

# The Influence of Working Conditions on Employee Performance Through Employee Retention at PT. Socfindo Labuhanbatu Utara Perkebunan Aek Natas

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**Abstract.** This research aims to find out how working conditions influence employee performance through employee retention. The population of this study consisted of all permanent employees of PT Socfindo Labuhanbatu Utara Perkebunan Aek Natas, the sample was determined using Non Probability Sampling with the Slovin method. Data was collected from 400 respondents with the criteria of PT Socfindo employees who had worked 10-15 years and then analyzed using SEM PLS. The results of this study found that working conditions have a significant and positive influence on employee performance, working conditions have a significant and positive influence on employee retention, employee retention has a significant and positive influence on employee performance and employee retention mediates the relationship between working conditions and performance. employee. The findings of this research have several important implications for practitioners and academics. For practitioners, companies need to create positive working conditions to improve employee performance and employee retention. For academics, it is necessary to conduct further research on the role of other factors that can influence employee retention, such as leadership, organizational culture, and work-life balance.

**Keywords:** Working Conditions, Employee Performance and Employee Retention.

## I. Introduction

Indonesia, with an area of 1.905 million km<sup>2</sup>, is one of the countries that has the largest number of business companies. According to data from the state statistics office, Indonesia has 4,226,873 micro-scale firms as of right now (BPS Indonesia, 2024), and it is the country with the greatest number of 2,591 startups globally (Data Startup, 2024). Thus, Indonesia clearly has extraordinary potential in developing business and overcoming the challenges that arise as a result so that it can compete with various other businesses in the field.

Development and intense competition in the business world in the VUCA era experienced a volatile market situation and then developed rapidly (Niehaus & Mocan, 2024). For this reason, each company is required to have human resources that can be competitive and superior, both in the fields of trade, agriculture, fisheries, animal husbandry and other business fields.

The primary objective of human resources is to create and retain an efficient workforce that can meet the demands of the business inside the organization. Experienced employees are considered as a valuable resource. When this is accomplished, effective HR can give the company a competitive edge. Moreover, enhancing HR within the organization can boost business performance and have an impact on the company's growth and survival (Klepić, 2022).

One of the regions in Indonesia with the largest rubber producer is North Sumatra in North Labuhanbatu Regency. North Labuhanbatu is an area suitable for rubber and oil palm farming because the climate and soil support the growth of these plants (BPS Kabupaten Labuhanbatu Utara, 2023).

The largest and most well-known PT operating in North Labuhanbatu is PT Socfindo. PT Socfindo is a leading oil palm and rubber plantation company, this business also distributes premium planting materials and offers agronomy and analytical laboratory services in addition to palm oil and rubber products and has been established since 7 December 1930 (Disnakerja, 2022).

Implementing and achieving the vision and mission of PT Socfindo is a high company value of PT Socfindo. This value is what differentiates PT Socfindo from other businesses in the same industry. Furthermore, These principles become firm guidelines for all human resources in the company when working to achieve the company's goals and objectives.

The increasingly complex and selective employee recruitment process at PT Socfindo means that each individual who nominates will undergo various tests and training. This shows that PT Socfindo has its own values and ways of accepting its employees. The most important thing needed for Socfindo employees is physical strength, optimal and diligent work, because the main job is physical work.

Facts in the field show that all employees are obliged to complete their work and work optimally, especially for regular and daily field employees. Difficult work conditions and locations cannot be used as an excuse to postpone work, let alone be lazy. The phenomenon that occurs also shows that the number of holidays given to employees is very small. The phenomenon in the field also reveals that employees are required to work on Sundays and the number of holidays given is relatively small, even though employees are given cash wages of 100,000 on Sundays, this is still an interesting thing for researchers, because

employees definitely need rest time. Additionally, the average tenure of employees at PT Socfindo is between 20 and 25 years, which is one of the reasons why the company's leadership encourages employees to work hard and make an effort to keep them on board.

However, the fact is that in the field there are still employees who are not disciplined in their work, such as being late for work, missing work, there are even employees who throw the extracted sap into the river, and do not collect the sap in difficult tree locations so it is difficult for the deres foreman to reach them. . Researchers also found that several employees were found deliberately coming to the treatment room on the grounds that they were tired from work, so that they could rest in the treatment room and not work but their salaries were not deducted.

Thus, this research can be useful in efforts to determine the influence of working conditions on employee performance through employee retention. For this reason, in an effort to optimize employee performance, PT Socfindo needs to know the factors that influence it, such as working conditions and employee retention (Yuanita Toendan, 2022). In this research, we will examine how working conditions can influence employee performance, working conditions can also influence employee retention, and employee retention influences employee performance. Then employee retention can mediate working conditions on employee performance.

Working conditions refer to everything around the worker that can influence him in carrying out the assigned tasks, including the work location, air, security, noise, heat, time pressure, workload and emotional demands (Zhou et al., 2024). The environment and work conditions can also help in improving employee performance, in other words, this will definitely positively influence employee performance, according to research (Efawati, 2020), (Ratna Komala Putri, 2023), (Huang et al., 2021), (Mehtab Hameed, Junaid Jahangir, 2023) and (Zhou et al., 2024). that working conditions have no effect on employee performance.

Researchers found in the field that working conditions are closely related to comfort, employees will perform better at work if the working conditions they receive are good and comfortable. However, the Company's demands require employees to continue working in good and bad conditions. They are required to complete their work according to the time specified whether the conditions of the work received are not good. However, researchers found that a number of workers received help from their families to complete their work on time. Usually with help when pressing, extracting or removing rubber. Thus, it is clear that there is a gap between the actual situation in the field and the company's hopes and ideals.

Employee retention is defined as the percentage of workers who stay with the company. Companies view employee retention as a tactic to keep their employees competitive (W. J. Prasetyo et al., 2023). Effective and efficient strategies in an effort to retain employees will improve employee performance, this means that employee retention has a positive effect on employee performance as per research conducted by (Pandey. U, 2023) and (Ariawan, 2022). However, this is different from research conducted by (I. Prasetyo et al., 2021) and (Ayudo & Budiono, 2023) that employee retention has a negative effect and has no effect on employee performance. In retaining its employees, PT Socfindo applies a SKU system (General Work Conditions). Employees who have SKU usually become permanent employees and are entitled to receive a monthly salary, annual bonus and holiday allowances in quite large amounts.

Based on the phenomena and research gaps stated above, researchers are interested in conducting further research with the title research on the influence of working conditions on employee performance through employee retention at PT Socfindo Labuhanbatu Utara Perkebunan Aek Natas.

## **II. Literature Review**

### ***Concept of Working Condition***

According to (Robbins, 2022) work conditions refer to the physical, social and organizational environment in which individuals do their work. These working conditions can influence several indicators, (Robbins, 2022) also explains working conditions as a force that comes from outside so that it has the ability to influence performance in the organization.

Working conditions are divided into two things, physical working conditions and non-physical working conditions. There are various ways to measure the physical work environment, including air temperature, workspace safety, and mobility space. Meanwhile, a number of variables, including the relationship between employees and their superiors, co-workers and subordinates, can be used to measure the non-physical work environment (Robbins, 2022). To ensure that workers can carry out their work efficiently and safely, companies must pay attention to working conditions both inside and outside the office. Good or fair working conditions are conditions that enable employees to do their work as effectively, safely, healthily and comfortably as possible (Siegel et al., 2022) and (Jeske, 2022). On the other hand, poor working conditions have a negative impact on company performance (Ngo-henha, 2024).

**Concept of Employee Performance**

Performance is the act of working and the results obtained from that work. The performance of a workforce can be evaluated to ensure that they have worked hard and given everything they have in accordance with the company's goals and targets (Dessler, 2022).

Employee performance is the work result achieved by the employee when carrying out the tasks and responsibilities he or she carries out at work. This performance can be measured qualitatively or quantitatively (Afrin et al., 2023), (Rudi Andika & Susetyo Darmanto, 2020) and (Sepdunha et al., 2023). Meanwhile, according to (Robbins, 2022), performance dimensions and indicators that can be measured are quantity, quality, speed of time and independence. Thus, employee performance is like the bricks that build an organization. The stronger the individual performance, the stronger the organization will achieve its goals and success (Ghulam, 2023).

**Concept of Employee Retention**

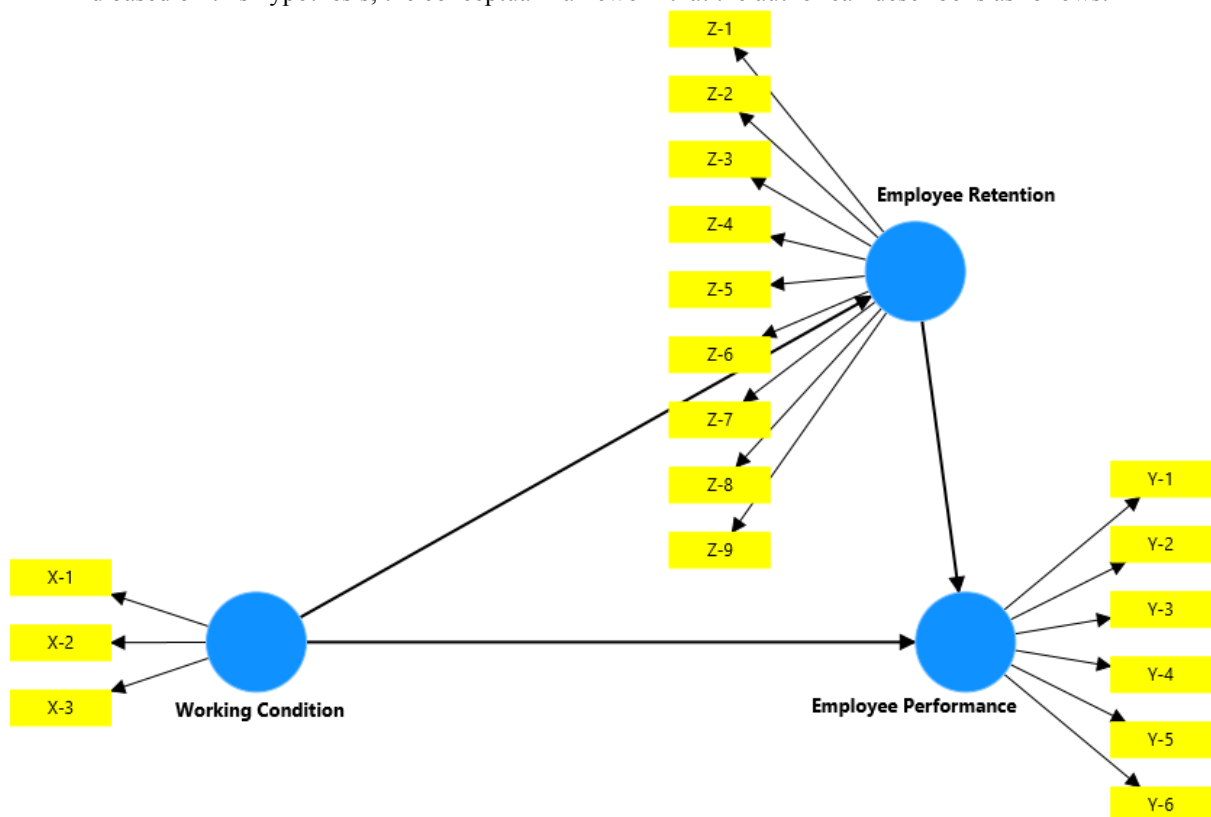
Employee retention according to (Robbins, 2022) is a company's efforts to retain valuable and high-performing employees in the long term. Employee retention is also described as an ongoing process to create a positive work environment and motivate employees to remain loyal and positive towards the company. Robbins emphasizes that employee retention is not just about preventing turnover, but also about developing talent and improving employee performance.

The main goal of employee retention is to avoid losing quality workers and reducing business productivity (I. Prasetyo et al., 2021). In fact, employee retention is the responsibility of everyone in the company, from senior leaders to front-line supervisors. By working together, companies can create an attractive workplace that can also motivate employees to stay with the company in the long term.

Be Based on the literature review above, the hypothesis developed in this research is:

- H1 : The influence of working conditions on employee performance
- H2 : The influence of working conditions on employee retention
- H3 : The effect of employee retention on employee performance
- H4 : The effect of working conditions on employee performance is mediated by employee retention

And based on this hypothesis, the conceptual framework that the author can describe is as follows:



**III. Research Method**

This research includes research using quantitative methods and SEM Smart PLS software as a data analysis tool. The measurement of variable indicators in this research uses an interval scale, then the indicators are used as a guide in collecting instrument items in the form of statements and then respondents answer them. The study's population consisted of all PT Socfindo employees, non-probability sampling was utilized to select 400 plantation workers with 10–15 years of experience at PT Socfindo Perkebunan Aek Natas, based on estimates made using the Slovin formula:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{979}{1 + 979 \times 5^2}$$

$$n = \frac{979}{1 + 979 \times 0,0025}$$

$$n = \frac{979}{1 + 2,4475}$$

$$n = 400$$

#### IV. Results and Discussion

##### RESEARCH RESULTS

A quantitative method approach was used for the analysis of this research, along with SEM-PLS for hypothesis testing and descriptive analysis. The author uses various models and analytical techniques to test research findings, including evaluation of measurement models, evaluation of structural models and assessment of the suitability and goodness of models to determine the results of the hypotheses constructed and to produce information about phenomena and problems that the author investigates outside the field.

##### A. Evaluation of the Measurement Model

The variables of employee performance, working conditions and employee retention are all measured reflectively in the reflective measurement paradigm of this research, and the measurement model in this research is included in an effective reflective measurement model consisting of loading factor > 0.70, composite reliability > 0.70, Cronbach's alpha > 0.50 and average variance extracted (AVE) > 0.50 as well as evaluation of discriminant validity in the form of Fornell and Larcker criteria as well as HTMT (Heterotrait Monotrait Ratio) below 0.90 and cross loading.

After carrying out the analysis, the results of loading factor, composite reliability, Cronbach's alpha and average variance extracted (AVE) are known as in Table 1.1 below:

**Table 1.1 Outer Loading, Composite Reliability, Average Variance Extracted**

Variabel	Measurement Items	Indikator	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Working Conditions	KP 1	Workplace security	0.955	0.929	0.954	0.875
	KP 2	Employee relationship with superiors	0.957			
	KP 3	Employee relations with employees and subordinates	0.892			
Employee performance	KK 1	Speed in work	0.745	0.968	0.954	0.869
	KK 2	Ability to achieve targets	0.974			
	KK 3	Neatness in work	0.980			
	KK 4	Work result	0.977			
	KK 5	Employee attendance	0.971			
	KK 6	Responsibility	0.924			
Employee Retention	RK 1	Mark	0.925	0.971	0.975	0.810
	RK 2	Culture	0.931			
	RK 3	Wages	0.941			
	RK 4	Bonus	0.940			
	RK 5	Allowance	0.893			
	RK 6	Training	0.895			
	RK 7	Career development	0.859			
	RK 8	Job responsibilities	0.853			
	RK 9	Work flexibility	0.859			

Three valid measurement items with outer loadings between 0.892 and 0.955 are used to measure the working conditions variable, indicating that the measurement of working conditions is validly reflected by the three measurement items. As demonstrated by Cronbach's alpha and composite reliability above 0.70 (reliable) or internal consistency being satisfied, the level of reliability is likewise adequate. The AVE score of  $0.875 > 0.50$  indicates a level of convergence that satisfies the conditions for good convergent validity.

Among the three measurement items, items KP 1 and KP 2 have the highest outer loading, namely 0.955 and 0.957, meaning that the two measurement items related to workplace safety and employee relationships with superiors have gone very well at PT Socfindo Perkebunan Aek Natas. Working conditions greatly reflect how safe the workplace is and the employee's relationship with his superiors. Thus, the question items for KP 1 and KP 2 are very good and need to be maintained, but the question items for KP 3 which are in the good category still need to be accelerated to be improved.

With outer loading ranging from 0.745 to 0.980, the six measurement items that measure the employee performance variable are valid and accurately represent the performance of the employees at PT Socfindo Perkebunan Aek Natas. As demonstrated by Cronbach's alpha and composite reliability above 0.70 (reliable) or internal consistency being satisfied, the level of reliability is likewise adequate. The AVE score of  $0.869 > 0.50$  indicates a level of convergence that satisfies the conditions for good convergent validity.

Among these measurement items, KK 3 and KK 4 items have the highest outer loading, namely 0.980 and 0.977, meaning that these two measurement items are related to neatness in work and work results have gone very well at PT Socfindo Perkebunan Aek Natas. So employee performance is reflected in terms of neatness, work and employee work results. Therefore, the question items KK 3 and KK 4 are stated to have worked very well and need to be maintained. And question items KK 1, KK 2, KK 5, KK 6, KK 7, KK 8, KK 9 in the good category need to be accelerated and improved.

Nine valid measurement items with an outside loading of 0.853 to 0.941 are used to measure the employee retention variable. This indicates that the measurement items accurately reflect employee retention. As demonstrated by Cronbach's alpha and composite reliability above 0.70 (reliable) or internal consistency being satisfied, the level of reliability is likewise adequate. The AVE score of  $0.810 > 0.50$  indicates a level of convergence that satisfies the conditions for good convergent validity.

Among these measurement items, items RK 3 and RK 4 have the highest outer loading, namely 0.941 and 0.940, meaning that the two measurement items related to salary and bonuses have worked very well. So employee retention is very much reflected in employee salaries and bonuses at PT Socfindo Perkebunan Aek Natas. Thus, the RK 3 and RK 4 question items are stated to have worked very well and need to be maintained. And for question items RK 1, RK 2, RK 5, RK 6, RK 7, RK 8, RK 9 in the good category, further improvement and acceleration is needed.

Furthermore, after measuring using loading factor, composite reliability, Cronbach's alpha and average variance extracted (AVE), discriminant validity testing is carried out, the aim of which is to ensure that the data in this study is valid and correctly measures what should be measured, so this test Discriminant validity in this research was carried out by looking at three criteria, namely the Fornell and Lacker test, HTMT and Cross loading.

**Tabel 1.2 Fornell dan Lacker**

	<b>Employee Performance</b>	<b>Working Condition</b>	<b>Employee Retention</b>
Employee performance	0.932		
Working Condition	0.855	0.935	
Employee Retention	0.874	0.749	0.900

The first step in evaluating discriminant validity in this study was to review the criteria based on Fornell and Lacker. The method of evaluating a model that ensures the variables are theoretically distinct and validated through empirical and statistical testing is called discriminant validity. The AVE root of the variable must be greater than the correlation between the variables, according to Fornell and Lacker's decision making criteria. The employee performance variable has an AVE root (0.932), a greater correlation with working conditions (0.855) and a greater correlation with employee retention (0.874). Thus, these results indicate that the discriminant validity of employee performance variables is met. Likewise, the job conditions variable has a greater AVE root (0.935) and has a greater correlation with employee retention (0.749), thus the variable discriminant in the job conditions variable is fulfilled.

**Tabel 1.3 HTMT**

	<b>Employee Performance</b>	<b>Working Condition</b>	<b>Employee Retention</b>
Employee performance			
Working Condition	0.891		
Employee Retention	0.889	0.762	

For SEM models, HTMT is a very helpful method to ensure discriminant validity. With measurements via HTMT, researchers can be sure that the variables studied can measure different concepts. As (Hair et al., 2019) recommends, an accurate and good value is below 0.90. From the test results in Table 1.3 above, it is concluded that the variables in this study separate the variation of measurement items into items that measure them more strongly compared to dividing the variance into other variable items where the test results show the HTMT value in below 0.90, which means this shows that discriminant validity in this research has been fulfilled or achieved. In this way, employee performance variables and working conditions are two different concepts so this research is worthy of further research.

Next is testing discriminant validity with cross loading. Evaluation of cross loading criteria for decision making is that the cross loading of indicators must be smaller than the correlation between constructs. After carrying out the analytical calculations, the following results are known in Table 1.4 below.

**Tabel 1.4 Cross Loading**

	<b>Employee Performance</b>	<b>Working Condition</b>	<b>Employee Retention</b>
X-1	0.733	0.955	0.613
X-2	0.737	0.957	0.613
X-3	0.892	0.892	0.830
Y-1	0.745	0.932	0.629
Y-2	0.974	0.778	0.853
Y-3	0.980	0.772	0.853
Y-4	0.977	0.768	0.849
Y-5	0.971	0.770	0.826
Y-6	0.924	0.759	0.859
Z-1	0.838	0.694	0.925
Z-2	0.730	0.626	0.931
Z-3	0.726	0.618	0.941
Z-4	0.723	0.621	0.940
Z-5	0.665	0.595	0.893
Z-6	0.672	0.604	0.895
Z-7	0.915	0.742	0.859
Z-8	0.859	0.746	0.853
Z-9	0.855	0.748	0.859

Finally, testing discriminant validity is by looking at the criteria in cross loading. After conducting the test analysis, based on the research test results contained in Table 1.4 above, it is known that the correlation value of the job condition variable has a higher correlation with the job condition variable and a lower correlation with other variables. Thus, the job condition variable really measures the job condition variable and low measures other variables. Therefore, this research has met the criteria for discriminant validity and is worthy of further research.

#### **B. Structural Model Evaluation**

Structural model evaluation is defined as testing the hypothesis of the influence between the variables in the research. And the evaluation of the structural model is carried out in several stages, the first is by carrying out a multicollinearity test using the Inner VIF test. The decision making process is if the Inner VIF value is <5 then there will be no symptoms of multicollinearity in this study.

The next step involves comparing variables to test the hypothesis by checking the statistical value, or p-value. There is a significant influence between variables if the calculated t statistical result is greater than 1.96 (t table) or the p-value of the test findings is less than 0.05. Then proceed with the path coefficient confidence interval, path coefficient significance test, and f square effect size (direct and

mediation effects). And the third is the f square value, namely the direct influence at the structural level with the criteria (f square 0.02 low, 0.015 moderate and 0.35 high (Hair et al., 2019). As well as the f square mediation effect called upsilon  $\nu$  by squaring the mediation coefficient, where 0.02 is low, 0.075 is medium and 0.175 is high (Ogbeibu et al., 2021) and (Lachowicz et al., 2018).

Before testing the structural model hypothesis, it is best to test multicollinearity between variables based on the inner VIF statistic. The decision making process is that if the inner VIF value is  $<5$  then it is stated that there are no symptoms of multicollinearity. As in the test results in Table 1.5 below

**Tabel 1.5 Inner VIF**

	<b>Employee Performance</b>	<b>Employee Retention</b>
Employee performance		
Working Condition	2.280	1.000
Employee Retention	2.280	

After testing and data analysis, it is known that the inner VIF value is  $<5$ , so this research has no symptoms of multicollinearity and the level of multicollinearity between variables is low, Thus, the results of this study strengthen the parameter estimation results in SEM PLS, so this research is declared to be robust (not biased).

After carrying out multicollinearity testing based on the Inner VIF value, the next step is hypothesis testing. After testing the hypothesis, the following results were found.

**Tabel 1.6 Hypothesis Testing (Direct Influence)**

Hipotesis	Path Coefficient	p-value	95% Interval Kepercayaan Path Coefficient		f square
			Upper Limit	Lower Limit	
H1. Work Condition --> Employee Performance	0.456	0.000	0.357	0.554	0.633
H2. Work Condition --> Employee Retention	0.749	0.000	0.695	0.801	1.280
H3. Employee Retention --> Employee Performance	0.533	0.000	0.440	0.625	0.863

Through the results of hypothesis testing in Table 1.6 above, several important conclusions can be stated, namely:

1. The first hypothesis (H1), which states that working conditions have a statistically significant impact on employee performance, is accepted. The p-value ( $0.000 < 0.05$ ) and the path coefficient magnitude (0.456) support this claim, meaning that for every 1% improvement in working conditions, employee performance will rise by 0.456%. In the meantime, the range of 0.357 to 0.554 represents the 95% confidence interval for the impact of working environment on raising employee performance. The f square value of 0.633 indicates that, thus, the presence of working circumstances has had a very significant influence in enhancing employee performance at PT Socfindo Perkebunan Aek Natas.
2. Accepted is the second hypothesis (H2), which states that working conditions have a significant impact on employee retention. This impact is demonstrated by the p-value statistic ( $0.000 < 0.05$ ) and has a path coefficient of 0.751%, which indicates that a 1% change in working conditions will result in an increase in employee retention of 0.751%. The range of 0.695 to 0.801 is the 95% confidence interval for the impact of working conditions on employee retention. Additionally it can also be concluded that working conditions in increasing employee retention have had a very high influence (f square = 1.280).
3. The third hypothesis (H3), which states that employee retention significantly affects performance, is accepted. This is supported by the p-value statistic ( $0.000 < 0.05$ ) and the path coefficient of 0.532%, which indicates that a 1% change in retention will nevertheless result in an increase in performance of 0.532%. The range of 0.440 to 0.625 is the 95% confidence interval for the relationship between staff retention and performance. Additionally, it can be said that improving working conditions has had a significant impact on raising staff retention (f square = 0.863).

**Tabel 1.7 Hypothesis Testing (Mediation Effect)**

Hipotesis	Path Coefficient	p-value	95% Interval Kepercayaan Path Coefficient		Upsilon v
			Upper Limit	Lower Limit	
H4. Working Condition --> Employee Retention --> Employee Performance	0.399	0.000	0.333	0.468	0.159

Based on the results of testing the mediation effect hypothesis above, it is known that the fourth hypothesis (H4) is accepted where employee retention is significant and plays a mediating role in working conditions on employee performance with a mediation path coefficient (0.399) and p-value (0.000 < 0.05). In the 95% confidence interval, the influence of working conditions on employee performance which is mediated by employee retention is between 0.333 to 0.468. It can also be concluded that working conditions in improving employee performance mediated by employee retention have had a high influence (Upsilon v = 0.159) and need to be maintained.

**C. Evaluation of Model Goodness and Suitability**

PLS is a variance-based SEM analysis with the aim of testing model theory which focuses on prediction studies. Therefore, several measures were developed to state that the proposed model is acceptable, such as R Square, Q Square, SEMR, PLS prediction (Hair et al., 2019) and Goodness of Fit Index (Sarstedt et al., 2020) and (Henseler & Sarstedt, 2013) as well as checking the robustness of the model using linearity, endogeneity and heterogeneity tests (Hair et al., 2019).

**Tabel 1.7 R Square dan Q Square**

	R Square	Q Square
Employee Performance	0.856	0.730
Employee Retention	0.561	0.558

A statistical measure known as R Square shows how much the independent variables in a model explain the variability observed in the dependent variable. Stated differently, R Square indicates the degree to which the constructed model is able to predict the value of the dependent variable. As stated by (W. W. Chin, 1998) that the R Square interpretation value is 0.19 (low influence), 0.33 (medium influence) and 0.66 (high influence). As seen in Table 1.7 above, it is known that the joint influence of working conditions on employee performance is 85.6% (high influence) and also the magnitude of the influence of working conditions moderated by employee retention on employee performance is 56.1% (close to high).

A metric called Q Square shows how predictively relevant a PLS-SEM model is. In other words, Q Square assesses the model's capacity to predict new values that were not included in its construction. However, according to (Hair et al., 2019), the quantitative interpretation of the Q Square value is that 0 is categorized as low, 0.025 as medium, and 0.50 as high. A Q Square value above 0 implies that the model has productive relevance. The employee performance variable's Q Square value is 0.730 > 0.50 (high prediction accuracy), and the employee retention variable's value is (0.558 > 0.50), based on the data processing findings mentioned above. For these reasons, it can be said that the prediction accuracy is good.

**Tabel 1.8 SRMR**

	Taksiran Model
SRMR	0.11

Standardized Root Mean Residual is known as SRMR. In research, SRMR is also known as the difference between the data correlation matrix and the model estimate correlation matrix. It is also referred to as a measure of model fit. With the SRMR value of 0.11, it is possible to conclude that the empirical data in this study can explain the influence between the variables in the model based on the analytical results in Table 1.8 above, where this value is according to (Hair, et. al, 2022) and also (W. Chin et al., 2020) stated that SRMR values above 0.10 indicate that the linear regression model is quite fit and good, however, Hair and Chin suggest that SRMR values below 0.10 are better and preferred.

**Tabel 1.9 GoF Index**

Rerata Communalitiy	Rerata R Square	GoF Index
1.830	0.710	0.775

The Goodness of Fit Index (GoF Index) evaluates measurement models and structural models in research with the aim of making predictions. The Goodness of Fit Index (GoF Index) evaluates measurement models and structural models in research (Henseler & Sarstedt, 2013). This is a comprehensive model evaluation (Hair et al., 2019). Only a reflective measurement model can be used to measure this GoF Index, namely by multiplying the root of the average geometric communalitiy by the average R Square which can be used to calculate this GoF index. After analysis and calculations, it is known that the GoF Index value is 0.775 > 0.36, indicating that the interpretation of this value is



relatively high and this model is also in accordance with the data, according to the analysis results in Table 1.9 above. As stated by (Wetzels, et. al, 2009) the values are 0.1 (low), 0.25 (medium), and 0.36 (high).

**Tabel 2.0 PLS Predict**

Indikator	Model PLS		Model LM	
	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE
Y-1	0.461	0.349	0.237	0.049
Y-2	0.710	0.414	0.581	0.245
Y-3	0.716	0.419	0.586	0.254
Y-4	0.727	0.422	0.598	0.258
Y-5	0.718	0.412	0.624	0.280
Y-6	0.723	0.400	0.564	0.237
Z-1	0.785	0.509	0.713	0.406
Z-2	0.841	0.561	0.786	0.516
Z-3	0.846	0.560	0.787	0.522
Z-4	0.846	0.559	0.789	0.527
Z-5	0.860	0.598	0.813	0.579
Z-6	0.850	0.591	0.802	0.570
Z-7	0.759	0.496	0.600	0.270
Z-8	0.730	0.505	0.618	0.325
Z-9	0.728	0.504	0.621	0.333

Based on the PLS Predict table above, it is known that the PLS SEM RMSE model starts from Y-1, Y-2, Y-3, Y-4, Y-5, Y-6, Z-1, Z-2, Z-3, Z-4, Z-5, Z-6, Z-7, Z-8, Z-9 and the PLS SEM MAE Model from Y-1 to Y-6 have higher values compared to the LM RMSE Regression Model Y-1 to Y-6, Z-1 to Z-9 and PLS SEM MAE from Y-1 to Y-6. So it can be concluded that the PLS SEM model has low predictive power (Hair et al., 2019).

**Tabel 2.1 Linearity Test**

Efek Kuadrat	Path Coefficient	P-value	Information
QE (Employee Retention) --> Employee Performance	0.60	0.029	Linearity is not met
QE (Work Condition) --> Employee Performance	-0.16	0.583	Linearity is met
QE (Employee Performance) --> Employee Retention	0.19	0.545	Linearity is met

One of the important phases in the SEM-PLS analysis process is the linearity test. The validity and reliability of the model still depend on the assumption of linearity, even though SEM-PLS is a more flexible approach than other approaches. Research can create a more reliable and accurate SEM-PLS model by conducting appropriate linearity tests. So the linearity test in this study was also carried out. This test is also included in the model robustness section in SEM PLS (Hair et al., 2019). The examination carried out was by testing the quadratic form of the variable (QE = quadratic effect). Based on the processing results, the form of retention on employee performance is significant and non-linear as indicated by the P-value < 0.05, but the quadratic form of work conditions on employee performance and work conditions on employee retention are not significant so they have a linear nature, in other words linearity is fulfilled, which is indicated by the P-Value statistical value > 0.05 (0.583 and 0.545), so based on these results the linearity properties are more fulfilled, so the research model is declared to be fulfilled (robust) based on the linearity test.

**Tabel 2.3 Uji Endogeneity**

Efek Kuadrat	Path Coefficient	P-value	Keterangan
GC (Employee Retention) --> Employee Performance	0.109	0.019	Endogeneity is not met
GC (Work Condition) --> Employee Performance	-0.041	0.493	Endogeneity is met
GC (Employee Performance) --> Employee Retention	0.126	0.116	Endogeneity is met

After carrying out linearity testing, the next thing that must be done is endogeneity testing. The examination carried out in the endogeneity test in this study was by testing the quadratic form of the variable (GC = Gaussian Copula). Based on the processing results, the Gaussian form of retention on employee performance is significant and non-linear as indicated by the P-value  $< 0.05$  (0.019), however the Gaussian form of work conditions on employee performance and work conditions on employee retention are not significant so they have endogeneity properties. (fulfilled endogeneity) which is indicated by a P-Value value  $> 0.05$  (0.493 and 0.116), so based on the results of this test, more endogeneity properties are fulfilled and it can be concluded that this research model is fulfilled (robust) based on the endogeneity test.

After that, the final test in this research to find out the evaluation of the goodness and suitability of the mode is the FIMIX PLS test. This test needs to be carried out in SEM PLS analysis which aims to ensure that the conclusions in the research are unbiased and correct. FIMIX PLS was carried out after carrying out various analyzes with a model determining if the P-Value value was  $> 0.05$  (good and acceptable model) (Hair, et al., 2019). Based on the processing results, the following results were obtained:

**Tabel 2.4 Heterogeneity Test**

	<b>1 Segmen</b>	<b>2 Segmen</b>
AIC (Akaike's information criterion)	1.176.155	-632.676
AIC3 (modified AIC with Factor 3)	1.181.155	-621.676
AIC4 (modified AIC with Factor 4)	1.186.155	-610.676
BIC (Bayesian information criterion)	1.196.113	-588.770
CAIC (consistent AIC)	1.201.113	-577.770
HQ (Hannan-Quinn criterion)	1.184.059	-615.289
MDL5 (minimum description length with factor 5)	1.315.942	-325.146
LnL (LogLikelihood)	-583.078	327.338
EN (normed entropy statistic)	0.000	0.991
NFI (non-fuzzy index)	0.000	0.996
NEC (normalized entropy criterion)	0.000	3.777

The estimation results of the PLS model with 2 segmentation show that the AIC, AIC3, AIC4, BIC, CAIC, HQ, MDL5 values are lower than the 1 segment PLS model and indicate the existence of heterogeneity in the structural model. The respondent segments on the influence of working conditions on employee performance with the mediation of employee retention are divided into 2 segments. Segment 1 consists of 50.2% of respondents and segment 2 consists of 49.8% of respondents.

#### **RESEARCH DISCUSSION**

Evaluation of the measurement model in this research is based on outer loading and composite reliability, the value is  $> 0.70$ , while for Cronbach alpha and AVE the value is  $> 0.50$ , so the convergent validity requirements are well met. Then evaluate the measurement model based on discriminant validity with Fornell and Lacker, it is known that the root of AVE  $>$  correlation between variables means that the discriminant variables, both employee performance, working conditions and employee retention, are met. The discriminant variable with HTMT is known for all variable HTMT values  $< 0.90$ , so the discriminant validity is achieved. Finally, evaluate the measurement model based on variable discrimination with cross loading. The decision making criteria are that the cross loading of indicators must be smaller than the correlation between constructs. Based on the research results, it is known that the correlation value of the work conditions variable has a higher correlation with the work conditions variable and a lower correlation with other variables. Thus, the job By using R Square data processing to assess the goodness and suitability of the model, we can determine that working conditions have a joint influence of 85.6% (high influence) on employee performance, and the magnitude of the influence of working conditions on employee performance moderated by employee retention is 56.1% (near high). Furthermore, the findings of Q Square data processing show that the employee performance variable has a Q Square value of 0.730  $> 0.50$  (high prediction accuracy) and the employee retention variable has a value of 0.558  $> 0.50$ . This value is also categorized as high prediction accuracy (Hair et al., 2019).

Based on SRMR analysis data, it is known that the empirical data in this research can explain the influence between variables in the model with the resulting SRMR value being 0.11, this value is according to (Hair, et. al, 2022) and also (W. Chin et al., 2020) states that an SRMR value above 0.10 indicates that the linear regression model is quite fit and good. Furthermore, based on the results of the GoF Index analysis, the GoF Index value was 0.775  $> 0.36$ , so the interpretation of the value is classified as high and this model fits the data. As (Wetzels, et. al, 2009) 0.1 (low), 0.25 (medium), and 0.36 (high).

Next is the linearity test, based on the processing results, the form of retention on employee performance is significant and non-linear as indicated by the P-value  $< 0.05$ , but the quadratic form of work conditions on employee performance and work conditions on employee retention are not significant so they have similar characteristics. linear (linearity is fulfilled) which is indicated by a P-Value value  $> 0.05$  (0.583 and 0.545), so from these results the linearity characteristic is more fulfilled and it is stated that the research model is fulfilled (robust). Based on the data processing results of the endogeneity test analysis, the Gaussian form of retention on employee performance is significant and non-linear as indicated by the P-value  $< 0.05$  (0.019), but the Gaussian form of work conditions on employee performance and work conditions on employee retention is not significant so that has endogeneity characteristics (fulfilled endogeneity) which is indicated by a P-Value value  $> 0.05$  (0.493 and 0.116), so from these results the endogeneity properties are more likely to be fulfilled and it is stated that this research model is fulfilled (robust).

After carrying out various evaluations of the measurement model and ensuring that the evaluation analysis of the goodness and suitability of the model in this research is fulfilled and can be used, the next step is hypothesis testing. Before evaluating the structural model hypothesis, it is best to first test the multicollinearity as seen through the Inner VIF value. If the Inner VIF value is below or smaller than 5 then the research is said to have no symptoms or multicollinearity does not occur. After carrying out the analysis, it was discovered that the Inner VIF value in this study was  $< 5$ , so this study did not experience symptoms of multicollinearity in it, so the level of multicollinearity in this study was also stated to be low. So, these results strengthen the concept in SEM PLS that the SEM PLS parameters in this research are robust (not biased).

#### ***The Effect of Working Conditions on Employee Performance***

The first hypothesis (H1) which states that working conditions have a statistically significant effect on employee performance is accepted. This is proven by the statistical p-value ( $0.000 < 0.05$ ) and the path coefficient (0.456) supporting this hypothesis, which means that performance will increase for every 1% increase in working conditions by 0.456%. Meanwhile, the f square value of 0.633 shows that the presence of a work environment has a very significant influence in improving employee performance at PT Socfindo Perkebunan Aek Natas. This strengthens the conclusion that working conditions have a significant influence on employee performance at PT Socfindo Perkebunan Aek Natas. This research strengthens previous research (Efawati, 2020), (Ratna Komala Putri, 2023), (Huang et al., 2021), (Mehtab Hameed, Junaid Jahangir, 2023) which stated that Working conditions influence employee performance.

The results of this research also have a significant impact on PT Socfindo Perkebunan Aek Natas. It is important for companies to prioritize employee well-being by providing adequate work space, creating a pleasant work atmosphere, and offering tailored training programs. Companies can achieve their goals and improve employee performance in this way.

#### ***The Effect of Working Conditions on Employee Retention***

According to the second hypothesis (H2) in this study, working circumstances have a big impact on employee retention. Furthermore, the p-value statistic ( $0.000 < 0.05$ ) and the magnitude of the effect with a path coefficient of 0.751%, which indicates that a 1% change in working circumstances will result in a 0.751% rise in employee retention, supported the acceptance of the second hypothesis (H2). The range of 0.695 to 0.801 is the 95% confidence interval for the impact of working conditions on employee retention. Additionally, it can be said that improving working conditions has had a significant impact on raising staff retention (f square = 1.280). The f square value of 1.280 suggests that employee retention is highly influenced by working circumstances, these findings are supported and in line with research conducted by (Kiran et al., 2023).

Understanding good employee retention by providing a positive work environment will result in employees staying in their jobs. So work conditions/work environment influence employee retention (Mehtab Hameed, 2023).

Based on the findings in this research, there are many significant consequences for both academics and practitioners. These results imply that, for practitioners, it is important to create a supportive work environment to increase staff retention. This can be achieved by providing competitive salaries and benefits, opening doors for professional growth, and fostering a positive work atmosphere. These results suggest to researchers that further investigation is needed to fully understand how work conditions influence employee retention.

#### ***The Effect of Employee Retention on Employee Performance***

The third research hypothesis (H3) which states that employee retention has a significant effect on performance can be accepted. The p-value statistic is 0.000 and this value is smaller than 0.05, so it shows that the influence is real, then the magnitude of the path coefficient effect is 0.532%, which shows that every change in employee retention of 1% will result in an increase in employee retention of 0.532%. The range of 0.440 to 0.625 is the 95% confidence interval for the relationship between employee retention and performance. Apart from that, it can be said that improving working conditions has a

significant and very high impact on increasing employee retention as seen from the f square value of 0.863. The findings in this research confirm previous research from (Pandey. U, 2023) and (Ariawan, 2022) which shows a positive relationship between employee retention and employee performance.

As the results of this research show, working conditions have a very high influence on employee retention, with an f square value of 0.863. This result then means that working conditions are the main determining factor in increasing employee retention. This finding is in line with previous research which shows that positive working conditions, such as competitive salaries, adequate benefits, a conducive work environment, and career development opportunities, can increase employee retention. As (Dessler, 2022) emphasizes the importance of competitive compensation and benefits in attracting and retaining talented employees.

This research provides strong empirical evidence that employee retention has a positive and significant influence on employee performance. Positive and supportive working conditions are a key determining factor in increasing employee retention. Therefore, organizations need to focus on effective employee retention strategies to improve employee performance and achieve overall organizational goals.

This research can be expanded by examining other factors that can influence employee retention, such as leadership, organizational culture, and work-life balance. Future research could also examine the specific ways that organizations increase employee retention and measure their impact on employee performance and other organizational outcomes.

#### ***The Effect of Working Conditions on Employee Performance is Mediated by Employee Retention***

The results obtained based on testing the mediating effect hypothesis on the fourth hypothesis (H4) were declared accepted, meaning that employee retention has a significant and positive influence and also plays a mediating role in working conditions on employee performance as evidenced by the mediation path coefficient statistical value of 0.399 and the p-value (0.000). < 0.05). The impact of the work environment on employee performance which is mediated by employee retention ranges from 0.333 to 0.468 at the 95% confidence interval. It can also be concluded that working conditions in improving employee performance mediated by employee retention have had a high influence (Upsilon  $\nu$  = 0.159) and need to be maintained. These findings support previous literature (Ridwan et al., 2022), (Hassanein et al., 2024) (Saavana Kumar, 2020) which shows that employee retention is an important factor in improving employee performance and has a positive influence.

The findings in this study indicate that the key factor that influences the relationship between working conditions and employee performance is employee retention. Satisfied workers will be more devoted to their company and show greater loyalty, both of which can increase output.

There are many significant consequences of this research for the research company and academia as well. These results suggest that organizations should concentrate on creating a positive and healthy work environment or working circumstances in order to increase employee performance and retention. Naturally, this may be accomplished by putting into practice a number of sensible tactics, such providing competitive pay and benefits, opening up professional progression prospects, and fostering a positive work atmosphere. Furthermore, these results suggest that more research is necessary to completely comprehend how employee retention affects the connection between working conditions and employee performance.

#### **V. Conclusion**

There are many important findings from this research, firstly this research shows that working conditions significantly and positively influence employee performance. This shows that to improve employee performance, companies, especially PT Socfindo Perkebunan Aek Pamingke, must consider and improve working conditions for their employees. Second, employee retention is significantly and positively influenced by working conditions. This shows that to increase employee retention, PT Socfindo must provide a supportive work environment or working conditions. Third, employee performance is significantly and positively influenced by employee retention. This shows that to improve performance, companies must concentrate on efficient employee retention plans. The influence between working conditions and employee performance is mediated by employee retention, indicating that the key factor influencing the relationship between working conditions and employee performance is employee retention.

The findings of this research have several important implications for practitioners and academics. For practitioners, companies first need to create positive working conditions to improve employee performance and employee retention. This can be done by using the most effective strategies and methods within the Company, such as providing competitive compensation and benefits, providing work space and opportunities and employee career development, and not forgetting to create supportive working conditions and a healthy work environment. Both companies need to focus on effective employee retention strategies to improve their performance. This can be done by developing attractive employee retention programs, such as reward and recognition programs, training and development programs, and work-life balance programs. For academics, first, further research needs to be done on the role of other factors that can influence employee retention, such as leadership, organizational culture and work-life balance. Second,

future research needs to be conducted on the specific ways organizations use to increase employee retention and measure the impact on employee performance and other organizational outcomes.

Recommendations for further research, this research can be expanded by examining several things by paying attention to and considering various other factors that can influence employee retention, such as leadership, organizational culture, and work-life balance. Then don't forget the specific ways organizations use to increase employee retention and measure the impact on employee performance and other organizational results. Or also the effect of employee retention on other variables, for example job satisfaction, organizational commitment, organizational culture, self-efficacy, discipline and also employee turnover.

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