The Effect of Work Environment on Employee Loyalty Mediated by Employee Satisfaction at XYZ Company

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Abstract: *Employees are an asset to the company. The success of a company is highly dependent on the quality of its employees. Changes in the era of globalization demand the existence of employees who have the ability to compete. As one of the private companies, of course, company XYZ must be able to have qualified employees in order to excel from similar competitors. One of the aspects possessed by qualified employees is a high level of loyalty. This study aims to evaluate the level of loyalty of employees of XYZ company that is affected by the work environment and mediated by employee satisfaction. This study uses a verifiable descriptive approach, with a sample of 68 informants. Data collection was carried out through a questionnaire with data processing using SEM-PLS. The findings of the study show that the work environment has a significant effect on employee loyalty levels. On the continuum line, the work environment and employee loyalty are in the high category. This research also highlights the need for XYZ company to improve the professional equipment used to support Employee Loyalty which ultimately affects the company's performance. This research also highlights the need for XYZ company to improve the professional equipment used to support employee loyalty which ultimately affects the company's performance.*

Keyword: *Work Environment, Employee Loyalty, Employee Satisfaction*

INTRODUCTION

The role of Human Resources (HR) in the company is very important, therefore it is important for a company to be able to understand the role of HR management in the company. HR management involves managing employees, employees, workers, managers, and other workforce in various situations to support the activities of an organization or company in achieving predetermined goals (Panjaitan, 2021). Therefore, managers need to ensure that the company has the right workforce, properly placed, and at the right time to complete tasks that will help the company effectively and efficiently develop its assets. The company must be supported by competent and reliable employees, because HR has a very important role in supporting the achievement of excellence and company success (Gustiana et al., 2022).

As one of the private companies, xyz company is certainly required to have the ability to be able to manage its employees. Many things are done by the company to fulfill the wishes of employees with the aim to increase productivity and also maintain employee job satisfaction,

satisfied employees will work without burden and give more effort to their work and loyal to the company and its leaders. Companies can pay less attention to the needs and desires of their employees, so job satisfaction decreases. This ultimately leads to many problems at work such as decreased employee performance discipline and high employee turnover. This is certainly very detrimental to the company, because the company must incur various kinds of costs, for example severance pay, and recruitment of new employees which costs a lot of money. According to Timothy (2016), job satisfaction is a pleasant state experienced by individuals in the organization by various things that cause it. decreased employee discipline, high employee turnover.

The importance of Employee Loyalty on company performance results, the company needs to increase its attention to efforts to maintain and maintain Employee Loyalty, or make employees satisfied and loyal to the company. Antoncic (2011) argues that Employee Loyalty has a positive impact on company growth. Many factors can affect employee work loyalty, and of course they are interrelated. Factors that affect employee work loyalty include Work Environment (Wuwungan, 2017). Work Environment is all forms of atmosphere around workers that can affect workers in carrying out the tasks assigned to them (Handoko, 2014: 115).

Every employee always expects a work environment that is familiar, comfortable and mutually supportive. In other words, the Work Environment is expected to be conducive to supporting employee work. If employees feel that the physical environment where they work well will provide satisfaction and a sense of pride. If the facilities and infrastructure that support work are available, it can be a special satisfaction for employees, where employees feel cared for by the company. expect a Work Environment that is familiar, comfortable and mutually supportive. Based on a brief interview with the HC (Human Capital) department conducted in May 2024, regarding the reasons for the high number of employees who decided not to renew their contracts, including the lack of compensation received, lack of comfort in the work environment, and feeling that their satisfaction or needs are not considered by attention. This certainly has an impact on the level of Employee Loyalty in the company.

Employee turnover at xyz company every year there is a change of employees with a number that is not small and tends to increase in number every year, while the incoming replacement is not met as a whole the needs of the replacement person. This employee turnover is caused by the employee concerned decides not to extend the contract so that it is required to be replaced with a new employee, this is an illustration that there is a problem in Employee Loyalty xyz company. Based on this phenomenon, this research will focus on describing the extent to which this problem occurs and can provide the best recommendations to overcome these problems.

METHODS

In this study, the object of research is Employee Satisfaction, Employee Loyalty, and the company's Work Environment. The subject in this study is xyz company. This study uses a Human Resource Management approach regarding the influence of Work Environment on Employee Loyalty mediated by Employee Satisfaction. A variable is anything that has a difference or variation in value (Sekaran, 2013: 68). In this study, there are three variables, namely two dependent variables (endogenous) and independent variables (exogenous). The endogenous variable is Employee Loyalty (Y). While for exogenous variables (X1) there is Work Environment and (X2) there is Employee Satisfaction.

This research was conducted in a research period of less than one year, starting from February to September 2024, so the research method used was the cross sectional method. The cross sectional research method is a method where the data collected is only done once in one period of time, maybe in daily, weekly or monthly time in order to answer research questions (Sekaran, 2014: 177), so this research is often referred to as one snapshot research (Hermawan, 2006: 19).

The appropriate methods for the types of problems discussed in this study are descriptive and verification. This research examines a natural situation without giving any treatment. Meanwhile, according to Whitney (1960), the descriptive method is the search for facts with appropriate interpretation, studying problems in society. Meanwhile, the verification method is defined as research conducted on certain populations or samples with the aim of testing predetermined hypotheses (Mohajan, 2020).

The population in this study consisted of 258 employees of xyz company. Sample withdrawal is done using the Slovin formula, so that 68 xyz company employees are obtained as research samples. Data processing in this study includes coding, data entry, data editing and data transformation (Sekaran and Bougie, 2017). The data that has been collected through the data collection process, either through observation, questionnaires, interviews or other forms is then processed using data analysis techniques in accordance with the research design so as to obtain research results in accordance with the formulation of problems and research objectives.

The data analysis technique used in this research consists of two categories. First, descriptive analysis, which describes or describes a variable based on the results of the questionnaire collected and presented in the form of cross tabulation, then interpreted to explain the score of Work Environment, Employee Satisfaction, and Employee Loyalty. Second, verification data analysis, which assesses the effect of Work Environment, Employee Satisfaction, and Employee Loyalty both directly and indirectly, using statistical test tools such as Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach, which includes sub models such as outer model and inner model.

H_1 : There is an influence of Work Environment on Employee Satisfaction
H_2 : There is an effect of Work Environment on Employee Loyalty
H_3 : There is an effect of Employee Satisfaction on Employee Loyalty
H_4 : There is an influence of Work Environment on Employee Loyalty through Employee Satisfaction

RESULTS AND DISCUSSION
Descriptive Data Analysis Results
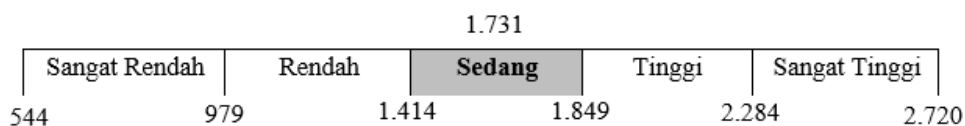 1.   **Results of Descriptive Analysis of Work Environment Variables**
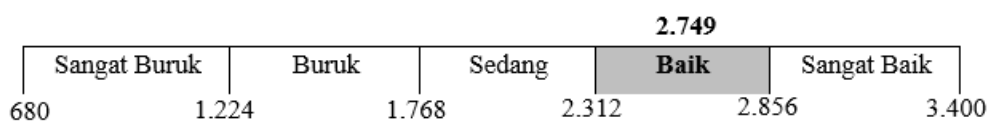
Source: Data processed, 2024
Figure 1. Work Environment Variable Continuum Line

Based on Figure 1 above, the calculation results displayed on the Work Environment variable continuum line of 2,749, so it can be categorized that the level of Work Environment in xyz company is included in the "High" category. This shows that xyz company has met the needs of the ideal Work Environment for its employees. Through the fulfillment of this ideal Work Environment, employees can feel more comfortable to work and strive to show good performance for the company.

 2.   **Results of Descriptive Analysis of Employee Satisfaction Variables**
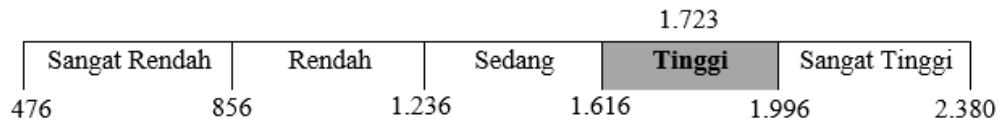

Source: Data processed, 2024
Figure 2. Employee Satisfaction Variable Continuum Line

Based on Figure 2 above, the calculation results displayed on the Employee Satisfaction variable continuum line of 1,731, so it can be categorized that the level of Employee Satisfaction in xyz company is included in the "Medium" category. This shows that xyz company has limitations in the fulfillment of self-satisfaction of its employees. This is what causes some indicators on the variable Employee Satisfaction has a low score.

3. Results of Descriptive Analysis of Employee Loyalty Variables

Source: Data processed, 2024
**Figure 3. Employee Loyalty Variable Continuum Line**

Based on Figure 3 above, the calculation results displayed on the Employee Loyalty variable continuum line of 1,723, so it can be categorized that the level of Employee Satisfaction in xyz company is included in the "High" category. This shows that xyz company employees have loyalty to the company.

Results of Verification Data Analysis
Evaluation of the Measurement Model *(Outer Model)*
1. *Convergent Validity*

The following is the loading factor value for each indicator of the Work Environment, Employee Satisfaction, and Employee Loyalty variables.
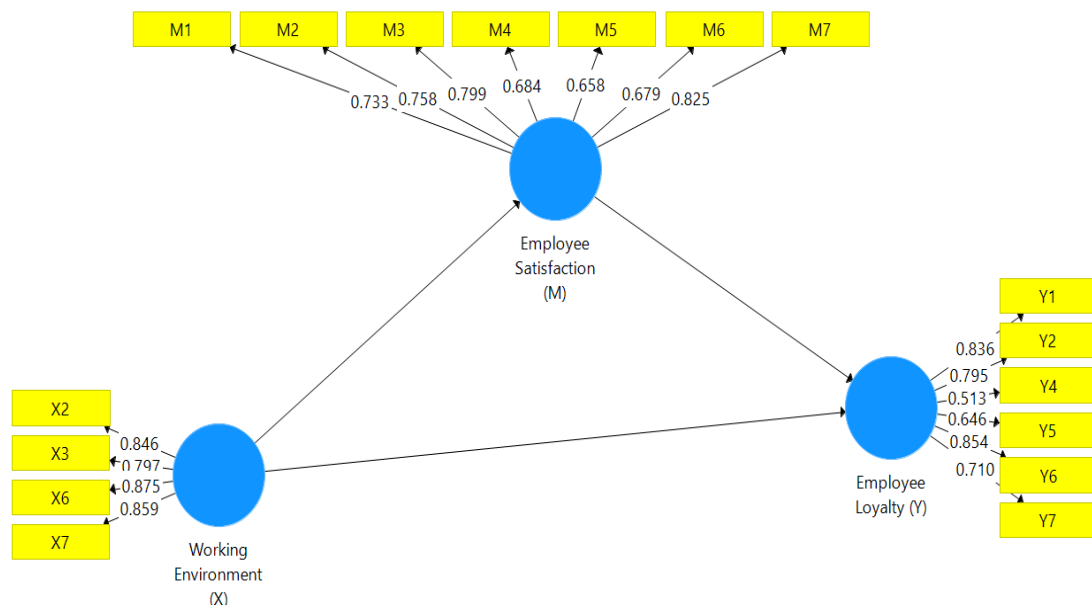
Source: Data processed, 2024
Figure 4. Loading Factor

Based on Figure 4 above, it can be seen that the loading factor value on the X2, X3, X6, X7, M1, M2, M3, M4, M5, M6, M7, Y1, Y2, Y4, Y5, Y6, and Y7 indicators has a value> 0.50 so it can be concluded that the loading factor value has sufficient convergent validity in measuring the measured construct. This means that the indicator has been able to explain the variance of each of its indicators so that the indicator must be maintained. Furthermore, for convergent validity, each variable must see the Average Variance Extracted (AVE) value. The following is the AVE value of each variable:

Table 1. AVE Value

Variable	AVE
Work Environment (X)	0,714
Employee Satisfaction (M)	0,542
Employee Loyalty (Y)	0,541

Source: Data processed, 2024

In Table 1 above, it can be seen that the AVE value of each indicator is ≥ 0.50, meaning that each variable meets the criteria for convergent validity, where one latent variable can explain 50% or more of the variance of its indicators.

2. *Dicriminant Validity*

The discriminant validity value of each variable can be seen from the Fornell-Lacker Criterion (FLC) value, while the FLC value in this study is as follows:

Table 2. Fornell-Lacker Criterion (FLC) Value

Variable	Work Environment (X)	Employee Satisfaction (M)	Employee Loyalty (Y)
Work Environment (X)	0,845		
Employee Satisfaction (M)	0,520	0,736	
Employee Loyalty (Y)	0,547	0,708	0,735

Source: Data processed, 2024

Based on Table 2 above, it is obtained that judging from the Fornell-Lacker Criterion criteria, the three measurement models have an AVE square root value greater than the correlation coefficient between the measured constructs and other constructs. This means that the three measurement models are indicated to have adequate discriminant validity. Furthermore, the value of discriminant validity can also be obtained from the Heterotrait-Monotrait (HTMT) value. The following HTMT values in this study are as follows:

Table 3. Heterotrait-Monotrait (HTMT) Value

Variabel	Work Environment (X)	Employee Satisfaction (M)	Employee Loyalty (Y)
Work Environment (X)			
Employee Satisfaction (M)	0,576		
Employee Loyalty (Y)	0,632	0,828	

Source: Data processed, 2024

In line with the above test results, seen from the Heterotrait-Monotrait coefficient (HTMT), it is obtained that the three measurement models have adequate discriminant validity. This is indicated by the HTMT statistics for the three pairs of measurement models compared, all of which provide HTMT values below the maximum required value of 0.90. Furthermore, to see the validity of each indicator, it is obtained from the cross loadings value. The following is the cross loadings value for each indicator on the research variables.

Table 4. Cross Loadings Value

Indicator	Work Environment (X)	Employee Satisfaction (M)	Employee Loyalty (Y)
X2	0.846	0.562	0.471
X3	0.797	0.274	0.348
X6	0.875	0.396	0.4989
X7	0.859	0.463	0.500
M1	0.413	0.733	0.553
M3	0.393	0.799	0.540
M5	0.447	0.658	0.526
M6	0.333	0.679	0.574
Y1	0.514	0.587	0.836
Y2	0.470	0.519	0.795
Y4	0.269	0.419	0.513
Y5	0.370	0.343	0.646

Source: Data processed, 2024

Table 4 above provides information that seen from the results of the cross loading analysis, all indicators used to measure the three measurement models provide a loading factor coefficient value greater than the cross loading value. This indicates that the three measurement models have adequate discriminant validity, which means that each construct does measure different concepts and is therefore considered suitable for use in the next stage of analysis.

3. Indicator Reliability

The following are the Cronbach alpha and composite reliability values in this study:

Table 5. Cronbach's Alpha and Composite Reliability Value

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Work Environment (X)	0,850	0,875	0,503
Employee Satisfaction (M)	0,808	0,865	0,524
Employee Loyalty (Y)	0,855	0,887	0,574

Source: Data processed, 2024

Based on Table 5 above, it can be seen that all constructs meet the reliability criteria, as indicated by Cronbach's alpha and composite reliability values greater than 0.60. This means that the indicators used successfully measure each construct well, or in other words, the four measurement models have good internal consistency.

Structural Model Evaluation (*Inner Model*)
1. *Variance Inflation Factor* (VIF)

The following is a table of estimation results VIF:

Table 6. Variance Inflation Factor (VIF) Value

Variable	Work Environment (X)	Employee Satisfaction (M)	Employee Loyalty (Y)
Work Environment (X)		1.000	1.371
Employee Satisfaction (M)			1.371
Employee Loyalty (Y)			

Source: Data processed, 2024

Based on Table 6 above, it can be concluded that the constructs studied are free from collinearity problems/symptoms. This is indicated by the VIF statistical value of all constructs having a value smaller than five. (VIF < 5).

2. Determination Coeffisien (R^2)

Table 7 is the result of the R-square estimation as follows:

Table 7. R-Square Value

Variable	R-square
Employee Satisfaction (M)	0,270
Employee Loyalty (Y)	0,545

Source: Data processed, 2024

Based on Table 7 above, it can be explained that Employee Satisfaction (M) has an R2 value of 0.270 (27.00%) and Employee Loyalty (Y) of 0.545 (54.50%). That is, R2 of 27.00% and 54.59% is the contribution of the Employee Satisfaction (M) and Employee Loyalty (Y) constructs. While the remaining 73.00% (Employee Satisfaction) and 45.50% (Employee Loyalty) are explained by other constructs not examined in this study.

3. *Effect Size* (f^2)

The following is the effect size value (f^2):

Table 8. Effect Size Value

Variable	Employee Satisfaction (M)	Employee Loyalty (Y)
Work Environment (X)	0,371	0,035
Employee Satisfaction (M)		0,541

Source: Data processed, 2024

Effect size is used to help assess how much each exogenous construct contributes relatively to the endogenous construct in the context of the model being analyzed.

Hypothesis Testing Results

The results of the bootstrapping process, which was carried out using a sample size for resampling of 5,000 times, resulted in the following loading values and t-statistics:
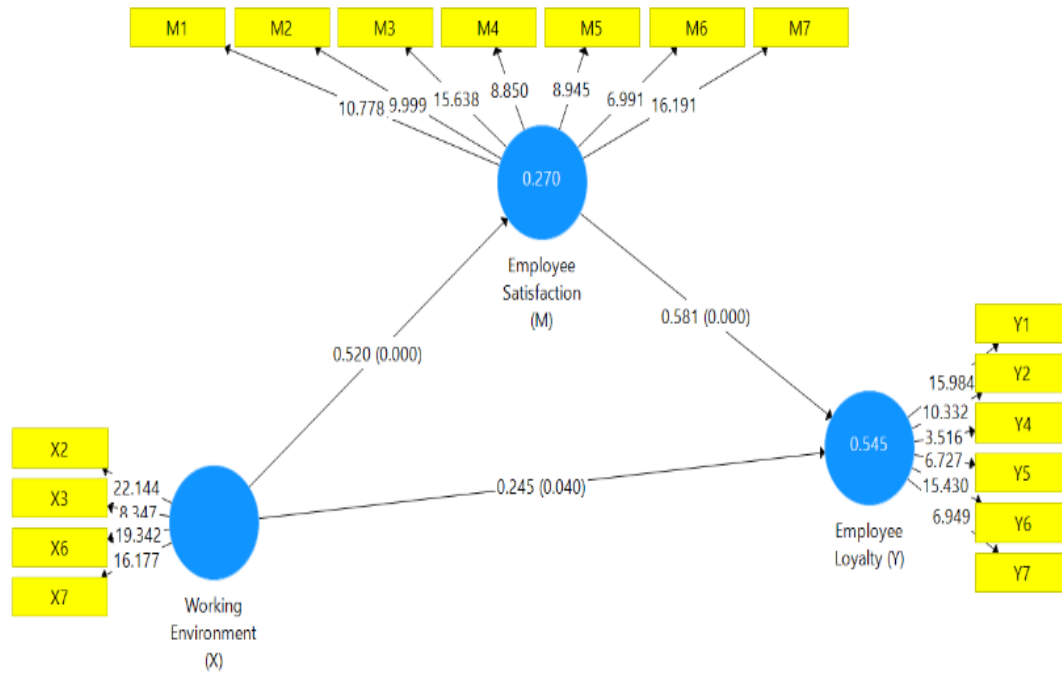
Source: Data processed, 2024
Figure 5. Structural and Measurement Model

Based on Figure 5 above, it can be concluded that the hypothesis in this study is as follows:

Table 9. Direct Effect and Indirect Effect Test Results

Research Hypothesis	Relationship between Constructs	Koefisien	t hitung	CR	P Value	Description of Research Hypothesis
H_1	$X \rightarrow Y$	0,245	2,051		0,040	H_a Accepted
H_2	$X \rightarrow M$	0,520	7,352	1,96	0,000	H_a Accepted
H_3	$M \rightarrow Y$	0,582	4,628		0,000	H_a Accepted
H_4	$X \rightarrow M \rightarrow Y$	0,302	4,246		0,000	H_a Accepted

Source: Data processed, 2024

Based on Table 9 above, it can be concluded as follows:

1. The work environment (X) has a significant positive effect on employee loyalty (Y) with a coefficient direction of 0.245 and t count 2.051> 1.96 with a significance level of 0.040 < 0.05. Thus the first hypothesis (H1) in this study is accepted (Ho is rejected and Ha is accepted). This shows that the higher the quality of the work environment, the more employee loyalty increases in a company.

2. The work environment (X) has a significant positive effect on employee satisfaction (M) with a coefficient direction of 0.520 and t count 7.352> 1.96 with a significance level of 0.000 <0.05. Thus the second hypothesis (H2) in this study is accepted (Ho is rejected and Ha is accepted). This shows that the higher the quality of the work environment in a company, the more employee satisfaction in the company will increase.

3. Employee satisfaction (M) has a significant positive effect on employee loyalty (Y) with a coefficient direction of 0.581 and t count 4.628> 1.96 with a significance level of 0.000 <0.05. Thus the third hypothesis (H3) in this study is accepted (Ho is rejected and Ha is accepted). This shows that increasing employee satisfaction is significantly related to employee loyalty. By increasing employee satisfaction, companies can also indirectly increase employee loyalty.

4. The work environment (X) has a significant positive effect on employee loyalty (Y) through employee satisfaction (M) with a coefficient direction of 0.302 and t count 4.246> 1.96 with a significance level of 0.000 <0.05. Thus the fourth hypothesis (H4) in this study is accepted (Ho is rejected and Ha is accepted). This shows that employee satisfaction acts as a significant mediator in the relationship between work environment and employee loyalty.

Discussion of Research Results

    After describing descriptive analysis, verification analysis, and hypothesis testing results on work environment variables, employee satisfaction, and employee loyalty in xyz company employees assisted by using smartPLS 3.0, then the author will explain further research results based on the research objectives as follows:

1. The Effect of Work Environment on Employee Satisfaction of XYZ Company

    Based on the results of hypothesis testing the influence of the work environment on employee satisfaction xyz company obtained coefficient direction of 0.520 and titung 7.352 > 1.96 with a significance level of 0.000 <0.05. This shows that the higher the quality of the work environment in a company, the more employee satisfaction increases in the company. This employee satisfaction is obtained if the workplace environment supports to carry out activities as needed. Therefore, the work environment in the company is one of the supporting factors for increasing employee satisfaction in the company.

2. The Effect of Work Environment on Employee Loyalty of XYZ Company

    Based on the results of hypothesis testing the influence of the work environment on employee satisfaction xyz company obtained coefficient direction of 0.520 and titung 7.352 > 1.96 with a significance level of 0.000 <0.05. This shows that the higher the quality of the work environment in a company, the more employee satisfaction increases in the company. This employee satisfaction is obtained if the workplace environment supports to carry out activities as needed. Therefore, the work environment in the company is one of the supporting factors for increasing employee satisfaction in the company.

3. The Effect of Employee Satisfaction on Employee Loyalty of XYZ Company

    Based on the results of hypothesis testing the effect of employee satisfaction on employee loyalty xyz company obtained coefficient direction of 0.581 and t count of 4.628> 1.96 with a significance level of 0.000 <0.05. This shows that increasing employee satisfaction is significantly related to employee loyalty. By increasing employee satisfaction, companies can also indirectly increase employee loyalty. Employee satisfaction can impact organizational success by influencing employee productivity, retention, and engagement.

4. The Effect of Work Environment on Employee Loyalty through Employee Satisfaction of XYZ Company

    Based on the results of hypothesis testing the influence of the work environment on employee loyalty through employee satisfaction xyz company obtained coefficient direction of 0.302 and t count 4.246 > 1.96 with a significance level of 0.000 <0.05. This shows that employee satisfaction acts as a significant mediator in the relationship between work environment and employee loyalty. For companies, this finding means that improving the work environment not only directly impacts employee loyalty, but also through increasing employee satisfaction.

CONCLUSION

    In the work environment variable is in the "Good" category. This shows that the company has met the needs of its employees in the work environment section. This knowledge is the basis for the company to be able to meet employee needs well.

The employee satisfaction variable is in the "Medium" category. This shows that the company is experiencing obstacles in meeting the satisfaction of its employees. This is because the company does not understand the aspects that affect employee satisfaction, so that it has an impact on the level of employee satisfaction in the company.

The employee loyalty variable is in the "High" category. This shows that employee loyalty in the company can be managed well by the company.

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