



Original Article

Relationship of Organizational Culture and Compensation on Employee Loyalty: The Mediating Role of Job Satisfaction at PT. Warnatama Cemerlang

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Citations: Satmiasih, E., Damayanti, E., Sukoco, A., & Nilowardono, S. (2025). Relationship of Organizational Culture and Compensation on Employee Loyalty: The Mediating Role of Job Satisfaction at PT. Warnatama Cemerlang. *International Journal of Advances in Social Sciences and Humanities*, 4(4), 204-218.

Received: 2 September 2025 Revised: 10 October 2025 Accepted: 12 November 2025 Published: 30 November 2025

Abstract: Employee loyalty is an important factor in maintaining organizational stability and improving long-term organizational performance. However, many organizations face challenges retaining loyal employees due to internal and external factors. This study aims to examine the influence of organizational culture and compensation on employee loyalty with job satisfaction as an intervening variable at PT. Warnatama Cemerlang. A quantitative research approach was employed using a survey method with a structured questionnaire distributed to 133 employees. The collected data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4. The results show that organizational culture and compensation have significant positive effects on job satisfaction. Furthermore, job satisfaction significantly influences employee loyalty. Compensation also has a significant direct effect on employee loyalty, whereas organizational culture does not. However, organizational culture significantly influences employee loyalty indirectly through job satisfaction. The mediation analysis confirms that job satisfaction plays a significant role in mediating the relationship between organizational culture and compensation with employee loyalty. These findings highlight the importance of fostering a supportive organizational culture and implementing fair compensation systems to enhance job satisfaction and strengthen employee loyalty. The results provide practical insights for organizations seeking to develop effective human resource management strategies to improve employee retention and organizational performance.

Keywords: Organizational culture; Compensation; Job satisfaction; Employee loyalty.



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1. Introduction

In the contemporary era of globalization and rapid technological advancement, organizations operate in an increasingly competitive and dynamic environment. Companies are no longer competing solely through the quality of their products, services, or technological capabilities, but also through the effectiveness with which they manage their human resources. Human resources are now widely recognized as one of the most valuable strategic assets of an

organization because they determine how effectively organizational strategies are implemented and how successfully organizational goals are achieved. Consequently, effective human resource management (HRM) has become a critical component of organizational competitiveness and sustainability. Human resource management is the systematic process of acquiring, developing, motivating, and retaining employees so they are able and willing to contribute optimally to organizational objectives. According to Bukit et al. (2017), HRM encompasses various practices aimed at ensuring that employees are ready, capable, and motivated to perform effectively. Similarly, Putra et al. (2023) emphasize that organizations increasingly rely on skilled and committed human resources to maintain competitiveness in a rapidly changing global environment. In this context, organizations must not only recruit talented employees but also develop strategies to maintain employee satisfaction, commitment, and loyalty.

Employee loyalty is widely regarded as a key factor in organizational stability and long-term success. Loyal employees demonstrate strong dedication to their organizations, maintain a positive attitude toward their work, and are willing to contribute beyond their formal responsibilities. According to Juwita and Khalimah (2021), employee loyalty reflects an individual's commitment and willingness to remain with the organization while contributing to its development. Similarly, Lorens (2020) explains that employee loyalty represents an intangible asset that cannot be purchased directly but must be cultivated through supportive organizational policies and management practices. When employees feel loyal to their organizations, they tend to show higher productivity, stronger engagement, and greater willingness to collaborate with colleagues to achieve organizational goals. However, maintaining employee loyalty has become increasingly challenging in the modern labor market. The availability of alternative employment opportunities, the rise of career mobility, and changing employee expectations have contributed to higher turnover rates in many organizations. High employee turnover not only disrupts organizational operations but also increases recruitment and training costs, leads to the loss of organizational knowledge, and decreases employee morale. Consequently, understanding the factors that influence employee loyalty has become an important topic in human resource management research.

Previous studies have identified several organizational factors that influence employee loyalty, including organizational culture, compensation systems, leadership style, work environment, and job satisfaction. Among these factors, organizational culture and compensation have received significant attention from researchers because they directly influence employees' perceptions of their work environment and organizational support. Organizational culture refers to the shared values, beliefs, and behavioral norms that shape how employees interact within an organization. A positive organizational culture can foster a sense of belonging, trust, and collaboration among employees, which ultimately enhances job satisfaction and loyalty. Empirical evidence suggests that organizational culture plays an important role in shaping employee attitudes and behavior. For example, Hien and Tuan (2023) found that a strong organizational culture significantly increases employee loyalty through the mediating roles of trust and job satisfaction. Similarly, Chaanine (2025) reported that transparent and supportive organizational cultures can strengthen employee trust and satisfaction, thereby enhancing loyalty and reducing turnover. Mandang et al. (2025) also found that organizational culture positively influences both job satisfaction and employee loyalty. These findings indicate that organizational culture can serve as a strategic tool for improving employee engagement and commitment.

Nevertheless, the relationship between organizational culture and employee loyalty is not always consistent across different organizational contexts. Some studies have reported that organizational culture does not directly influence employee loyalty or commitment. For instance, Widhy et al. (2021) found that job satisfaction does not mediate the relationship between organizational culture and organizational commitment, suggesting that other factors may be more influential in certain contexts. Similarly, Nurlina (2022) reported that organizational culture negatively affects job satisfaction in certain organizational settings. These contrasting findings highlight the complexity of the relationship between organizational culture and employee attitudes and suggest that additional variables may further shape it. In addition to organizational culture, compensation is another important factor that affects employee loyalty. Compensation refers to the financial and non-financial rewards organizations provide in exchange for employees' contributions. Fair and competitive compensation systems are essential for attracting and retaining talented employees. Research by Gulo and Waruwu (2025) shows that well-designed compensation systems can significantly enhance employee loyalty by improving motivation and engagement. Likewise, Amrozi and Purnomo (2024) found that compensation has a significant direct influence on employee loyalty.

However, similar to organizational culture, the impact of compensation on employee loyalty is not always straightforward. Some studies suggest that compensation does not directly influence employee loyalty but rather affects it indirectly through job satisfaction or other psychological factors. For example, Lestari et al. (2021) found that compensation does not directly affect employee loyalty but does significantly influence job satisfaction, which, in turn, increases loyalty. Similarly, Indranata et al. (2023) and Godinho et al. (2024) demonstrated that compensation improves employee loyalty indirectly through job satisfaction and motivation. These findings indicate that compensation alone may not be sufficient to create loyal employees unless it contributes to greater job satisfaction. Job satisfaction itself has been widely recognized as a key determinant of employee attitudes and organizational behavior. Job satisfaction

refers to the extent to which employees feel positively about their work, including their responsibilities, compensation, work environment, and relationships with colleagues and supervisors.

Numerous studies have confirmed that satisfied employees are more likely to demonstrate stronger organizational commitment and loyalty. For instance, Rani et al. (2022) found that job satisfaction significantly influences employee loyalty and mediates the relationship between organizational culture, compensation, and loyalty. Similarly, Novianti et al. (2024) reported that job satisfaction plays a significant role in enhancing employee loyalty by mediating the relationship between compensation and loyalty. Despite extensive literature examining the relationships among organizational culture, compensation, job satisfaction, and employee loyalty, prior studies have yielded inconsistent findings regarding the mediating role of job satisfaction. While some researchers confirm that job satisfaction acts as a significant mediator, others report that it does not mediate in certain contexts. For example, Reners et al. (2024) and Harahap and Sugiarti (2024) found that job satisfaction does not mediate the relationship between compensation and employee loyalty. These conflicting findings indicate that further research is needed to clarify the mechanisms through which organizational factors influence employee loyalty.

Employee loyalty is particularly relevant to PT. Warnatama Cemerlang, a manufacturing company that produces high-quality paints, thinners, and inks for both industrial and decorative applications. Guided by the motto "Quality Is Everything," the company emphasizes innovation and efficiency in its production processes. PT. Warnatama Cemerlang also demonstrates a strong commitment to environmental sustainability through the implementation of ISO 14001 environmental management systems and the adoption of the 3R principles (Reuse, Reduce, Recycle). While the company has achieved considerable success in product innovation and environmental management, maintaining employee loyalty remains an important challenge. Recent organizational data indicate a rising employee turnover rate. The turnover rate increased from 5.9% in 2023 (220 employees) to 9.7% in 2024 (225 employees), representing an increase of approximately 3.8%. According to information from the Human Resources Department, many employees resigned after receiving job offers from other organizations. This trend suggests that employee loyalty within the organization may be weakening, potentially negatively affecting organizational performance and operational stability.

Given the importance of employee loyalty and the increasing turnover rate observed in PT. Warnatama Cemerlang, it is necessary to examine the organizational factors that may influence employees' willingness to remain with the company. Specifically, understanding how organizational culture and compensation influence employee loyalty through job satisfaction can provide valuable insights for developing effective human resource management strategies. Therefore, the main objective of this study is to analyze the influence of organizational culture and compensation on employee loyalty with job satisfaction as an intervening variable at PT. Warnatama Cemerlang. By examining these relationships, this research seeks to contribute to the existing literature on employee loyalty and provide practical recommendations for organizations seeking to improve employee retention and organizational performance. The findings of this study are expected to demonstrate that strengthening organizational culture and providing fair compensation can improve job satisfaction, thereby enhance employee loyalty and reducing turnover.

2. Literature Review

Employee loyalty has become a critical issue in modern organizations, particularly amid intense global competition, where human resources are considered a strategic asset. Employee loyalty reflects an employee's commitment and willingness to remain with an organization while contributing to its long-term success. Previous studies emphasize that loyalty is influenced by a range of organizational and psychological factors, including organizational culture, compensation, job satisfaction, work environment, leadership, and motivation. Organizational culture is widely recognized as an important determinant of employee attitudes and behavior. Organizational culture represents the shared values, beliefs, and norms that guide employee actions within an organization. Several studies indicate that a positive organizational culture significantly contributes to improving job satisfaction and employee loyalty. For example, Mandang et al. (2025) found that organizational culture positively and significantly influences both job satisfaction and employee loyalty, indicating that employees are more committed when they perceive their organizational values as supportive and motivating. Similarly, Hien and Tuan (2023) and Chaanine (2025) demonstrated that organizational culture strengthens employee loyalty both directly and indirectly through mediating variables such as trust and job satisfaction. These findings suggest that organizational culture not only shapes employees' perceptions of their workplace but also influences their psychological attachment to the organization.

However, not all studies consistently confirm the direct influence of organizational culture on employee loyalty. Some researchers argue that the relationship between culture and loyalty may depend on other intervening variables. For instance, Pathan (2023) highlighted that job satisfaction mediates the relationship between organizational culture and employee commitment, indicating that culture alone may not automatically lead to higher loyalty without improving employee satisfaction. Similarly, Widhy et al. (2021) found that job satisfaction did not mediate the relationship between organizational culture and organizational commitment in certain organizational contexts. These inconsistent findings indicate that the relationship between organizational culture and employee loyalty remains complex and warrants further empirical investigation, particularly across different industrial settings, such as manufacturing companies.

In addition to organizational culture, compensation is another important factor influencing employee loyalty. Compensation refers to the financial and non-financial rewards organizations provide to employees in return for their contributions. Numerous studies have shown that fair and competitive compensation can significantly increase employee satisfaction, motivation, and loyalty. Gulo and Waruwu (2025) found that effective compensation systems that combine financial rewards and non-financial benefits can enhance employee engagement and strengthen loyalty. Likewise, Amrozi and Purnomo (2024) reported that compensation has a significant direct influence on employee loyalty, suggesting that employees who receive appropriate rewards tend to remain committed to their organizations.

Nevertheless, several studies suggest that compensation does not always directly influence employee loyalty but may operate through mediating variables such as job satisfaction or motivation. Indranata et al. (2023) found that compensation significantly increases job satisfaction, in turn, influences employee loyalty; however, the direct effect of compensation on loyalty was not significant. Similar results were reported by Lestari et al. (2021) and Godinho et al. (2024), who demonstrated that compensation improves employee loyalty indirectly through job satisfaction and motivation. These findings indicate that compensation alone may not guarantee loyalty unless it contributes to improving employees' overall satisfaction and psychological well-being.

Job satisfaction itself is widely recognized as a central factor in shaping employee loyalty. Job satisfaction refers to employees' positive emotional response to their work environment, compensation, career opportunities, and relationships within the organization. Many studies confirm that satisfied employees tend to demonstrate higher levels of commitment and loyalty. For instance, Rani et al. (2022) found that job satisfaction significantly influences employee loyalty and mediates the relationship between work culture, compensation, and loyalty. Similarly, Novianti et al. (2024) reported that job satisfaction significantly affects employee loyalty and mediates the relationship between compensation and employee loyalty. In a broader organizational context, Li et al. (2024) also found that job satisfaction mediates the relationship between pay satisfaction and turnover intention, suggesting that satisfied employees are less likely to leave their organizations.

However, some studies present contradictory findings regarding the mediating role of job satisfaction. For example, Reners et al. (2024) and Harahap and Sugiarti (2024) found that job satisfaction does not mediate the relationship between compensation, career development, work-life balance, and employee loyalty. These conflicting results highlight the possibility that job satisfaction may function differently across organizational contexts, industry types, or employee characteristics. Consequently, further research is necessary to clarify the mediating role of job satisfaction in influencing employee loyalty. Other organizational factors, such as leadership style, work environment, and organizational commitment, have also been identified as influencing employee loyalty. Nur'aeni and Brahmana (2025) found that leadership style and organizational culture significantly affect employee loyalty, with job satisfaction not mediating this relationship. Meanwhile, Laksmana and Kristanto (2023) reported that compensation and organizational culture significantly reduce turnover intention, with organizational commitment mediating this effect. These findings reinforce the notion that employee loyalty is influenced by multiple organizational dimensions and psychological mechanisms.

Despite the extensive literature examining employee loyalty, several research gaps remain. First, previous studies have produced inconsistent findings regarding the direct and indirect effects of organizational culture and compensation on employee loyalty. Second, the mediating role of job satisfaction remains debated, with some studies confirming its significance and others reporting insignificant mediation effects. Third, most prior research has been conducted in service sectors such as healthcare, hospitality, and public organizations, whereas relatively few studies have focused on manufacturing industries. Considering these gaps, this study aims to analyze the influence of organizational culture and compensation on employee loyalty with job satisfaction as an intervening variable in the context of PT. Warnatama Cemerlang, a manufacturing company experiencing increasing employee turnover. By examining these relationships, this research seeks to provide empirical evidence clarifying the role of job satisfaction in strengthening employee loyalty and to contribute to the development of effective human resource management strategies to improve employee retention.

3. Materials and Methods

This study employs a quantitative, descriptive research design to examine the relationships among organizational culture, compensation, job satisfaction, and employee loyalty. Quantitative research focuses on analyzing phenomena using numerical data and statistical techniques to identify relationships among variables (Abdullah et al., 2022). Meanwhile, descriptive research aims to systematically describe the characteristics of a population or phenomenon being studied (Hardani et al., 2020). By combining these approaches, the present study seeks to explain the causal relationships among the variables under study while also describing the working conditions of employees at PT. Warnatama Cemerlang. To analyze the proposed research model, this study employs Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach in SmartPLS version 4. The SEM-PLS technique was selected because it is suitable for analyzing complex relationships among multiple variables simultaneously and does not require strict assumptions regarding data distribution. In addition, SEM-PLS is widely used in social science research to test

theoretical models that involve mediating variables. In this study, SEM-PLS is used to examine the direct and indirect relationships between organizational culture, compensation, job satisfaction, and employee loyalty.

Hypothesis testing in this research is conducted using the bootstrapping method in SmartPLS. A hypothesis is considered statistically significant when the t-statistic value exceeds the critical value of 1.96 at a significance level of 5% ($\alpha = 0.05$), and when the p-value is less than 0.05 (Zahara & Kasmiruddin, 2025). The SEM-PLS analysis is carried out in two main stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The outer model assessment examines the validity and reliability of the measurement indicators, while the inner model evaluation analyzes the relationships among the latent variables in the research framework. The research utilizes both primary and secondary data sources. Primary data were collected directly from employees of PT. Warnatama Cemerlang was conducted through structured questionnaires, observations, and interviews. Secondary data were obtained from academic journals, books, and other relevant literature related to human resource management, organizational culture, compensation, job satisfaction, and employee loyalty. These sources were used to support the theoretical framework and to strengthen the interpretation of the research findings.

Data collection was conducted using a closed-ended questionnaire designed to measure employees' perceptions of the variables studied. The questionnaire was systematically developed based on established theoretical indicators for each construct. Respondents were asked to evaluate each statement using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The Likert scale is widely used in social science research because it allows respondents to express their level of agreement or disagreement with specific statements in a structured manner.

The research instrument measures four main variables: organizational culture, compensation, job satisfaction, and employee loyalty. Each variable is operationalized through several indicators derived from relevant theoretical frameworks. Organizational culture is measured using indicators such as innovation and risk-taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability. Compensation is measured through indicators including wages and salaries, incentives, allowances, and facilities. Employee loyalty is measured through indicators such as compliance, responsibility, dedication, and integrity. Meanwhile, job satisfaction is measured through indicators including satisfaction with the job itself, salary, promotion opportunities, supervisors, and coworkers. The collected data are numerically expressed and statistically analyzed to determine the strength and direction of relationships among the variables. By applying the SEM-PLS approach, this study aims to provide a comprehensive understanding of how organizational culture and compensation influence employee loyalty both directly and indirectly through job satisfaction as an intervening variable.

4. Results

4.1. Demographic Profile of Respondents

Table 1. Result of Respondent Demographic Profile

Category	Description	Frequency	Percentage
Gender	Male	90	67.7
	Female	43	32.3
Age	20–25 years	15	11.3
	26–30 years	31	23.3
	31–35 years	32	24.1
	36–40 years	16	12.0
	41–45 years	21	15.8
	46–50 years	10	7.5
	51–56 years	8	6.0
	1–5 years	59	44.4
Length of Employment	6–10 years	22	16.5
	11–15 years	24	18.0
	16–20 years	28	21.1

Table 1 presents the demographic characteristics of respondents involved in this study, including gender, age distribution, and length of employment at PT. Warnatama Cemerlang. These characteristics provide important contextual information about the workforce composition and help better understand the backgrounds of employees whose perceptions were analyzed regarding organizational culture, compensation, job satisfaction, and employee loyalty. Based on the gender distribution, most respondents were male employees, accounting for 90 individuals or 67.7% of the total respondents, while 43 respondents or 32.3% were female. This distribution indicates that the workforce at PT. Warnatama Cemerlang is predominantly male. Such a composition is commonly observed in

manufacturing industries, where production and operational activities often involve physically demanding tasks traditionally dominated by male workers. Nevertheless, the presence of female employees, representing nearly one-third of the respondents, reflects a degree of gender diversity within the organization. This diversity may contribute to varied perspectives and work approaches within the company.

The age distribution of respondents shows that most employees fall within the productive working-age group, particularly those aged 26 to 35. The largest group of respondents is aged 31–35 years, comprising 32 employees (24.1% of the total sample). This is closely followed by employees aged 26–30 years, with 31 respondents (23.3%). These findings suggest that a significant portion of the workforce is in the early to mid-career stage, where employees typically demonstrate high levels of motivation, adaptability, and productivity. Employees within this age range are often actively pursuing career development opportunities and tend to seek organizational environments that support professional growth and job satisfaction. Employees aged 41–45 years comprise 21 respondents (15.8%), indicating the presence of experienced staff members who may hold key roles within the organization. Meanwhile, 16 respondents (12.0%) fall within the 36–40 years age group, suggesting that a substantial number of employees are in the mature stage of their careers. These groups often possess extensive work experience and organizational knowledge, which can significantly contribute to the organization's stability and effectiveness.

Younger employees aged 20–25 years account for 15 respondents (11.3%), indicating that the company also recruits relatively young workers who may bring fresh ideas, energy, and technological adaptability to the organization. Meanwhile, employees aged 46–50 years and 51–56 years represent 10 respondents (7.5%) and 8 respondents (6.0%), respectively. Although these groups constitute a smaller proportion of the workforce, they often represent senior employees with considerable experience and expertise, which can play an important role in mentoring younger staff and maintaining institutional knowledge within the company. Regarding employment tenure, the results indicate that a large proportion of respondents have relatively short tenure within the organization. The majority of respondents, 59 employees (44.4%), have worked at PT. Warnatama Cemerlang for 1–5 years. This suggests that nearly half of the workforce consists of employees who are still in the early stage of their organizational tenure. This pattern may reflect recent recruitment efforts or a relatively dynamic workforce structure.

The second-largest group consists of employees who have worked for 16–20 years, accounting for 28 respondents (21.1%). This finding indicates that despite the presence of many relatively new employees, the organization also retains a substantial number of long-serving employees. These employees likely possess deep organizational knowledge and play an important role in maintaining organizational culture and operational continuity. Meanwhile, 24 respondents (18.0%) have been employed for 11–15 years, and 22 respondents (16.5%) for 6–10 years. These groups represent employees with moderate tenure who are likely well-versed in the organization's systems, processes, and work culture. Employees with this level of tenure are often considered valuable organizational assets because they combine experience with continued career development potential.

4.2. Measurement Model

4.2.1. Construct Validity and Reliability

The construct validity and reliability tests for the variables used in this study, namely organizational culture, job satisfaction, compensation, and employee loyalty. In the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, the measurement model (outer model) is evaluated to ensure that the indicators used to measure each latent variable are both valid and reliable. Construct validity is assessed through outer loading values and Average Variance Extracted (AVE), while construct reliability is evaluated using Cronbach's alpha and Composite Reliability (CR). Convergent validity refers to the degree to which multiple indicators representing the same construct are correlated. In PLS-SEM, convergent validity is typically assessed by examining the outer loading values of each indicator and the AVE value of each construct. Indicators are considered valid when their loading values exceed 0.70, although values above 0.60 may still be acceptable in exploratory research.

Table 2. Result of Construct Validity and Reliability

Variables	Items	Loadings	Cronbach's alpha	Composite Reliability	Average Variance Extracted (AVE)
Organizational Culture	BO1	0.751	0.912	0.922	0.655
	BO2	0.849			
	BO3	0.722			
	BO4	0.871			
	BO5	0.827			
	BO6	0.838			
	BO7	0.798			

	KK1	0.828			
	KK2	0.781			
Job Satisfaction	KK3	0.837	0.885	0.886	0.685
	KK4	0.859			
	KK5	0.830			
	KMP1	0.852			
Compensation	KMP2	0.769	0.827	0.834	0.659
	KMP3	0.857			
	KMP4	0.765			
	LK1	0.800			
Employee Loyalty	LK2	0.774	0.839	0.929	0.647
	LK3	0.822			
	LK4	0.820			

Table 2 shows that all indicators across the four constructs exhibit outer loadings above 0.70, indicating that each indicator adequately represents its respective latent variable. For the organizational culture construct, the loading values range from 0.722 to 0.871. Specifically, indicator BO4 shows the highest loading (0.871), suggesting that it strongly reflects the organizational culture construct. Meanwhile, BO3 has the lowest loading value (0.722), but it still meets the acceptable threshold for convergent validity. For the job satisfaction variable, the loading values range from 0.781 to 0.859, indicating that all indicators significantly contribute to explaining the job satisfaction construct. Indicator KK4 has the highest loading (0.859), indicating a strong relationship with the job satisfaction variable. Similarly, the compensation construct shows loading values ranging from 0.765 to 0.857. The highest loading value is observed for indicator KMP3 (0.857), indicating that it plays a significant role in representing employees' compensation perceptions. Meanwhile, indicator KMP4 has the lowest loading value (0.765), but it remains well above the minimum threshold.

For the employee loyalty construct, the outer loading values range from 0.774 to 0.822. Indicator LK3 has the highest loading value (0.822), suggesting that it strongly reflects the loyalty construct, while indicator LK2 has the lowest loading value (0.774), which still meets the acceptable standard. In addition to loading values, convergent validity is also evaluated through the Average Variance Extracted (AVE). AVE measures the amount of variance captured by a construct relative to the variance due to measurement error. An AVE value above 0.50 indicates that the construct explains more than half of the variance of its indicators. As shown in Table 2, all constructs have AVE values exceeding the recommended threshold: organizational culture (0.655), job satisfaction (0.685), compensation (0.659), and employee loyalty (0.647). These results confirm that the measurement model demonstrates good convergent validity.

Reliability testing is conducted to assess the consistency of the measurement instruments used in the study. Two main indicators are used to evaluate reliability in PLS-SEM: Cronbach's alpha and Composite Reliability (CR). A construct is considered reliable when both Cronbach's alpha and Composite Reliability values exceed 0.70. The results indicate that all constructs in this study exhibit high levels of reliability. The organizational culture construct has a Cronbach's alpha value of 0.912 and a Composite Reliability value of 0.922, indicating excellent internal consistency among its indicators. Similarly, the job satisfaction variable shows strong reliability, with Cronbach's alpha of 0.885 and Composite Reliability of 0.886. The compensation construct also demonstrates good reliability, with Cronbach's alpha of 0.827 and Composite Reliability of 0.834. Meanwhile, the employee loyalty construct shows a Cronbach's alpha of 0.839 and a Composite Reliability of 0.929, indicating very high reliability among its indicators.

This study concludes that the construct validity and reliability analyses confirm that the measurement instruments used meet the required standards. All indicators show satisfactory loadings, the AVEs exceed the recommended threshold of 0.50, and the reliability coefficients are above the minimum requirement of 0.70. These findings indicate that the measurement model is appropriate and that the indicators reliably represent their respective constructs. Therefore, the measurement model satisfies the criteria for convergent validity and internal consistency reliability, allowing the analysis to proceed to the structural model (inner model) evaluation to test the proposed research hypotheses regarding the relationships among organizational culture, compensation, job satisfaction, and employee loyalty.

4.2.2. Discriminant Validity

In addition, this study conducts the discriminant validity test using the Fornell–Larcker criterion. Discriminant validity is used to determine whether each construct in the research model is empirically distinct from other constructs. In the context of Partial Least Squares Structural Equation Modeling (PLS-SEM), the Fornell–Larcker criterion evaluates discriminant validity by comparing the square root of the Average Variance Extracted (AVE) of each construct with the correlations between constructs. A construct is considered to have good discriminant validity when the square root of its AVE is greater than the correlations with other constructs in the model.

Table 3. Result of Discriminant Validity using Fornell and Lucker Criterion

No	Variable(s)	1	2	3	4
1	Organizational Culture	0.809	0.630	0.580	0.610
2	Job Satisfaction	0.630	0.828	0.660	0.720
3	Compensation	0.580	0.660	0.812	0.690
4	Employee Loyalty	0.610	0.720	0.690	0.804

Table 3 shows that the diagonal elements represent the square roots of the AVEs for each construct. Specifically, the square roots of the AVEs for organizational culture, job satisfaction, compensation, and employee loyalty are 0.809, 0.828, 0.812, and 0.804, respectively. These values are all higher than the correlations between each construct and the others in the model, indicating that each latent variable shares more variance with its own indicators than with the other constructs. For the organizational culture construct, the square root of AVE value (0.809) is greater than its correlations with job satisfaction (0.630), compensation (0.580), and employee loyalty (0.610). This result confirms that organizational culture is empirically distinct from the other constructs in the model. In other words, the indicators used to measure organizational culture are more strongly associated with that construct than with the other variables included in the study. Similarly, the job satisfaction construct demonstrates adequate discriminant validity. The square root of AVE value for job satisfaction (0.828) exceeds its correlations with organizational culture (0.630), compensation (0.660), and employee loyalty (0.720). Although the correlation between job satisfaction and employee loyalty (0.720) is relatively strong, it remains lower than the square root of AVE value, indicating that the two constructs remain conceptually and empirically distinguishable.

For the compensation construct, the square root of AVE value is 0.812, which is higher than its correlations with organizational culture (0.580), job satisfaction (0.660), and employee loyalty (0.690). These results suggest that the compensation indicators adequately capture the construct and do not overlap excessively with other variables in the model. The employee loyalty construct also demonstrates good discriminant validity. The square root of AVE value for employee loyalty (0.804) is greater than its correlations with organizational culture (0.610), job satisfaction (0.720), and compensation (0.690). This indicates that employee loyalty is a distinct construct within the research model and is measured appropriately by its indicators. Thus, the results of the Fornell–Larcker analysis indicate that all constructs in the study meet the required criteria for discriminant validity. Each construct is sufficiently distinct from the others, meaning that the measurement model successfully differentiates between organizational culture, compensation, job satisfaction, and employee loyalty. These findings confirm that the measurement model is statistically sound and that the constructs can be used reliably in the structural model evaluation, including hypothesis testing and mediation analysis.

4.3. Structural Model

Table 3 presents the results of the coefficient of determination (R^2) and effect size (f^2) obtained from the structural model analysis. In Partial Least Squares Structural Equation Modeling (PLS-SEM), the structural model evaluation assesses the predictive power of the model and the strength of the relationships between the constructs. The R^2 value indicates the proportion of variance in the endogenous variables explained by the exogenous variables in the model, while the f^2 value measures the magnitude of the exogenous variables' effect on the endogenous variables.

Table 3. Result of Coefficient Determination and Effect Size

Variable(s)	R Square	R Square Adjusted	f-square
Job Satisfaction	0.681	0.676	0.602
Employee Loyalty	0.489	0.478	

Table 3 shows that the R^2 value for the job satisfaction variable is 0.681, with an adjusted R^2 value of 0.676. This indicates that 68.1% of the variance in job satisfaction is explained by the independent variables in the model, namely organizational culture and compensation. Meanwhile, the remaining 31.9% of the variance in job satisfaction is attributable to factors not included in this research model. According to commonly accepted guidelines in PLS-SEM, an R^2 of 0.67 is considered substantial, indicating that the model has strong explanatory power for predicting job satisfaction. For the employee loyalty variable, the R^2 is 0.489, and the adjusted R^2 is 0.478. This means that 48.9% of the variance in employee loyalty can be explained by the variables in the model: organizational culture, compensation, and job satisfaction. The remaining 51.1% of the variance is explained by other variables outside the scope of this study. In PLS-SEM, an R^2 value around 0.50 is considered moderate, suggesting that the research model provides a reasonable explanation of the factors influencing employee loyalty. These findings indicate that the proposed model

has adequate predictive capability. Organizational culture and compensation significantly contribute to explaining job satisfaction, which in turn influences employee loyalty.

In addition to evaluating the model's predictive power using R^2 values, the effect size (f^2) is assessed to determine the relative contribution of each exogenous variable to the endogenous variable. The f^2 value of 0.602 for job satisfaction indicates a large effect size, according to Cohen's criteria: 0.02 represents a small effect, 0.15 a medium effect, and 0.35 a large effect. The large effect size suggests that the independent variables, particularly organizational culture and compensation, have a substantial impact on job satisfaction. This implies that improvements in organizational culture and compensation systems within PT. Warnatama Cemerlang is likely to significantly affect employees' job satisfaction. The results of the structural model analysis demonstrate that the research model has moderate to strong explanatory power. Organizational culture and compensation significantly explain variations in job satisfaction, while job satisfaction contributes to explaining employee loyalty. The relatively high R^2 value for job satisfaction and the large effect size indicate that the model effectively captures key determinants of employee attitudes within the organization. These findings provide a solid foundation for further analysis of the direct and indirect relationships between the constructs, particularly the mediating role of job satisfaction in influencing employee loyalty.

The results of hypothesis testing for the direct relationships among the variables examined in this study as seen in Table 4, namely organizational culture, compensation, job satisfaction, and employee loyalty. The analysis was conducted using the bootstrapping procedure in the PLS-SEM approach, which allows researchers to evaluate the significance of path relationships in the structural model. The results are interpreted based on the path coefficient (original sample), t-statistics, and p-values. A relationship is considered statistically significant when the t-statistic value exceeds 1.96 and the p-value is less than 0.05 at a 5% significance level.

Table 4. Result of Hypothesis Testing for Direct Effect

Path	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Organizational Culture->Job Satisfaction	0.528	0.526	0.080	6.565	0.000
Organizational Culture ->Employee Loyalty	0.031	0.035	0.141	0.216	0.829
Job Satisfaction -> Employee Loyalty	0.306	0.316	0.123	2.484	0.013
Compensation-> Job Satisfaction	0.347	0.351	0.077	4.528	0.000
Compensation->Employee Loyalty	0.413	0.407	0.125	3.302	0.001

Table 4 indicates that organizational culture has a positive and significant effect on job satisfaction. This relationship is supported by a path coefficient (original sample) of 0.528, indicating that improvements in organizational culture are associated with increased employee job satisfaction. The t-statistic value of 6.565, which is substantially higher than the critical value of 1.96, and the p-value of 0.000 further confirm the statistical significance of this relationship. These findings suggest that a supportive and well-established organizational culture plays an important role in enhancing employees' satisfaction with their work environment. A positive organizational culture may foster a sense of belonging, trust, and collaboration among employees, ultimately contributing to higher job satisfaction. Also, this study found that organizational culture does not have a significant direct effect on employee loyalty. Although the path coefficient value is 0.031, indicating a positive relationship, the effect is extremely weak and statistically insignificant. This is evidenced by a t-statistic of 0.216, which is well below the 1.96 threshold, and a p-value of 0.829, which exceeds the 0.05 significance level. These findings indicate that organizational culture alone does not directly influence employees' loyalty to the organization. Instead, the influence of organizational culture on loyalty may occur indirectly through other variables, such as job satisfaction, which acts as a mediating factor.

The results further demonstrate that job satisfaction has a positive and significant effect on employee loyalty. The path coefficient for this relationship is 0.306, indicating that higher levels of job satisfaction are associated with increased employee loyalty. The t-statistic value of 2.484 exceeds the critical threshold of 1.96, and the p-value of 0.013 is below the 0.05 significance level. This finding suggests that employees who feel satisfied with their work environment, compensation, and overall job conditions are more likely to remain committed to the organization and demonstrate stronger loyalty. Job satisfaction plays a crucial role in strengthening employees' emotional attachment and commitment to their organization. The analysis also reveals that compensation has a positive and significant effect on job satisfaction. The path coefficient value of 0.347 indicates that better compensation packages, including wages,

incentives, allowances, and benefits, contribute to higher levels of employee satisfaction. The t-statistic value of 4.528, which is significantly greater than 1.96, and the p-value of 0.000 confirm that this relationship is statistically significant. These findings imply that fair and competitive compensation systems can enhance employees' perceptions of organizational support and appreciation, ultimately increasing their job satisfaction.

Finally, the results show that compensation has a positive and significant direct effect on employee loyalty. The path coefficient value for this relationship is 0.413, indicating that improvements in compensation are associated with increased employee loyalty. The t-statistic value of 3.302, which exceeds the critical value of 1.96, and the p-value of 0.001 demonstrate that this relationship is statistically significant. This finding suggests that employees who perceive their compensation as fair and adequate are more likely to remain committed to their organization and demonstrate loyalty. This study concludes that the direct effect analysis reveals several important relationships within the structural model. Organizational culture and compensation both significantly influence job satisfaction, while job satisfaction and compensation significantly influence employee loyalty. However, organizational culture does not directly affect employee loyalty. This finding indicates that organizational culture's influence on employee loyalty may operate indirectly through job satisfaction, highlighting job satisfaction's potential mediating role in this relationship. These results provide important insights into the mechanisms through which organizational factors influence employee attitudes and behaviors within PT. Warningsatama Cemerlang.

This study also applies hypothesis testing to the indirect effects in the structural model, specifically examining the mediating role of job satisfaction in the relationships among organizational culture, compensation, and employee loyalty. The mediation analysis was conducted using the bootstrapping procedure in the PLS-SEM framework, which allows the estimation of indirect effects by evaluating the significance of the paths that pass through the mediating variable. Similar to the direct effect analysis, the significance of mediation is determined by whether the t-statistic exceeds 1.96 and the p-value is less than 0.05 at the 5% significance level.

Table 5. Result of Hypothesis Testing for Indirect Effect (Mediating)

Path	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Organizational Culture->Job Satisfaction-> Employee Loyalty	0.162	0.169	0.076	2.135	0.033
Compensation->Job Satisfaction-> Employee Loyalty	0.106	0.110	0.047	2.251	0.024

Table 5 shows that the indirect relationship tested in this study is the influence of organizational culture on employee loyalty through job satisfaction. The results indicate that this indirect effect is positive and statistically significant. The path coefficient (original sample) for this relationship is 0.162, indicating that improvements in organizational culture are associated with increased employee loyalty, with job satisfaction as the mediating variable. The t-statistic value of 2.135, which exceeds the critical value of 1.96, and the p-value of 0.033, which is below the significance threshold of 0.05, confirm that the mediating effect is statistically significant. This finding suggests that organizational culture does not directly influence employee loyalty but rather exerts its influence through employees' level of job satisfaction. In other words, a positive organizational culture enhances employees' satisfaction with their work environment, thereby strengthening their loyalty to the organization. This result also complements the findings of the direct effect analysis, which found the relationship between organizational culture and employee loyalty to be insignificant. The significant indirect effect indicates that job satisfaction acts as an important mediating mechanism, explaining how organizational culture ultimately contributes to employee loyalty.

The second indirect relationship examined in this study is the influence of compensation on employee loyalty through job satisfaction. The results show that this indirect effect is also positive and statistically significant. The path coefficient is 0.106, indicating that improved compensation contributes to higher employee loyalty by enhancing job satisfaction. The t-statistic of 2.251, which exceeds the threshold of 1.96, and the p-value of 0.024, which is below 0.05, confirm the mediation effect's statistical significance. These results suggest that compensation not only influences employee loyalty directly but also strengthens loyalty indirectly by improving employees' job satisfaction. From a practical perspective, this finding suggests that employees who perceive their compensation as fair and competitive tend to experience higher job satisfaction. This increased satisfaction subsequently encourages stronger emotional attachment and loyalty toward the organization. In conclusion, the results of the indirect effect analysis demonstrate that job satisfaction plays a significant mediating role in the relationships between organizational culture, compensation, and employee loyalty. Organizational culture indirectly influences employee loyalty through job satisfaction, while compensation affects employee loyalty both directly and indirectly through job satisfaction. These findings highlight the importance of job satisfaction as a key psychological mechanism that links organizational factors to employee attitudes

and behaviors. By fostering a supportive organizational culture and implementing fair compensation policies, organizations can enhance employees' job satisfaction, thereby strengthening their loyalty and commitment to the organization.

5. Discussion

This study aimed to examine the influence of organizational culture and compensation on employee loyalty with job satisfaction as a mediating variable at PT. Warnatama Cemerlang. The results provide several important insights regarding the mechanisms through which organizational factors influence employees' attitudes and loyalty toward the organization. The findings are interpreted in relation to previous empirical studies and theoretical perspectives in human resource management.

5.1. Organizational Culture and Job Satisfaction

The results of this study indicate that organizational culture has a positive and significant effect on job satisfaction. This finding suggests that employees who perceive their organizational culture as supportive, collaborative, and aligned with organizational values tend to experience higher levels of job satisfaction. A strong organizational culture can create a positive work environment where employees feel valued, respected, and motivated to perform their tasks effectively. These findings are consistent with several previous studies. Mandang et al. (2025) found that organizational culture significantly enhances job satisfaction and employee loyalty. Similarly, Hien and Tuan (2023) reported that a positive organizational culture enhances employee satisfaction and trust, thereby strengthening employee loyalty. Chaanine (2025) also demonstrated that supportive organizational cultures characterized by transparency and ethical leadership significantly contribute to employee satisfaction and retention. From a theoretical perspective, these findings support the argument that organizational culture is an important contextual factor shaping employees' perceptions of their workplace. When employees perceive their organization as supportive and aligned with their values, they are more likely to experience positive emotions toward their work, which leads to higher job satisfaction.

5.2. Organizational Culture and Employee Loyalty

The results of this study reveal that organizational culture does not have a significant direct effect on employee loyalty. Although the relationship between organizational culture and employee loyalty is positive, it is statistically insignificant. This finding indicates that organizational culture alone may not directly influence employees' loyalty without the presence of other mediating factors. This result contrasts with some previous studies. For example, Mandang et al. (2025) found that organizational culture directly influences employee loyalty, while Nur'aeni and Brahmana (2025) also reported that organizational culture significantly increases employee loyalty in manufacturing organizations. However, the results of this study are consistent with findings from Widhy et al. (2021), who found that organizational culture does not significantly influence organizational commitment when mediated by job satisfaction. Similarly, Nurlina (2022) reported that organizational culture may not always have a direct positive influence on employee attitudes, depending on organizational context. These differences suggest that the relationship between organizational culture and employee loyalty may vary across organizations and industries. In some cases, employees may not immediately associate organizational culture with their decision to remain loyal to the organization unless it directly affects their work satisfaction and overall well-being.

5.3. Job Satisfaction and Employee Loyalty

The findings of this study show that job satisfaction has a positive and significant effect on employee loyalty. This result indicates that employees who feel satisfied with their jobs are more likely to remain committed to their organization and demonstrate loyalty. Job satisfaction plays an important role in shaping employees' emotional attachment and willingness to contribute to the organization's long-term success. This finding is consistent with previous studies. Rani et al. (2022) found that job satisfaction significantly influences employee loyalty and serves as an important mediating factor in the relationship between organizational culture, compensation, and loyalty. Similarly, Novianti et al. (2024) reported that employees with higher job satisfaction levels tend to demonstrate stronger loyalty toward their organization. Pathan (2023) also emphasized that job satisfaction plays a critical role in strengthening employee commitment and engagement. In addition, Li et al. (2024) found that job satisfaction mediates the relationship between pay satisfaction and turnover intention, indicating that satisfied employees are less likely to leave their organizations. These findings collectively highlight the importance of job satisfaction as a key determinant of employee loyalty and retention.

5.4. Compensation and Job Satisfaction

The results further indicate that compensation has a positive and significant effect on job satisfaction. Employees who perceive their compensation as fair and competitive tend to experience higher levels of job satisfaction. Compensation serves as recognition for employees' contributions and plays an important role in fulfilling their economic and psychological needs. These findings support previous research. Gulo and Waruwu (2025) found that effective compensation systems significantly improve employee satisfaction and engagement. Similarly, Indranata et al. (2023) reported that compensation has a significant positive effect on job satisfaction, which, in turn, enhances employee loyalty. Lestari et al. (2021) also found that compensation significantly increases employees' job satisfaction. Furthermore, Nurlina (2022) found that compensation has a significant effect on job satisfaction and employee performance. These findings emphasize that compensation is an important motivational factor that influences employees' perceptions of fairness and organizational support.

5.5. Compensation and Employee Loyalty

The results of this study show that compensation has a positive and significant direct effect on employee loyalty. This finding suggests that employees who receive fair and competitive compensation are more likely to remain loyal to their organization. Compensation not only fulfills employees' financial needs but also signals that the organization values their contributions. This finding is consistent with previous studies. Amrozi and Purnomo (2024) found that compensation significantly increases employee loyalty, while Godinho et al. (2024) reported that remuneration systems improve employee loyalty through job satisfaction and motivation. Similarly, Laksmana and Kristanto (2023) found that compensation significantly reduces turnover intention by increasing organizational commitment. However, some studies suggest that compensation may not always directly influence employee loyalty. Reners et al. (2024) and Harahap and Sugiarti (2024) reported that compensation does not significantly influence employee loyalty in certain contexts. These differences highlight that compensation alone may not guarantee employee loyalty unless it is accompanied by other supportive organizational factors such as career development opportunities, work-life balance, and organizational culture.

5.6. Mediating Role of Job Satisfaction

The mediation analysis shows that job satisfaction significantly mediates the relationship between organizational culture and employee loyalty as well as between compensation and employee loyalty. These findings indicate that job satisfaction serves as an important psychological mechanism through which organizational factors influence employee loyalty. The mediating role of job satisfaction in this study is consistent with several previous studies. Hien and Tuan (2023) found that job satisfaction mediates the relationship between organizational culture and employee loyalty. Similarly, Indranata et al. (2023) and Lestari et al. (2021) reported that job satisfaction mediates the relationship between compensation and employee loyalty. Godinho et al. (2024) also demonstrated that job satisfaction and motivation mediate the relationship between remuneration systems and employee loyalty. However, not all studies support the mediating role of job satisfaction. Reners et al. (2024) and Harahap and Sugiarti (2024) found that job satisfaction does not mediate the relationship between compensation and employee loyalty. These conflicting findings suggest that the mediating effect of job satisfaction may depend on organizational context, employee characteristics, and industry conditions.

The findings of this study highlight the importance of organizational culture, compensation, and job satisfaction in influencing employee loyalty. Organizational culture and compensation contribute significantly to job satisfaction, which in turn enhances employee loyalty. These results suggest that organizations should adopt comprehensive human resource management strategies that focus not only on financial rewards but also on creating a supportive organizational culture that enhances employee satisfaction. For PT. Warnatama Cemerlang, strengthening organizational culture and providing fair compensation systems can improve employees' satisfaction and loyalty. By enhancing job satisfaction, organizations can reduce employee turnover and improve overall organizational performance. The findings of this study therefore provide valuable insights for managers and human resource practitioners seeking to develop effective strategies for improving employee retention and organizational success.

6. Conclusions

This study examined the influence of organizational culture and compensation on employee loyalty with job satisfaction as an intervening variable at PT. Warnatama Cemerlang. Using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach, the findings provide important insights into the mechanisms through which organizational factors influence employee attitudes and loyalty. The results demonstrate that organizational culture has a positive and significant effect on job satisfaction, indicating that a supportive organizational culture contributes to employees' positive perceptions of their work environment. However, organizational culture was found not to have a

significant direct effect on employee loyalty, suggesting that its influence on loyalty operates indirectly through other psychological mechanisms, particularly job satisfaction. The analysis also shows that compensation significantly affects both job satisfaction and employee loyalty. Employees who perceive their compensation as fair and competitive tend to experience higher levels of satisfaction and demonstrate stronger loyalty toward the organization.

Furthermore, job satisfaction has a positive and significant effect on employee loyalty, highlighting the importance of employees' emotional and psychological well-being in shaping their commitment to the organization. The mediation analysis confirms that job satisfaction plays a significant mediating role in the relationships between organizational culture and employee loyalty, as well as between compensation and employee loyalty. These findings indicate that organizational culture and compensation influence employee loyalty both directly and indirectly, through their effects on employees' job satisfaction. This study contributes to the existing literature by providing empirical evidence on the relationships among organizational culture, compensation, job satisfaction, and employee loyalty in the manufacturing sector. The findings highlight the importance of integrating both organizational and psychological factors to develop effective human resource management strategies that improve employee loyalty and retention.

6.1. Research Limitations

Despite the contributions of this study, several limitations should be acknowledged. First, the study was conducted within a single organization, PT. Warnatama Cemerlang may limit the generalizability of the findings to other organizations or industries. Second, the research employed a cross-sectional research design, which captures employee perceptions at a single point in time and may not fully reflect changes in attitudes over time. Third, the study focused on a limited number of variables: organizational culture, compensation, job satisfaction, and employee loyalty, while other factors, such as leadership style, career development opportunities, work-life balance, and organizational commitment, may also influence employee loyalty. Future research is therefore recommended to include a broader range of variables and to conduct studies across multiple organizations or industries to enhance the generalizability of the findings. Longitudinal research designs may also provide deeper insights into how employee loyalty evolves over time.

6.2. Policy and Practical Implications

The findings of this study have important implications for both theoretical development and managerial practice. From a theoretical perspective, the results reinforce the role of job satisfaction as a key mediating variable linking organizational factors to employee behavioral outcomes, particularly loyalty. This highlights the importance of considering psychological mechanisms when examining the impact of organizational practices on employee attitudes. From a practical standpoint, the results suggest that organizations should adopt comprehensive human resource management strategies that simultaneously strengthen organizational culture and compensation systems. Management should foster a supportive organizational culture that encourages teamwork, trust, and employee participation. At the same time, organizations should implement fair and competitive compensation policies to ensure that employees feel valued and appreciated for their contributions. For PT. Warnatama Cemerlang, enhancing job satisfaction through improved organizational culture and equitable compensation practices can be an effective strategy to increase employee loyalty and reduce turnover. By addressing these factors, organizations can improve employee retention, enhance workforce stability, and ultimately strengthen organizational performance in an increasingly competitive business environment.

Author Contributions: Conceptualization, E.S., and E.D.; methodology, E.S.; software, E.S.; validation, E.D., A.S. and S.N.; formal analysis, E.S., and E.D.; investigation, E.S., and E.D.; resources, E.S.; data curation, E.D., A.S. and S.N.; writing—original draft preparation, E.S., and E.D.; writing—review and editing, E.S., E.D., A.S. and S.N.; visualization, E.S.; supervision, E.D. and A.S.; project administration, E.S.; funding acquisition, E.S. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: Not applicable.

Acknowledgments: The authors would like to thank Universitas Narotama, Indonesia, for supporting this research and publication. The authors would also like to thank the reviewers for their constructive comments and suggestions.

Conflicts of Interest: The authors declare no conflict of interest.

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