



Work Performance: Loyalty Approach and Promotion Contribution

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Abstract

This study is a concept that aims to see the influence of employee loyalty on employee work performance both directly and indirectly by placing job promotion variables as intervening. This study was conducted at PT Prima Karya Manunggal located in Pangkep Regency, South Sulawesi, with a sample size of 85 respondents, all of whom are permanent employees at the company. This study is a quantitative research study using independent variables, dependent variables, and intervening variables, which overall function to measure and explain work performance. Data collected through questionnaires were processed using Smart PLS 4 which was used to see direct and indirect effects with a path analysis approach. The results of this study indicate that the condition of employee loyalty is able to influence work performance at PT Prima Karya Manunggal, this shows that loyalty directly or through job promotion will encourage the creation of employee achievement. Likewise for job promotion, it can be an intervening and explain its relationship with employee work performance. The findings in this study indicate that loyalty is an important capital in maintaining, caring for, and also improving the work performance expected of employees. In addition, the important role of the company in providing conditions that guarantee job promotions is a key that can further improve the performance of each employee.

Keywords

Work Performance, Job Promotion, Loyalty, HR Management

1. Introduction

In an increasingly competitive business world, employee loyalty is one of the key factors that determines the long-term success of a company. Loyal employees not only show a high commitment to the company, but also tend to work more productively, proactively, and have a greater level of involvement in achieving organizational goals. Research by Meyer and Allen (2020) states that employee loyalty is part of organizational commitment which consists of three main components, namely affective, normative, and sustainable. Employees with high loyalty tend to stay in the company not because of need, but because of a strong emotional attachment to the company, as well as the belief that the company provides them with opportunities to develop.

However, maintaining employee loyalty amidst increasingly tight industrial competition is not easy. One of the challenges faced by many companies, including PT Prima Karya Manunggal in Pangkep Regency, is the high turnover rate caused by low employee satisfaction regarding job promotions. Unclear or unfair job promotions often cause employees to feel unappreciated, which ultimately results in a decrease in their loyalty and work performance. Based on

an internal report in 2023 from PT Prima Karya Manunggal, it was found that 40% of employees expressed dissatisfaction with the existing job promotion system, which they considered non-transparent and tended to provide limited opportunities.

Job promotion is one of the important elements in human resource management. Dessler (2020) stated that promotion is not only seen as a form of appreciation for employee contributions, but also as a motivational tool that encourages employees to improve their performance. Employees who see the prospect of promotion in the future tend to be more motivated to work hard and strive to achieve better performance. In addition, job promotion provides an opportunity for employees to develop new skills needed to fulfill greater responsibilities in higher positions. This is in line with Herzberg's two-factor motivation theory (2011), where job promotion is considered as one of the motivating factors that can increase employee job satisfaction and motivation.

However, research on employee loyalty, job promotion, and work performance in Indonesia, especially in areas such as Pangkep Regency, is still limited. Most previous studies have focused on companies in urban areas or larger industries, while PT Prima Karya Manunggal as a company located in an area with different economic and social characteristics requires special attention. Research by Kim & Kang (2022) shows that a fair and transparent job promotion system can increase employee loyalty and have a direct positive impact on their work performance. On the other hand, Griffeth, *et al.* (2020) found that the lack of clear promotion prospects often causes employees to lose motivation and lower their work performance.

Furthermore, high employee loyalty is often directly related to increased work performance. Robbins and Judge (2021) stated that loyal employees tend to have a stronger attachment to the company, which encourages them to take initiative, show creativity, and contribute more to achieving organizational goals. Podsakoff, *et al.* (2021) also stated that employee loyalty plays an important role in increasing team productivity and encouraging more effective collaboration within the company. Loyal employees also experience less absenteeism, which ultimately has a positive impact on the efficiency and effectiveness of the company's operations. However, employee loyalty cannot be built only through long-term relationships or emotional bonds, but is also influenced by how the company provides opportunities for employees to develop. Job promotions act as one of the tools that can increase employee loyalty and work performance. Sun, *et al.* (2021) in their study stated that promotions provide a strong motivational boost for employees to continue to excel, because they see recognition of their contributions and opportunities to advance in their careers. In addition, Locke and Latham (2020) in their goal setting theory assert that setting clear goals, such as job promotions, can motivate employees to work harder and achieve better results.

However, there is a gap in research on how job promotion mediates the relationship between employee loyalty and work performance, especially in companies in areas such as Pangkep Regency. This study attempts to fill this gap by examining the role of job promotion as a mediating variable between employee loyalty and work performance at PT Prima Karya Manunggal. Several studies, such as those conducted by Kuvaas (2018), have shown that job promotion has a significant impact on strengthening the relationship between loyalty and performance. Employees who are loyal and have clear promotion prospects tend to work harder and strive to achieve higher expectations from the company. This study is expected to provide practical contributions to the management of PT Prima Karya Manunggal in designing more transparent and fair promotion policies, as well as strengthening employee loyalty in order to improve overall organizational performance. In addition, this study is also expected to provide academic contributions in the development of human resource management theory, especially in the relationship between employee loyalty, job promotion, and work performance in the local industrial sector.

2. Literature Review

1.1 Loyalty

Employee loyalty refers to the long-term commitment of employees to the company, where they feel emotionally attached and wants to remain part of the company. Meyer and Allen (2020) developed a theory of organizational commitment that includes three main dimensions: affective, normative, and continuance commitment. Mowday, *et al.* (1979) also stated that employee loyalty is related to the degree of individual involvement in organizational values and the desire to actively contribute to the achievement of company goals. Loyal employees tend to have higher retention rates and show better productivity. In this context, employee loyalty is very important because it affects not only employee retention but also their motivation to excel and help the company achieve its goals. Podsakoff, *et al.* (2021) added that employee loyalty is positively correlated with increased productivity and operational efficiency in the company.

1.2 Job Promotion

Job promotion is one of the main tools in human resource management used to motivate employees and reward their contributions to the company. According to Noe, *et al.* (2021), job promotion is a formal recognition of an employee's performance and potential to hold greater responsibilities within the organization. This promotion provides employees with the opportunity to develop professionally and improve their skills. Herzberg's two-factor theory of motivation (2011) supports the idea that promotion is one of the main motivating factors that can increase employee job satisfaction. Promotion provides employees with the opportunity to gain greater responsibility and higher recognition, which serves as a significant boost in increasing work motivation. In addition, Locke and Latham (2020) through Goal Setting Theory

state that job promotion can be considered as a clear and measurable goal by employees. When employees know that their efforts can lead to a promotion, they are more likely to work hard to achieve those goals. This is also supported by Vroom (1964) in Expectancy Theory, which asserts that employees will be more motivated when they believe that their efforts will result in good performance and, ultimately, rewards such as promotions.

1.3 Work Performance

Robbins and Judge (2021) stated that work performance is influenced by factors such as motivation, competence, work environment, and support from management. They stated that employees who have high motivation and adequate support from the company are more likely to show good work performance. Research by Kuvaas (2018) also highlighted that loyal and motivated employees tend to have higher work performance. Vroom's Expectancy Theory (1964) explains that employees will work harder if they believe that their efforts will be appreciated and produce the desired results. In the context of work performance, rewards such as job promotions are often a motivator for employees to achieve higher performance. Locke and Latham (2020) in Goal Setting Theory also show that work performance can increase when employees have clear and challenging goals. These goals help employees focus on higher achievements and are motivated to give their best performance.

In this study, the concentration on the relationship between loyalty and employee performance is mediated by job promotion. Therefore, this study further develops a research framework and hypotheses that will be answered as follows:

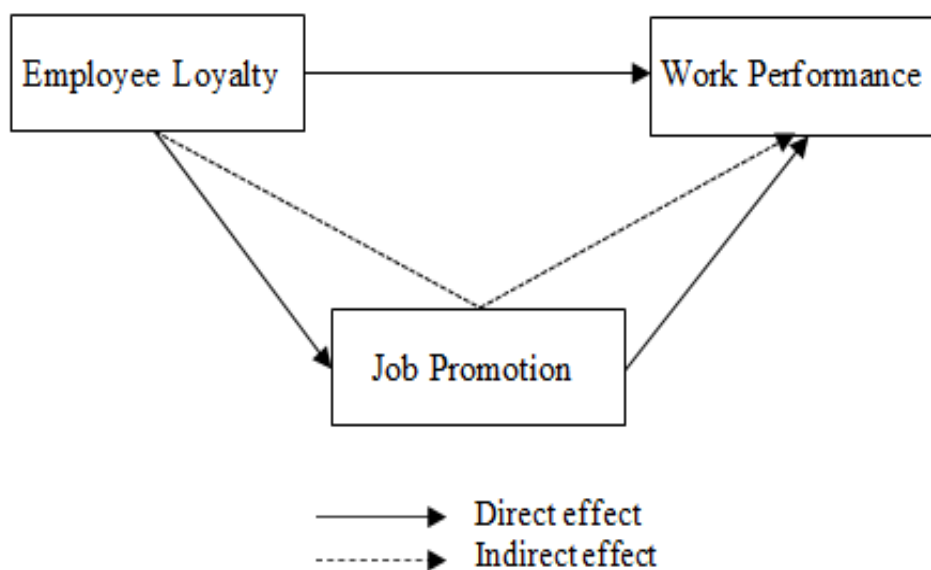


Fig. 1 Research Framework

The developed research framework explains the direct relationship with a straight line that matches the arrow, while the indirect relationship is explained with a dotted line that connects employee loyalty, job promotion and also employee work performance. Overall, this research finally encourages the birth of a hypothesis that needs to be completed, namely the following models:

- H1:** It is suspected that employee loyalty has a positive and significant influence on work performance
- H2:** It is suspected that employee loyalty has a positive and significant influence on job promotion
- H3:** It is suspected that job promotion has a positive and significant influence on work performance
- H4:** It is suspected that employee loyalty has a positive and significant influence on work performance through job promotion

3. Methods

This study uses a quantitative approach with the aim of analyzing the effect of employee loyalty on work performance, with job promotion as a mediating variable at PT Prima Karya Manunggal, Pangkep Regency. The research design used is descriptive causal, to explain the causal relationship between the variables studied. This study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS as a data analysis tool. All data obtained from the questionnaire were processed using SmartPLS. PLS-SEM was chosen because of its advantages in handling data with small to medium sample sizes and its ability to test complex models involving many latent variables and indicators. Data processing with SmartPLS includes testing the outer model and inner model, as well as hypothesis testing. Hypothesis testing in this study was carried out using t-statistics obtained from bootstrapping results. The t-statistic value is used to test the significance of the path coefficient between the independent variables, mediating variables, and dependent variables. The hypothesis is considered accepted if the t-value ≥ 1.96 and p-value < 0.05 , which indicates a significant influence between the tested variables.

4. Findings

This study was conducted on 85 employees at PT Prima Karya Manunggal with data collection techniques using questionnaires distributed directly, both online and offline systems. The results of filling out the questionnaire were processed on SmartPLS software by first looking at the outer loading value of each indicator of each variable, the results of the outer loading test can be seen in the following table:

Table 1 Outer Loading Test Results

Indicator	Job Promotion	Loyalty	Work Performance
X1.1		0.871	
X1.2		0.839	
X1.3		0.794	
X1.4		0.843	
Y1.2			0.913
Y1.3			0.922
Z1.1	0.765		
Z1.2	0.785		
Z1.3	0.772		
Z1.4	0.752		
Z1.5	0.828		
Z1.6	0.666		
Z1.7	0.508		
Z1.8	0.704		
Y1.1			0.890

Source: Processed data, 2024

Hair, *et al.* (2021) stated that for exploratory research, an outer loading value of 0.5 to 0.6 is acceptable as long as the overall construct validity such as Average Variance Extracted (AVE) still meets the recommended threshold ($AVE \geq 0.5$). This means that even though some indicators have outer loadings below 0.7, they can be maintained if the overall model is still valid. In general, all indicators of each variable, namely employee loyalty, job promotion and employee work performance, are stated to be usable with the outer loading values applied and obtained.

Furthermore, the data in this research was also tested to see the reliability and validity values, which allow each indicator used to be explained well. The Cronbach's Alpha and Composite Reliability values are above 0.7, even approaching or above 0.9, which indicates that all of these constructs have very good internal reliability. Reliability here refers to the consistency of the indicators in measuring their respective constructs. Hair, *et al.* (2021) recommends that a Composite Reliability value above 0.7 indicates strong reliability, while a value above 0.9 indicates very high consistency between indicators. A very high Composite Reliability value (above 0.9 for all constructs) and a qualified AVE (>0.5), this model has very good reliability and strong convergent validity. This shows that the indicators used to measure Employee Loyalty, Job Promotion, and Work Performance are reliable and able to explain the construct effectively.

Table 2 Validity and Reliability Test

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Job Promotion	0.871	0.885	0.899	0.531
Loyalty	0.858	0.863	0.904	0.701
Work Performance	0.894	0.896	0.934	0.825

Source: processed data, 2024

The use of validity and reliability tests shows the ability of the instrument used in answering and responding to each respondent's answer. All statement indicator items offered are seen as a whole to have maximum validity and reliability values. For this reason, hypothesis testing can be continued to see the relationship between the influences of independent variables on dependent variables which are also tested using the path analysis method which explains direct and indirect relationships. The results of the hypothesis test in this study can be seen through the following coefficient test table.

Table 3 Path Coefficients and Hypothesis Testing of Direct and Indirect Effects

Connection	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Loyalty -> Work Performance	0.543	0.527	0.117	4.657	0.000
Loyalty -> Job Promotion	0.743	0.746	0.054	13.727	0.000
Job Promotion -> Work Performance	0.277	0.291	0.106	2.623	0.009
Loyalty -> Job Promotion -> Work Performance	0.206	0.218	0.084	2.457	0.014

Source: processed data, 2024

Employee loyalty has a very significant effect on work performance, with a p-value of 0.000. High loyalty can increase employee motivation to work harder, thereby improving their overall performance. Alfes, *et al.* (2022) found that employee loyalty, which is based on commitment to the company, drives increased productivity and work performance because employees have a higher sense of responsibility towards the organization. Rhoades & Eisenberger (2021) stated that in some organizations, work performance is more influenced by perceived organizational support than loyalty. In situations where employees feel less supported, loyalty does not necessarily increase their work performance. Employee loyalty also has a very significant effect on job promotion, indicated by a p-value of 0.000, which means this effect is very statistically significant (below 0.05). High employee loyalty will increase their chances of getting a job promotion. Wright and Kehoe (2021) showed that employee loyalty, especially that based on affective and normative commitment, plays an important role in promotion decisions. Loyal employees are generally more trustworthy and are considered long-term company assets. Podsakoff, *et al.* (2021) emphasized that high loyalty is often one of the main factors influencing promotion decisions. Employees who show loyalty and commitment tend to get promoted faster because they are considered more stable and have a long tenure in the company. Gibson and Birkinshaw (2020) stated that loyalty is not always the main determinant in promotions. In some industries, promotions are based more on work results and technical competence than employee loyalty.

Job promotion has a significant effect on work performance, indicated by the p-value of 0.009, which is below 0.05. This means that employees who get promoted tend to show better performance after receiving the promotion. Dessler (2021) emphasized that promotion is one of the effective tools to motivate employees and encourage them to work better in facing new challenges and greater responsibilities. Kim & Kang (2022) argue that job promotion does not always improve employee performance. In some cases, promotions can cause additional stress or overly high expectations, which can actually reduce performance because employees are not ready for new responsibilities. Furthermore, this study shows that employee loyalty affects work performance indirectly through job promotion, with a p-value of 0.014, which means that this mediation is significant. Employee loyalty increases the chances of promotion, and the promotion in turn improves their performance. Locke and Latham (2020) in Goal Setting Theory state that promotion can be an incentive that motivates employees to work better and achieve new targets, especially for employees who have high loyalty to the organization. Kuvaas (2018) shows that employee loyalty is often a key factor contributing to job promotion, and the promotion provides additional motivation for employees to perform better. Job promotion acts as a link between loyalty and increased performance. Gibson and Birkinshaw (2020) state that in some organizations, promotion does not always act as a mediating variable between loyalty and work performance. In companies that are more based on work flexibility or individual results, promotion does not always significantly affect performance, especially if the promotion is not accompanied by sufficient support from management.

High employee loyalty reflects a strong affective, normative, and continuance commitment to the company (Meyer & Allen, 2020). When employees demonstrate high loyalty, they tend to invest more in their work and have greater dedication to the organization. Wright and Kehoe (2021) explain that employee loyalty plays an important role in promotion decisions, because loyal employees are generally considered long-term assets to the company. They are more trusted and relied upon to take on larger roles in the organizational structure, which ultimately increases the likelihood of getting a promotion. In the context of PT Prima Karya Manunggal, job promotions given based on loyalty also show that the company values loyalty as an important aspect in employee performance assessment and career development. However, in some industries that are more technically based, loyalty may not have this big of an impact (Gibson & Birkinshaw, 2020).

Employee loyalty is an important factor that can drive better work performance. Loyal employees feel a stronger emotional attachment to the company, so they are more motivated to make maximum contributions. Robbins and Judge (2021) emphasized that high employee loyalty creates a greater sense of responsibility, which in turn encourages them to work harder and more efficiently. Alfes, *et al.* (2022) also showed that employee loyalty is often associated with higher productivity because employees feel more connected to the company's goals and vision. In this study, these results are relevant to the phenomenon that occurred at PT Prima Karya Manunggal, where loyal employees tend to have higher motivation to excel, contribute more to company goals, and reduce turnover rates. Loyalty creates a stable work environment, which in turn improves individual and team performance. However, several other studies, such as Rhoades & Eisenberger (2021), show that in some cases, loyalty does not always directly contribute to performance. Other factors such as perceived organizational support can be more dominant in improving employee performance.

Job promotion is a form of appreciation given to employees for their achievements, as well as providing opportunities for them to develop professionally. Dessler (2021) explains that job promotion serves as an effective motivational tool, which encourages employees to improve their performance in higher positions. Employees who get promoted feel recognized by the company for their contributions, which increases their motivation and job satisfaction. At PT Prima Karya Manunggal, job promotions given to high-performing employees are likely to be one of the main factors that drive overall work performance improvement. Promoted employees tend to have greater responsibilities, and are thus motivated to continue working harder and achieving higher targets. This is in accordance with Locke and Latham's Goal Setting Theory (2020), which shows that clear targets and promotions provide significant motivational boosts for employees to improve their performance. However, other studies such as Kim & Kang (2022) show that in some situations, job promotions do not always improve employee performance, especially if they are not ready to face the new

challenges that come with the promotion. This can lead to stress and decreased performance if the promotion is not balanced with adequate training.

The influence of loyalty on work performance through job promotion as a mediator shows that loyal employees tend to get promoted first, and the promotion ultimately improves their performance. Kuvaas (2018) shows that employee loyalty is an important factor in promotion decisions, and after getting a promotion, employees are usually motivated to work better because they feel appreciated and have greater responsibility. At PT Prima Karya Manunggal, job promotion seems to play an important role in strengthening the relationship between employee loyalty and work performance. Promotions given to loyal employees not only serve as rewards, but also as incentives that motivate employees to achieve higher performance in the future. Locke and Latham (2020) explain that when employees have higher goals through promotion, they are more motivated to achieve the targets set by the company.

5. Conclusions

This study shows that employee loyalty, job promotion, and work performance are significantly related to each other at PT Prima Karya Manunggal. All hypotheses in this study were proven significant, with employee loyalty and job promotion playing an important role in driving increased work performance. These results are supported by a lot of literature that shows the importance of employee loyalty and job promotion as motivational factors that improve performance. However, the results of this study should also be considered in the specific context of the organization, because some studies show that in certain situations, other factors such as organizational support or work flexibility can be more dominant than loyalty or job promotion in influencing employee work performance.

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