

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

A CASE STUDY AT PT. LBB

FINAL THESIS DEFENSE

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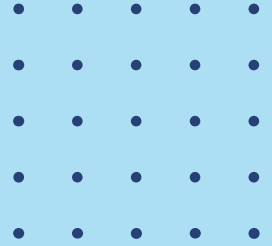
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SEKOLAH TINGGI
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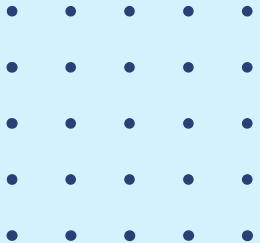
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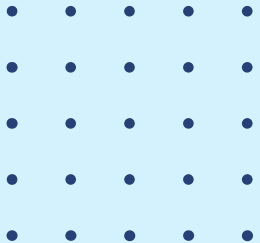
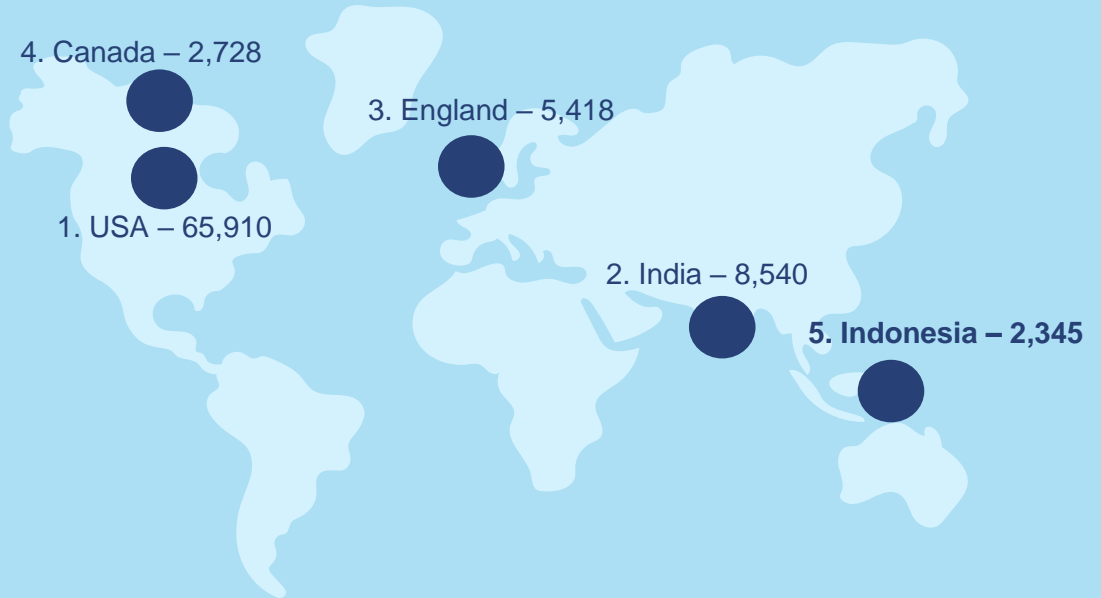
01. Introduction

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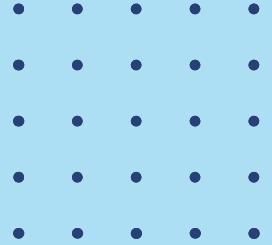


Introduction

Per April 2022, Indonesia has 2,345 startup companies and, Indonesia is the fifth country to produce the biggest number of startups companies.



Top Industries for Startup Companies in Indonesia



E-Commerce



Education



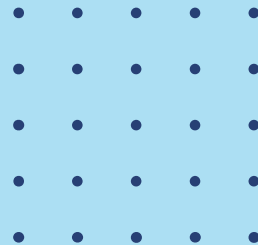
Financial



Game

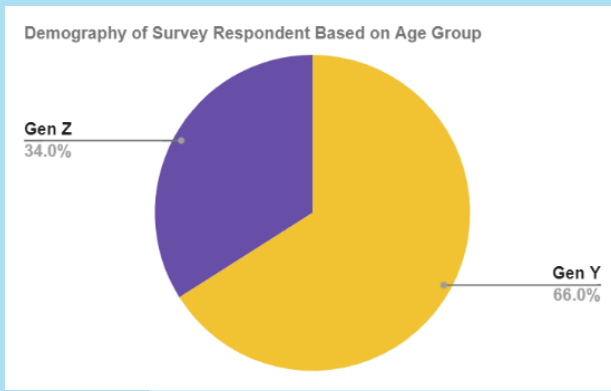
Indonesian startups have received around 42% capital invested and valued around **\$5,96 billion** in 2021 (CNBC Indonesia, 2022).

Introduction



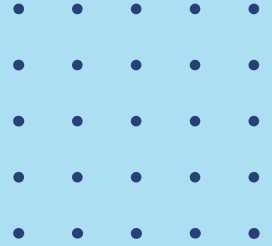
PT. LBB

- Indonesian-based educational technology startup company
- Established in 2017
- Provide digital products and services on giving courses and content regarding digital skills.



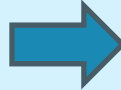
Employing around **350 employees** with the majority of the age generation is **Gen Y (Millennials)** and **Gen Z**.

Problem Statement



**60% after 3
Years**

Average expectation of
Growth for Startup
Companies



**High
Expectation**



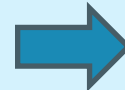
**Work Harder
& Longer**

Startup Companies tend
to push their employee to
work harder and longer



**Work-Life
Balance &
Satisfaction**

This resulted in a
disruption of Work-life
balance & satisfaction of
employees



**High
Turnover
Rate**

Problem Statement

7%

vs

25%

Turnover Rate Across Industries in Indonesia

Turnover Rate of startup companies in Indonesia

Startup/Corporate	Name Of Company	Turnover Rate
Startup	HappyFresh and Reddorz	25%/tahun (2019)
Startup	Urbanhire Benson Engelbert	10%/tahun (2019)
	Kawengian	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)

PT. LBB

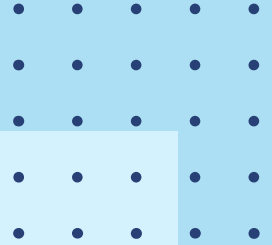
60%

New hire resigned under 6 months after joining the company

6.57%

Turnover Rate just in Q2 2022

Research Gap & Novelty



- Prior studies have delved into the Effect of Job Satisfaction and Employee Engagement on Employee Retention (Calecas, 2019. Biason, 2020. Tirta & Enrika, 2020. Poloski & Hernaus, 2015). But limited literature in the context of startup companies in Indonesia.
- The novelty of this research can be seen from its focus on startup companies in Indonesia and how age generation can be one factor to differentiate job satisfaction and employee engagement in startup companies from conventional corporate companies. In

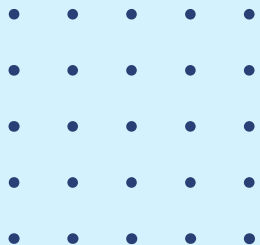
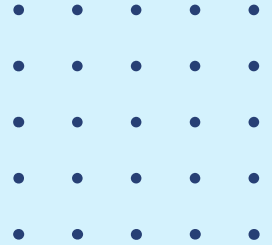
Research Questions

1. How is the effect of Job Satisfaction on Employee Retention in startup companies in Indonesia?

2. How is the effect of Job Satisfaction on Employee Engagement in startup companies in Indonesia?

3. How is the effect of Employee Engagement on Employee Retention in startup companies in Indonesia?

4. How is the effect of Employee Engagement as a mediating variable from Job Satisfaction to employee retention in startup companies in Indonesia?



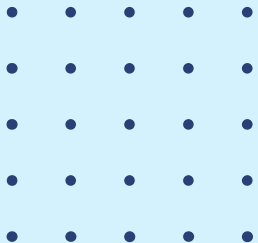
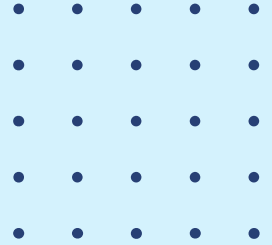
Research Objectives

1. To identify how is the effect of job satisfaction on employee retention rate in startup companies in Indonesia.

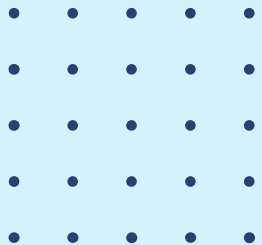
2. To identify how is the effect of job satisfaction on employee engagement in startup companies in Indonesia.

3. To identify how is the effect of employee engagement on employee retention rate in startup companies in Indonesia.

4. To identify how is the effect of Employee Engagement as a mediating effect from Job Satisfaction to employee retention in startup companies in Indonesia.

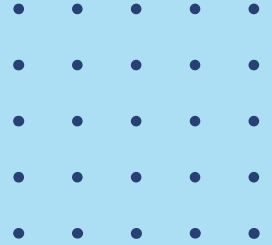


02. Literature Review



- Significant & Previous Research
- Research Framework & Hypothesis

Job Satisfaction

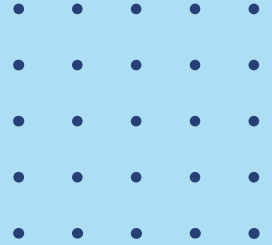


Any combination of psychological, physiological, and environmental variables that cause a person to honestly state “I am content with my job” is described as Job Satisfaction (Aziri, 2011)

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. (Seashore et al., 1975)

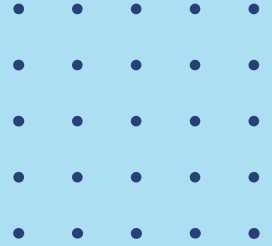
Employee Engagement



The harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances (Kahn, 1990)

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 (Kertiriasih, 2018)

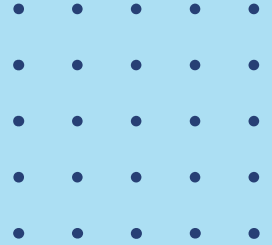
Employee Retention



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)

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 reduce the associated expenses of hiring and training considerably, and orientation of new employees (Iqbal & Hashmi, 2015).

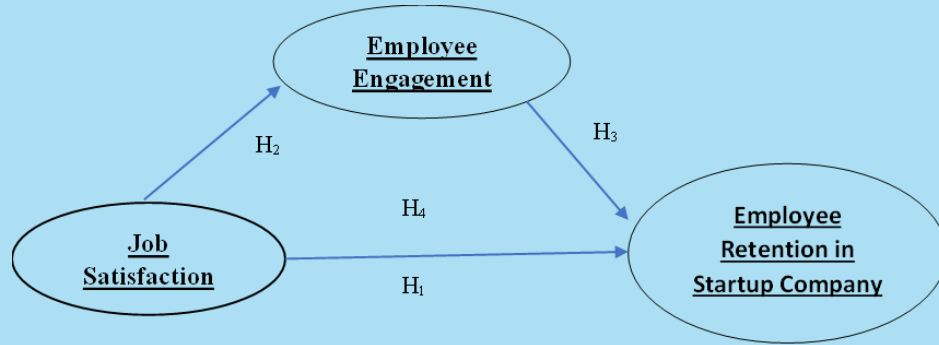
Employee Retention



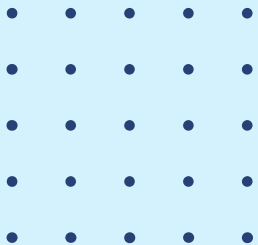
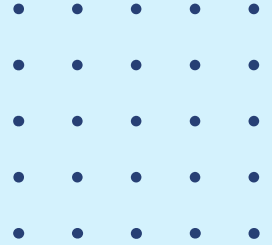
The retention programs established in organizations should resolve issues such as a lack of engagement and employee discontent ranging from pay policy, learning and growth, job development, managerial disputes, recruitment, and selection and promotion processes (Kumudha, 2016)

With the inclusion of more and more Generation Y and Z employees in the workforce, utilization of traditional retention strategies is becoming less effective to meet the requirements of these generations (Kashyap & Rangnekar, 2014)

Research Framework & Hypothesis

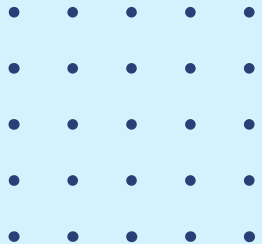


- H1: Job Satisfaction has a positive effect on employee retention in PT. LBB employees.
- H2: Job Satisfaction has a positive effect on employee engagement in PT. LBB employees.
- H3: Employee Engagement has a positive effect on Employee Retention in PT. LBB employees.
- H4: Employee Engagement has a mediating effect from Job Satisfaction to employee retention of PT.LBB Employees



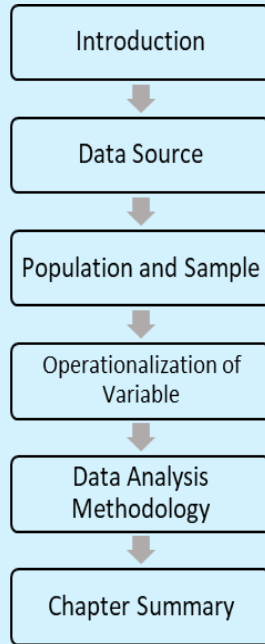
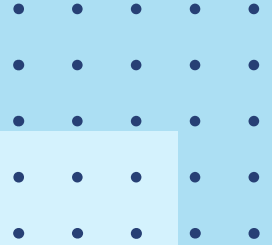
03.

Methodology



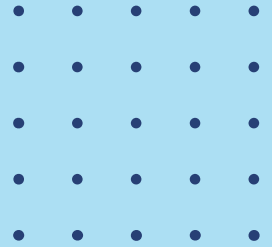
- Research Methodology
- Data Collection Method, Population & Sampling
- PLS – SEM Criteria

Research Methodology



- **Quantitative Research**
- **Primary data:** questionnaire survey to respondents, with Likert Scale measurement.
- **Secondary data:** scientific journals, books, and private research organisations.
- **Purposive sampling:** PT. LBB Employees
- **Sample size:** 100 PT. LBB Employees (Cohen Table = 59 samples).
- **Data analysis using PLS-SEM.**

Data Collection Method, Population & Sampling



Data Collection Method

- Google Forms
- An Online Survey
- By Employee's email

Population & Sampling

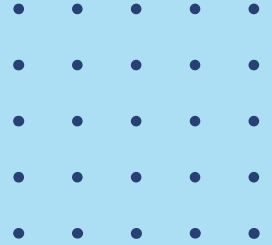
Apply probability sampling

Requirement: PT. LBB Employees

Sample Size: 100 Employees

Confidence Level: 95%

PLS – SEM Criteria



Criteria	Explanation
Evaluation of Measurement Model	
Internal Consistency	Cronbach's Alpha and Composite Reliability > 0.7
Convergent Validity	Average Variance Extracted (AVE) > 0.5
Discriminant Validity Intended	Outer Loading on its intended structure > Cross – Loading on other structures
Evaluation of Structural Model	
Structural Path Coefficient	Close to +1 reflects strong relationship and statistically significant
Coefficient of Determination R ²	R ² result of 0.75, or 0.50, or 0.25 for endogenous latent variables indicates the model is "good" "moderate", and "weak" respectively.
Collinearity	Variance-inflation factor (VIF) value > 5
Effect Size f ²	f ² values of 0.02, or 0.15, or 0.35 indicates the predictors of latent variables have a weak, medium or strong influence, respectively.

04. Finding & Analysis



- Respondent Profile
- Result of PLS – SEM
- Evaluation of Measurement Model

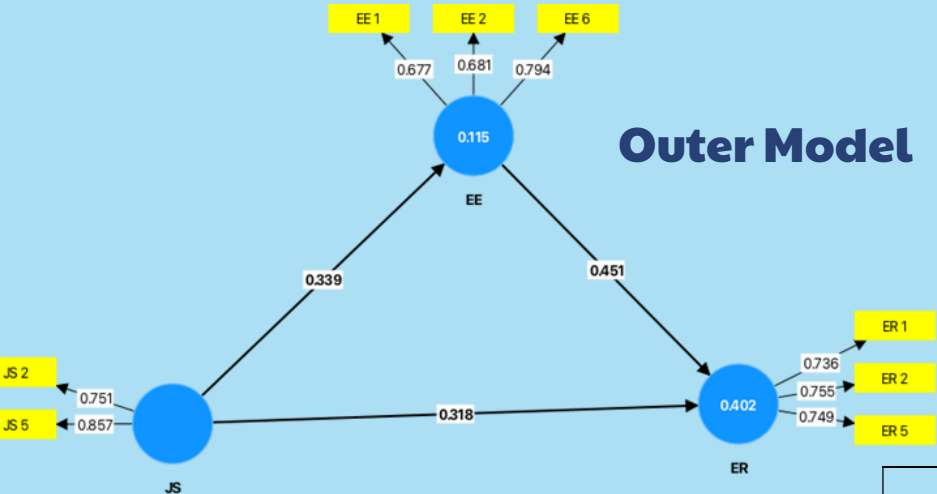
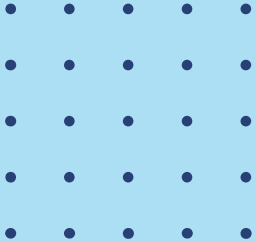
Respondent Profile

Variable	Category	Percentage
Gender	Male	38%
	Female	62%
Age	< 21 years	3%
	21 - 30 years	87%
	30 - 40 years	6%
	> 40	1%

Distribution of Respondent's Answer

Variable	Category	Highest Score out of 6	Quantity	Percentage
Job Satisfaction	Opportunity for Salary Increment	6	55	44%
	Confidence in personal work due to the competence of workmates	5	52	41%
Employee Engagement	Personality in line with Current Job	5	62	49%
	Personal Values in line with Current Job	5	56	44%
	Opportunity to Self Develop in the Company	5	54	43%
Employee Retention	Fulfillment of Personal Needs	5	55	44%
	Current Workplace Condition	5	52	41%
	Work-Life Balance	5	66	52%

Evaluation of Measurement Model



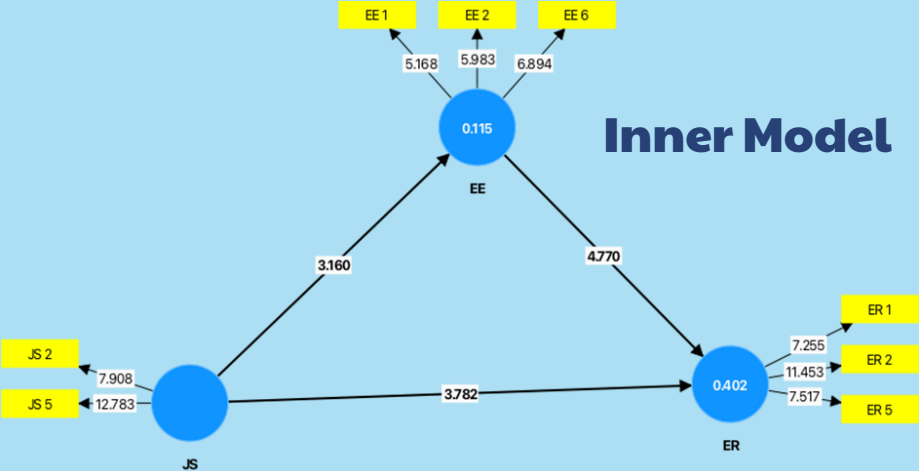
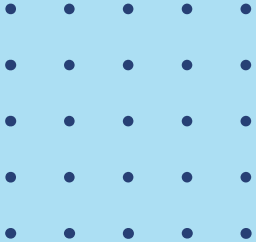
Convergent Validity - Outer Loading

Reliability Test

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

Variables	Dimension	Code	Loading Score	Criteria	Note
Job Satisfaction	Compensation & Benefit	JS 2	0.751	0.5	Valid
	Co-workers Support	JS 5	0.837	0.5	Valid
Employee Engagement	Job Fit	EE 1	0.677	0.5	Valid
		EE 2	0.681	0.5	Valid
	Growth	EE 6	0.794	0.5	Valid
Employee Retention	Basic Needs	ER 1	0.736	0.5	Valid
	Job Satisfaction	ER 2	0.755	0.5	Valid
	Work Life Balance	ER 5	0.749	0.5	Valid

Evaluation of Measurement Model



Convergent Validity - Outer Loading

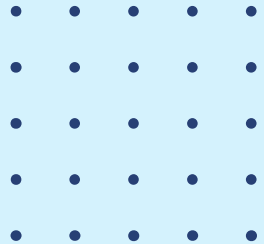
Construct	R Square
Employee Engagement	0.115
Employee Retention	0.402

Structural Model Testing

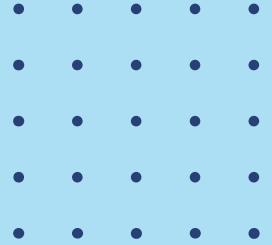
	Origin Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistics	P Values
EE >> ER	0.451	0.448	0.095	4.770	0.000
JS >> EE	0.339	0.347	0.107	3.160	0.001
JS >> ER	0.318	0.314	0.084	3.782	0.000
JS >> EE >> ER	0.153	0.157	0.063	2.418	0.008

05.

**Conclusion, Limitation, &
Recommendation**



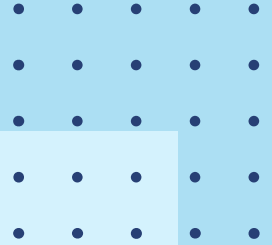
Conclusion



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.

- **Job satisfaction 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.

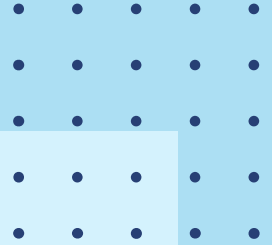
Conclusion



According to the survey, **Work-Life Balance**, **Alignment of personality with Current Job**, and **Alignment of Personal Values with Current Job** are the top priorities for PT. LBB employees in determining their decisions to stay in the company.

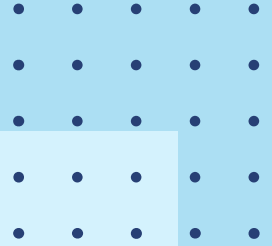
Limitation

- **Generalizability**
- **Lack of Consideration for External Factors**
- **Temporal Aspect**



Recommendation

- **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
- **Customization to Context:** Job satisfaction and engagement strategies to fit specific organizational contexts, taking into account industry, cultural, and demographic differences.
- **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.





Thank You