work, growth opportunities, recognition, and fair compensation.
2. **Customization to Context**: Job satisfaction and engagement strategies to fit specific organizational contexts, taking into account industry, cultural, and demographic differences.
3. **Consider External Influences**: Broaden future research and practice to include external factors that could affect employee retention, such as economic conditions or competing job opportunities. This would help develop more comprehensive retention models.

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