

Employee Engagement Mediation: Employee Performance Through Employee Loyalty and Organizational Commitment

Meirna Milisani¹, Nurwulan Kusuma Devi², Haspul Naser³

^{1,2,3}STIMA IMMI Jakarta, Indonesia

Email: nurwulankusumadevi026@gmail.com

Abstract

The automotive parts highly value the quality of production results, so it requires employee involvement to mediate employee loyalty and organizational commitment to improve employee performance. The quality demands of automotive parts production must meet customer standards. Therefore, employee performance determines the desired quality of work. Researchers will investigate the relationship between employee loyalty and organizational commitment by examining how employee engagement influences employee performance. The results of this study can provide input to management for future follow-up. Researchers used descriptive statistics using Smart PLS 4.0 to analyze data and identify factors related to employee loyalty and organizational commitment, which increase company productivity by mediating employee engagement to employee performance. Questionnaires were distributed to 158 employees using Google Forms. Engagement and performance are strongly and positively influenced by employee loyalty. While organizational dedication has a positive and significant effect on employee performance. What significantly mediates the relationship between employee loyalty, organizational commitment, and employee performance is employee engagement, which is strongly correlated with it. Employee loyalty and organisational commitment indirectly affect employee performance through employee engagement, suggesting that these factors may indirectly improve performance through employee engagement.

Keywords: *Employee Engagement, Employee Loyalty, Employee Performance, Organizational Commitment.*



A. INTRODUCTION

Engaged employees feel a sense of belonging and therefore have no desire to leave. Determining the connection between employee loyalty and organizational commitment at each position is the goal of employee engagement surveys (Macey & Schneider, 2008b; Muliawan, 2017). Employee engagement improves performance, reduces employee turnover, and increases profitability, productivity, and customer satisfaction ((Yaqub et al., 2021; Markos & Sridevi, 2010). According to (Schaufeli et al., 2002; Orgambidez-Ramos & de Almeida, 2017; Bakker & Schaufeli, 2014), Employee engagement is a level of rational thinking with an emotional connection between employees because they feel involved and can show good performance. Furthermore, according to Tower Watson's research on 50 companies with engaged employees experienced an increase in operating income of 19% and an increase in earnings per share of 28%. On the other hand, Tan Kai Mian, (2016), staffing levels were associated with a more than 32% decrease in revenue and an 11% decrease in earnings (Agrawals, 2015)s, 2015). In accordance with the findings of previous studies

(AON Hewitt, (2015); Christian et al., (2023); Ramadhan & Sembiring, 2017; Wicaksono & Rahmawati, 2020), employee engagement and organizational performance are positively correlated. The employee engagement index is 65% higher than the stock market index, and the rate of return is 22% higher than usual.

As a result, Thus, work engagement affects the association between employee loyalty and employee engagement, which means that the factors that affect an employee's attachment to the company make employees loyal, so that employees who are engaged in their work become enthusiastic, show work behavior and are passionate about their work (Al Mehrzi & Singh, (2016); Kaliannan & Adjovu, (2015). On the other hand, the global recession requires employee engagement and organisational commitment (Albdour & Altarawneh, 2014). Studies show a positive correlation between employee engagement, customer satisfaction, productivity, profit and retention, particularly in the fast-growing global economy and renewable technology innovation (Bijaya Kumar Sundaray, 2011). Employee engagement can be an important element of organizational effectiveness in business development. However, it can also improve employee retention, productivity and loyalty. Therefore, to maintain a competitive advantage, HR needs to develop a plan for organizational commitment and employee engagement. Moreover, employee engagement impacts employee attitudes, turnover, and productivity, with a high relationship to individual, group, and organizational performance. Higher levels of employee engagement mean lower turnover, higher productivity, higher total shareholder return, and good financial performance. (Baumruk, 2006).

Employee engagement, loyalty, and commitment are key variables that affect organizational performance in sustaining growth (Al-dalahmeh et al., 2018). When examining and evaluating employee engagement in organizational success, employee engagement creates a relationship between subordinates and superiors, thus creating job satisfaction and corporate culture. A leader has an important role in improving the performance of his subordinates by providing support, showing good performance and also providing motivation (Hakim et al., 2023). By empowering subordinates in carrying out tasks, it will provide added value for subordinates and be trusted in carrying out their duties and encourage subordinate participation to optimize actions and encourage accountability at work. This view is in line with Ilyana & Sholihin, (2021), that empowering subordinates will improve creative performance and innovation.

Engaged employees earn 43% more than disengaged employees (Hay Group, 2005). This is in line with Al-dalahmeh et al., (2018), Employee satisfaction significantly impacts loyalty, making employees the most valuable asset for an organization, enabling it to compete both internally and externally. The role of the organization can encourage employee engagement by optimizing internal communication. In addition, engaged employees tend to have mutual trust, and. In addition, engaged employees tend to have mutual trust, and the relationship between

superiors and subordinates becomes more harmonious (Marzooq & Nisa, 2022). According to McDonald's, a lack of trust between leaders and workers in the organisation leads to many employees leaving.

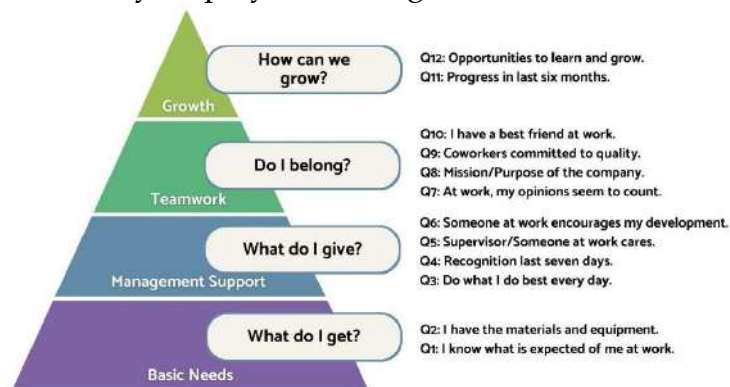


Figure 1. Gallup's Engagement Hierarchy

The Employee Engagement Model describes how organizations can help employees feel happy, satisfied, valued, respected, and trusted in their work. Managers use each level of the matrix to motivate and improve the performance of their team members. These stages do not fit into any group. Managers do not 'wrap it up' before moving on to the second level. In addition to meeting the needs of the second, third, and fourth levels of the organization, they must also ensure that employees are aware of their duties and have the appropriate tools and equipment to do their jobs. Managers often need to identify needs and constraints with their team members and ideally take action before difficulties affect their employees' performance.

In previous research (Bale & Pillay, (2021); Cattermole et al., 2014; Deloitte, 2016), employee engagement has developed an important role and plan for organisations to increase performance and employee commitment to build a harmonious work environment that affects customer satisfaction and provides opportunities for future organisational development and growth. This study applied the Gallup model of employee engagement to evaluate the connection among employee loyalty, organisational commitment, and employee performance. Based on a Gallup survey, 86% of engaged employees frequently reported being satisfied at work, compared to 11% of disengaged employees. For 45% of engaged employees and 8% of disengaged employees, work contributed significantly to their enjoyment of life, highlighting the detrimental effects of disengagement. Actively disengaged individuals reported poor behavior with friends and family due to under pleasure, and negative impact on physical health from work life compared to 12% of engaged individuals (Macleod & Clarke, 2009). negative impacts on physical health from work life compared to 12% of engaged individuals. This is in line with, which states that Allam, (2017), to a lack of commitment, attention, and enthusiasm towards work and the workplace. This suggests that disengaged employees have lower commitment and involvement in their work and there is a possibility that they will leave the organization. The low level of engagement contributes significantly to the loss of

productivity as indicated by the motivation of an employee at work (Bhuvanaiah & Raya, 2014).

B. LITERATURE REVIEW

1. Employee Engagement

Aon, (2018), states that employee engagement includes three activities that benefit the organization. They can only "say" good things about the organization to all relevant parties. They are. They are also more likely to "stay" if they feel they belong, and they are more likely to "strive" by giving everything they can to help the organisation thrive if they really want to be a part of it Saks, 2006); Pacquing, 2023). On the other hand, engaged employees demonstrate personal commitment, motivation and dedication to their work and the organisation, contributing to its success and resulting in practical benefits for both parties (Macleod & Clarke, 2009). Illustration of employee engagement model.

- Say: Employees will talk positive things about the company to their coworkers, to potential employees, and to customers. Given the opportunity, employees will not hesitate to recommend the company and tell others how much fun it is to work here;
- Stay: Employees have a strong sense of belonging and want to be part of the company. They show loyalty to the company, relationships with coworkers, and job satisfaction, not just working for a paycheck;
- Strive: Employees are motivated and strive to succeed in their work. Employees feel inspired and tend to go beyond what the company requires.

2. The Aeon Engagement Model

Aon's Employee Engagement Model provides a comprehensive understanding of the business impact of employee engagement and the factors contributing to its improvement.

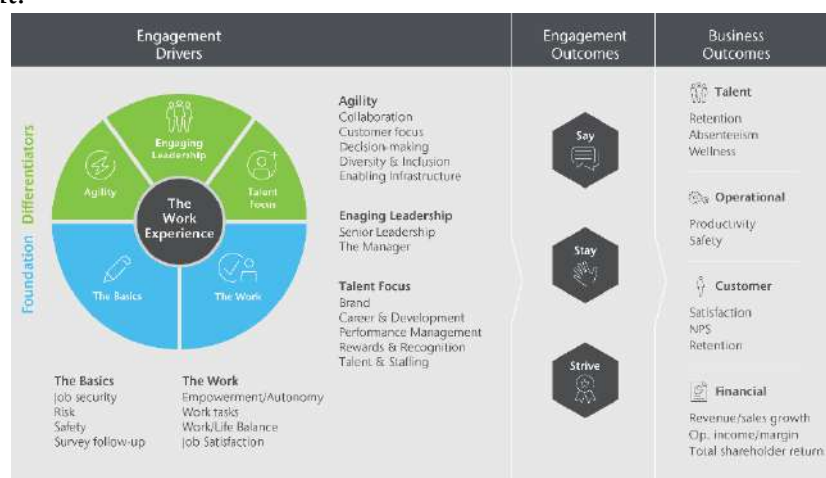


Figure 2. Aon's Engagement Model

In line with the Harvard Business Review (2013), cited by (Tanwar, 2017), Employee engagement and management recognize that highly engaged employees are necessary to improve performance, generate inventive and creative ideas, increase productivity, and reduce retention and acquisition costs in a competitive labor market. Employee engagement is the level of commitment, motivation, and value employees feel from their employer, which is considered the best model of employee engagement. This affects efficiency, happiness, loyalty and retention. Most importantly, organizations need to manage people with different personalities, interests, preferences and abilities to ensure they are enthusiastic, focused and motivated to do their jobs effectively (Bhuvanaiah & Raya, 2014; Macey & Schneider, 2008a).

3. Employee Performance

According to Aziez & Khuan, (2022), performance refers to the achievement of quality, quantity, and goals. Employees who perform well will improve their competence in order to work better. This is in line with Latifah Awad Djibrán, (2017), in a work competence, employees need to have knowledge, skills, creativity, and inventiveness. The achievements and positive results of employees show the success of an organization. The achievement of a company's goals can be known by analyzing employee performance. According to. According to Latifah Awad Djibrán, (2017), has highlights that performance is significantly influenced by various factors. Such as:

- a. Effort is the motivational energy used to improve work performance, assess success and produce quantity and quality of work, ensuring employees receive the best possible results;
- b. Task perception is essential for employees to understand their roles and responsibilities, reflecting their personality and trusting attitude. It helps employees understand their responsibilities towards tasks and work systems, ensuring they take personal responsibility for assigned tasks and ability is a person's criterion in performing a job;
- c. Employee performance in a company reflects the quality, quantity and standard of work, showing work ability, knowledge, skills, creativity and innovation. The success of a company is clearly visible through employee achievement and goal achievement.

4. The Relationship of Employee Engagement to Employee Performance

Performance is the successful achievement of quality, quantity and goals by employees who are influenced by various factors. It is important for the success of an organization and requires effective human resource management (Aziez & Khuan, 2022b; jibrán, 2017). Mutual benefits between employee engagement and employee performance, as described below:

- a. The company fosters a sense of belonging and respect for its employees by sharing responsibilities and fostering a family environment. Employees' contributions are valued, ensuring that their efforts are worthwhile. This promotes growth and development, enabling the company to achieve its goals through synergy and continuous improvement;
- b. Good relationships between organizations and employees have an impact on employee engagement and performance. While not ideal, closeness between superiors and subordinates is essential to achieving organizational goals and addressing work issues;
- c. Employees should be aligned with the company's development strategy, while companies can be encouraged to get involved and form teams. Support and assistance are essential for employees who are experiencing difficulties;
- d. Improved communication is vital to business growth and development, as it facilitates the exchange of important information and news, and ensures a positive climate;
- e. Compensation is a key driver of employee satisfaction and business attraction, with appropriate adjustments to ensure fair pay and benefits.

5. Employee Loyalty

According to Towers Watson research, engagement does not equal loyalty. Millennials, who now make up more than half of the labor market, don't wait for companies to choose them; they build careers and choose companies. Employees are considering a career change in the next two years. Employee loyalty is characterized by employee commitment, personal satisfaction, positive work environment, social benefits and financial rewards so that employees stay in the organization if they are satisfied with their work (Masakure, 2016; Ineson et al., 2013); Syahrizal et al., 2019; Bhattacharya, 2015). According to Briscoe & Hall, (2006), in today's world of global competition, every organization wants to win the loyalty of its employees in order to achieve the desired results. Conversely, employees do not care about their commitment if they can get a better job elsewhere. Referring to previous research (Brown et al., 2011; Dhir et al., 2019). This shows that loyalty plays an important role in the organization through the role of employees whose interests are aligned with the organization because of the agreement between employees and the organization. In addition, employees need to have a positive and loyal attitude towards the organization, be committed and honest, cooperate with positive and loyal attitude towards the organization, be committed and honest, cooperate with colleagues and create a conducive work environment to achieve organizational success colleagues and create a conducive work environment to achieve organizational success (Obedgiu et al., 2017).

6. Organizational Commitment

Employee engagement has a positive impact on organisational commitment, leading to increased job satisfaction, performance, expression of personal ideas, attendance and turnover rates, health and safety, proactive behaviour and motivation to learn (Wilmar Schaufeli; Marisa Salanova, 2007). Employee engagement and organizational commitment are essential for a company to grow its business. Therefore, organizational commitment requires employee engagement that needs to be balanced. Organizations can gain various benefits from employee efforts. Employees provide more significant efforts to the organization because employee performance is measured based on quality, quantity of work, responsibility, skills, expertise, and effective collaboration (Al-edenat & Alhawamdeh, 2019; Nyoman et.al., 2023). Employee engagement in an organization is critical to increasing its effectiveness (Ronan & Phipps, 2013). Based on the research conducted by (Allen & Meyer, 1993; Saleem et al., 2019; Waruwu et al., (2023). Organisational commitment is the strong acceptance of an organisation's goals and values by individuals, fostering an emotional bond between employees and their work, resulting in their continued participation. This view is in line with Suyono & Istiqomah, (2023), that employees who feel supported and not alone will be better able to overcome difficulties and foster good interpersonal relationships with coworkers to meet their basic needs. This view is consistent with Claudia, (2018), the view that organizational commitment refers to an individual's ability to identify, engage, and commit to an organization so that employees enjoy their membership and identify with the organization.

The following Hypothesis Study was developed:

- H1. Employee Engagement is significantly influenced by loyalty;
- H2. Employee Engagement is significantly influenced by organizational commitment;
- H3. Employee Performance is significantly influenced by Employee Loyalty;
- H4. Employee performance increases significantly with organizational commitment;
- H5. Employee engagement and performance show a significant positive linear relationship;
- H6. Employee performance is significantly positively correlated with employee loyalty mediated by employee engagement;
- H7. Employee performance is significantly and positively influenced by organizational commitment mediated by employee engagement.

C. METHOD

Researchers used descriptive statistics and Smart PLS 4.0 to analyse the data and identify factors related to employee loyalty and organisational commitment that have an impact on increasing business productivity by mediating employee

engagement on employee performance. This research was designed to determine how to collect, process and present data in order to analyse correlations between variables for the research questions. This was a qualitative approach to data collection and analysis. At the same time, the researchers used a structured online questionnaire (Almaamari & Almeer, 2022; Dawwas, 2023). Descriptive research was conducted to obtain an accurate and reliable picture of the aspects related to testing statistical relationships between variables ((Ateeq et al., 2022).

This study aims to identify factors of employee loyalty and organizational commitment that affect organizational productivity by mediating between employee engagement and employee performance. The initial data is in the form of a questionnaire of 158 employees distributed to automotive parts manufacturing companies in the spare parts industry in Bekasi. Researchers used incidental or non-probability sampling, meaning that the sample was collected spontaneously. What is found is sampled if the location is considered suitable as a data source (Siyoto & Sodik, 2015).

Researchers have used the scale to measure selected constructs and it has shown good psychometric properties. Respondents are asked to rate all items on a Likert scale ranging from 1 to 5. Strongly disagree (marked with 1) and strongly agree (marked with 5) are marked with 1. The Likert scale is a widely recognized and reliable technique for measuring and understanding respondents' perceptions, as noted by (Royeen, 2015; Subedi, 2016; Mumu et al., 2022). To measure respondents' perceptions, a modified ordinal scale / Likert scale is used so that respondents do not tend to choose the middle / neutral, so that the results are reliable and valid. As long as the indicator gives rise to a latent variable (sugiyono, 2011), interchangeable with each other, they are called formative. These formative indicators can generally be positive, negative, or even have no correlation (Haenlein & Kaplan, 2004; Petter et al., 2007). This paper explores the controversial issue of Likert scales, a simple and reliable technique used to measure and understand respondents' perceptions, based on the opinions of experts and practitioners (Royeen, 2015; Subedi, 2016; Van Laerhoven et al., 2004).

D. RESULTS AND DISCUSSION

1. Respondent Descriptive

Respondents of this study were employees of PT Setia Guna Sejati (SGS), a company with 158 employees. Respondent characteristics include age, gender and educational background. The sample consisted of 86.8% males and 13.32% females, with 78.48% aged 20-40, with 91.14% having vocational/high school education, while 8.26% had a diploma/bachelor's degree.

2. Measurement Model

The first objective of PLS model testing, for example the outer model test, is to determine the collinearity between constructs and the predictive ability of the model

(Sarstedt et al., 2021).

The following indicators are used to assess this model:

a. Convergent Validity

Convergent validity of latent variables is an important step in partial least squares structural equation modeling (PLS-SEM) (Amora, 2021). Good convergent validity of a measurement instrument is achieved when respondents understand the question statement or measure associated with each latent variable as intended by the designer of the question statement ((Kock, 2014). The convergent validity of each construct is assessed based on the degree of construct convergence. Convergent validity explains the variation of an indicator. The average variance extracted (AVE) for each concept indicator is used to assess the convergence of construct validity. An acceptable AVE requires the construct to explain at least 50% of the variation in its indicators, with a level of 0.50 or higher (Henseler et al., 2015; Sarstedt et al., 2021).

The reliability of latent variable measurement indicators is determined by utilizing external loading as a guide. The outer loading value of each indication can be used to determine the accuracy of the indicator. With a loading value greater than 0.70, the construct may be able to explain more than 50% of the variance in the indicator (Kwong & Wong, 2015). Therefore (Chin, 2015; Bagozzi et al., 1991) suggest that for early measurement scale development studies, a loading value of 0.5-0.6 is considered adequate. Value of Chi-square < 0.05, the data would be considered to be considered worthy and could be tested for its validity (Farida & Lestari, 2020).

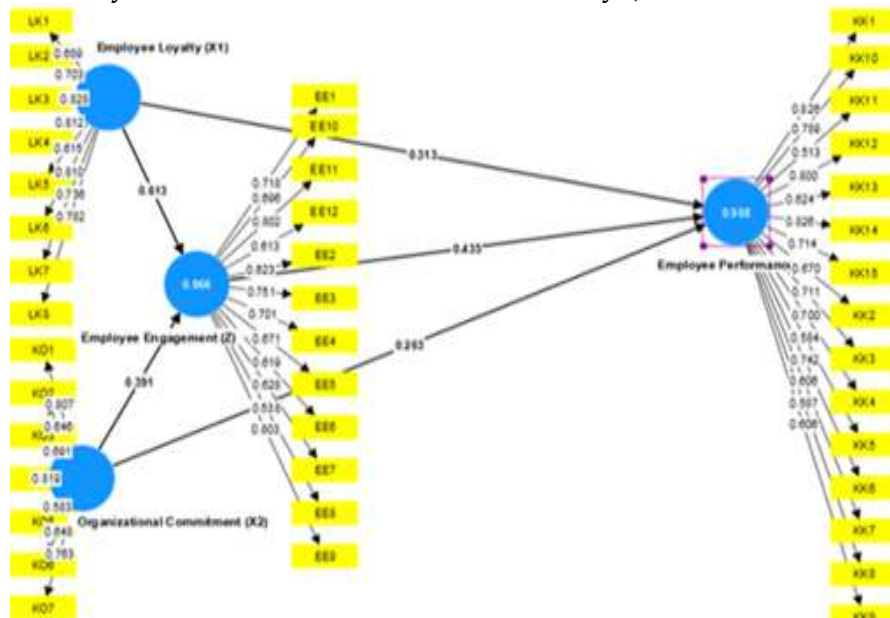


Figure 3. Convergent Validity

The graph indicates that the construct can explain over half of the variance in the indicator, as indicated by a larger outer loading value for all variables.

b. Discriminant Validity

Based on the idea that each indicator should have a high correlation with its construct, discriminant validity assesses whether a reflective indicator is an

appropriate measure of a concept. Assessing discriminant validity is now widely accepted as an important step in analyzing relationships between latent variables (Henseler et al., 2015). The discriminant validity test was conducted using the Fornell-Larcker criterion value in SmartPLS 4.0 software (Henseler et al., 2015b).

The Fornell-Larcker criterion is expected to be greater than 0.5, and the correlation of the construct with the measurement items is higher than other constructs. Checking the value of the Fornell-Larcker criterion is another way to assess discriminant validity in PLS. The model has discriminant validity if the square root value of the AVE of each construct is greater than the value of the correlation between components (Fornell & Larcker, 1981; Kwong & Wong, 2015a). The table below shows that the discriminant validity of the model is high.

Table 1. Discriminant Validity

	EE	EP	OP	EL
EE	0.685			
EP	0.989	0.693		
OC	0.951	0.962	0.713	
EL	0.970	0.975	0.913	0.750

Notes:

EE : Employee Engagement EP : Employee Performance
OC : Organizational Commitment EL : Employee Loyalty

c. Internal Consistency Reliability

Construct reliability and internal consistency are assessed. Internal consistency reliability is usually assessed using (Jdreskog, 1971) and PLS-SEM composite reliability (Sarstedt et al., 2017). This study used Cronbach's alpha and composite reliability, with excellent Cronbach's alpha values exceeding 0.7 and acceptable composite reliability values between 0.6 and 0.7 (Sarstedt et al., 2017).

Table 2. Internal Consistency Reliability

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)
EE	0.895	0.903	0.913
EP	0.920	0.927	0.932
OC	0.836	0.852	0.877
EL	0.887	0.893	0.911

The table confirms the model's reliability with composite reliability values and Cronbach's alpha values exceeding 0.7 for all variables.

3. The Test of Inner Model

The inner model, or the predictive accuracy of the model, is tested after the outer model.

a. Coefficient of Determination

Based on this value, the exogenous construct can partially explain the size of the endogenous construct. The predictive value falls between 0 and 1.

Table 3. Coefficient of Determination

	R-square	R-square adjusted
EE	0.966	0.966
EP	0.988	0.988

The table shows that the coefficient of determination (R²) of the employee engagement variable is 0.966 and the coefficient of determination (R²) of the employee performance variable is 0.988. This shows that the value is classified as moderate because it is greater than 0.67, which means it can be classified as vital (Sarstedt et al., 2021).

b. Path Coefficient

The model was validated, and the path coefficients between constructs were assessed to determine the significance and strength of the relationships and test the hypotheses. Based on Sarstedt et al., (2017), varies from -1 to +1, the closer it is. The closest coefficient has a value between -1 and 1. The correlation between the two structures increases when approaching +1 and decreases when approaching -1. Except for the positive relationship between directive leadership and innovative work behavior, the effect is small, as significance is determined by a P value of less than 0.005.

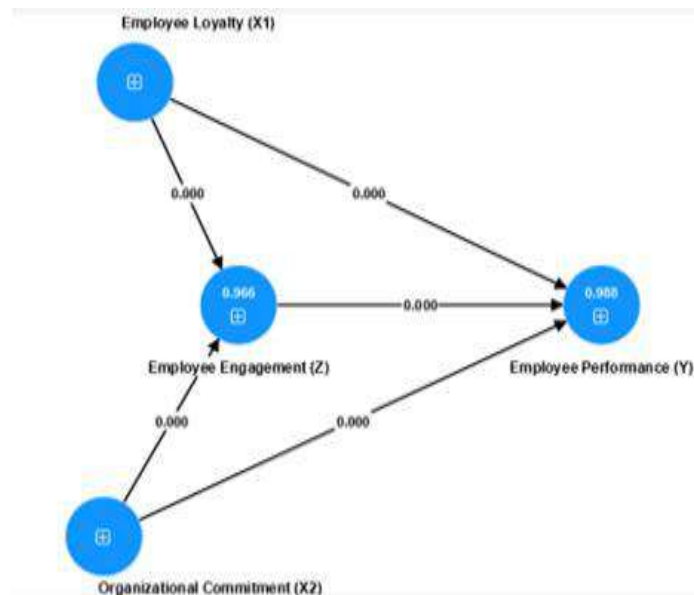


Figure 4. Path Coefficient

- H1. The study indicates a significant positive correlation between loyalty and employee engagement, with a path coefficient of 0.613 and a P value of 0.0;
- H2. The study confirms the hypothesis that loyalty positively impacts employee engagement, with a path coefficient of 0.613 and a P-value of 0.0;
- H3. The study confirms that employee loyalty significantly impacts performance, with a path coefficient of 0.313 and a P-value of 0.0, indicating a positive impact;

- H4. The study confirms that organizational commitment positively impacts employee performance, with a path coefficient of 0.263 and a significance level of 0.0;
- H5. Employee commitment significantly enhances performance, as indicated by a path coefficient of 0.435 and a P value of 0.0, indicating that employee loyalty significantly impacts performance;

Table 4. Path Coefficient

Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics	P values
EL -> EE -> EP 0.266	0.263	0.039	6.909	0.000
OC -> EE -> EP 0.170	0.170	0.028	6.181	0.000

- H6. Employee loyalty significantly influences performance, with employer commitment being influenced by employee commitment. Third-party involvement also significantly impacts employee performance, confirming hypothesis 6 (H6);
- H7. Organizational commitment has a significant positive effect on employee performance through third-party mediated engagement, with a p value of 0.000, confirming hypothesis 7 (H7), which indicates a significant indirect effect.

E. CONCLUSION

The study explores the influence of organizational commitment and employee loyalty on employee engagement and performance, highlighting how these factors affect performance and how engagement mediates these effects. This study shows that organizational commitment and employee loyalty have a positive and significant effect on employee engagement and performance. Organizational commitment indicates that employees pay more attention to organizational goals and put in more effort, resulting in good performance, employee commitment and employee performance because committed employees value working for the organization.

Confirmation of the first hypothesis shows that employee loyalty affects employee commitment. This result is obtained through statistical evidence, accepting the second hypothesis. This shows that organizational commitment supports employee commitment, as shown by statistical results and confirmation of the second hypothesis. The third hypothesis is accepted, the study shows that employee loyalty has a significant effect on employee performance. Based on the fourth hypothesis, organizational commitment has a significant effect on employee performance.

The fifth hypothesis suggests that employee engagement mediates the impact of loyalty on employee performance. Conversely, the seventh hypothesis suggests that employee engagement moderates the impact of organizational commitment on employee performance. The existing literature still lacks qualitative data on employee engagement, employee loyalty, organizational commitment and employee performance, especially based on survey methodology using questionnaires distributed at PT SGS. Qualitative data will provide a deeper insight into the

viewpoints of the parties involved.

Referring to the discussion of the research results obtained above, it can be concluded that Employee Engagement can mediate the variables of Employee Loyalty and Organisational Commitment on Employee Performance with positive and significant results. This has a positive impact of employee loyalty and organisational commitment on employee engagement. Employees must be able to interpret and contribute to their work, perform their work well by using all their physical, cognitive and emotional energy, and behave appropriately when they understand the importance and impact of organisational tasks. Employee loyalty plays a significant role in influencing employee performance. Likewise, organisational commitment will go hand in hand with employee behaviour at work. This means that the higher the level of employee loyalty and organisational commitment, the more harmonious employee engagement will be, thus creating good employee performance.

Employee engagement shows enthusiasm, dedication and absorption in the organisation's achievements and goals. An employee who is highly committed to the organisation understands and cares about the operational environment of the organisation, is enthusiastic about work, can work with others, speaks positively about the organisation and performs beyond the organisation's expectations. Engaged employees care about the future of the organisation and are willing to invest their best work in the success of the organisation in which they work. By aligning the behaviour of employees and managers in the organisation, employees will feel satisfied in their jobs and will perform at their best. Therefore, employee loyalty and organisational commitment are needed to create employee engagement with the organisation to achieve organisational goals together in a harmonious relationship. The higher the employee's commitment to the organisation, the higher the employee's performance will be.

Employees who feel good about their workplace, which comes from the relationships formed between employees and co-workers, will stay engaged, be consistent, motivated and have a good work ethic, all of which will influence the employee's performance.

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