

# The Effect Of Job Satisfaction Mediating Organizational Culture And Compensation On Job Loyalty In Generation Z

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Article Info	ABSTRACT
<b>Keywords:</b> Organizational Culture, Compensation, Job Satisfaction, Work Loyalty	This research aims to determine the mediating effect of job satisfaction on the influence of organizational culture and compensation on work loyalty. This research method is quantitative descriptive. This research used a sample of 97 respondents by distributing online questionnaires. This research uses a Structural Equation Modeling (SEM) approach based on Partial Least Square (PLS) using SmartPLS 3.3 software. This research is census research. The research results show that all indicators used in this research are valid and reliable. Conclusion, Organizational culture, compensation and job satisfaction influence work loyalty. Also, job satisfaction has a role in mediating the influence of compensation on work loyalty. However, it does not mediate the influence of organizational culture on work loyalty.
This is an open access article under the <a href="#">CC BY-NC</a> license 	<b>Corresponding Author:</b> Wasilatun Nikmah Universitas Bina Sarana Informatika <a href="mailto:wasilatun.wnh@bsi.ac.id">wasilatun.wnh@bsi.ac.id</a>

## INTRODUCTION

The newest generation, known as Generation Z or Gen Z, is starting to make an impact on the workplace due to changing demographics. Born between 1997 and 2012, Gen Z has certain qualities that set them apart from other generations. Those who grew up with technology and social media are called digital natives. These traits impact how they collaborate, operate, and view their workplace.

Organizational culture is an important element that reflects the values, norms and practices implemented in an organization. A positive organizational culture increases employee motivation, job satisfaction, and loyalty. For Gen Z, who often seeks meaning and impact from their work, an organizational culture that aligns with their personal values may be a key factor in sustaining those values over the long term.

On the other hand, competitive compensation also plays an important role in attracting and retaining employees. Compensation is not only financial but also includes various forms of incentives and other benefits provided by the company. Generation Z has unique work preferences. In addition to financial compensation, they value the flexibility and recognition provided by the company.

Job satisfaction is generally considered to be the result of interactions between employees and their work environment, including organizational culture and compensation. High job satisfaction is thought to increase employee loyalty, reduce turnover, and improve organizational performance. In the context of Generation Z, understanding how job

satisfaction moderates the relationship between organizational culture, compensation, and employee loyalty can provide valuable insights for management to develop more effective strategies for managing a younger workforce.

Despite extensive research on organizational culture, compensation, and job satisfaction, research specifically exploring these dynamics in the context of Generation Z is limited. This study seeks to bridge this gap by focusing on how organizational culture and compensation influence Gen Z employee loyalty, and how job satisfaction moderates this relationship. By understanding this phenomenon, companies can develop more effective strategies to manage and retain Gen Z employees, thereby creating a more productive and satisfying work environment.

Organizational culture is defined as a collection of values, norms, and practices that are accepted and implemented by members of an organization[1]. Organizational culture is known by the terminology of organizational culture, then often also known as culture or culture. Discussing culture clearly cannot be separated from the definition of organization. Organization comes from the Greek term, namely "organon" and in other terms organum which means tool, part of a member or body. Organizational culture is an important part that must be had in developing human resource capabilities[2]. Organizational culture is defined as the characteristics that exist in a group that function as guidelines for behavior and differentiate it from other groups. This shows that corporate culture is a collection of norms and values that must be understood and followed by the people who adhere to it. Organizational culture usually includes all the expectations, philosophies, experiences and values of its members. Their daily interactions, work methods, and expectations for the future are examples of how this company culture will be represented in their day-to-day operations[3].

Hasibuan [4], defines organizational culture as a set of values, norms and beliefs that guide and guide the behavior of organizational members in carrying out activities and emphasizing [5], explains that organizational culture is a system of values, norms and beliefs shared and implemented jointly by members of an organization which creates certain patterns of behavior in the organization.

Rivai [6], explains that compensation is "something employees receive as compensation for their work. This includes salaries, wages, incentives, bonuses, and other forms of rewards that the company provides to employees[7], states that compensation is "remuneration that companies provide to employees for their contributions to the organization. Compensation can be financial, such as salary and wages, or non-financial, such as allowances and other facilities[8], states that compensation is a number of rewards given to employees in return for their services to the company, which can be in the form of basic salary, allowances, incentives, bonuses, and other forms of reward.

Dessler [9], explains that compensation is "all forms of pay or rewards going to employees and arising from their employment." This includes all forms of payment or rewards given to employees arising from their employment relationship[10], emphasizes that compensation includes various forms of rewards which are not only limited to salary or wages, but also include various additional benefits such as allowances, bonuses and other

forms of appreciation. The purpose of compensation is to ensure a balance between the contributions made by employees and the rewards received, which will ultimately motivate employees to improve their performance.

These definitions emphasize that compensation includes various forms of rewards given to employees as compensation for their contributions. This not only includes salary or wages, but also incentives, bonuses, allowances and other benefits which can be financial or non-financial. Loyalty comes from the word loyal which means loyal. Employee loyalty is employee loyalty to the company. Employee health is not only physical, but non-physical loyalty which means their thoughts and attention to the company. According to Poerwadarminta [11] Loyalty can be interpreted as loyalty, devotion and trust given or shown to a person or organization in which there is a sense of love and responsibility to try to provide the best service and behavior.

Mangkunegara [12], explains that employee loyalty is employee loyalty and commitment to the company as demonstrated by behavior that persists within the organization, provides optimal performance, and supports all company programs and policies[13], defines employee loyalty as an employee's positive attitude towards the company which is reflected in the form of commitment, dedication and willingness to make maximum contributions to achieve organizational goals.

Robbins [14] explains that employee loyalty is a strong desire to remain a member of a particular organization, a willingness to exert a high level of effort on behalf of the organization, and a definite belief in and acceptance of the organization's values and goals. This means that employee loyalty is a strong desire to remain a member of a particular organization, a desire to try hard for the organization, and belief in and acceptance of the organization's values and goals. Nitisemito[15] argues that first, loyalty to the company as an attitude, namely the extent to which an employee identifies with the workplace as indicated by the desire to work and try as best as possible and second, loyalty to the company as behavior, namely the process by which an employee takes a definite decision not to leave the company if make a mistake.

According to Davis [16] explains that job satisfaction includes employees' feelings about whether they enjoy their work or not. There are important differences between these feelings and the other two elements of employee attitudes. Satisfaction is a relative feeling of pleasure or displeasure, for example the following statement "I enjoy doing a variety of tasks" which is different from objective thinking, for example through the statement "My job is complicated" and behavioral desires, for example the statement "I am planning to no longer do the job in my life." three months". The third part of attitude helps managers understand employees' reactions to their work and consider its impact on future behavior. Nawawi [8], states that job satisfaction is a positive feeling that an employee has regarding behavior that reflects comfort, joy and satisfaction in carrying out their duties and responsibilities.

## METHODOLOGY

This research uses a quantitative approach and explanatory research design. This approach was chosen to test the relationship and influence between predetermined variables, namely organizational culture, compensation, job satisfaction and employee loyalty. The study targeted Gen Z employees across all occupations. The research sample will use a purposive sampling technique. The sample inclusion criteria were employees who were born between 1997 and 2012, had worked at the company for at least 1 year, and were willing to fill out the research questionnaire. Because the exact population of members is not known, the sample size was calculated using the Cochran formula [17]. From the calculation using the Cochran formula from the calculation using the Cochran formula, the sample size was above 96.04 is a fraction, in calculations that produce fractions it is better to round up [17].

Data processing in this research uses smartPLS SEM (Partial Least Square - Structural Equation Modeling) software. PLS has the ability to explain the relationship between variables and the ability to carry out analyzes in one test. The purpose of PLS is to help researchers to confirm theories and to explain whether or not there is a relationship between latent variables. According to Imam Ghozali [18], the PLS method is able to describe latent variables (not directly measurable) and is measured using indicators. The author uses Partial Least Square because this research is a latent variable that can be measured based on the indicators so that it can be analyzed with clear and detailed calculations. To measure the relationship between the dependent and independent variables that have been determined in the research objectives based on theoretical studies and previous research. Route analysis, an extension of regression analysis, was used in this study to test seven hypotheses. This research tests the hypothesis using path analysis.

## FINDINGS AND DISCUSSION

The Partial Least Square (PLS) analysis approach was used in this research data analysis. Two assessment models are separated by this analysis method: the measurement model (outer model) and the structural model (inner model).

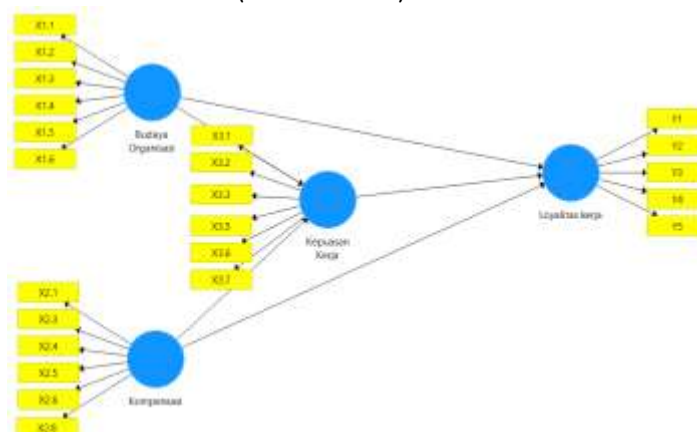


Figure 1. Research Model

### **Evaluation of the Measurement Model (Outer Model)**

To determine the validity and reliability of the measurement model, an evaluation process known as external model evaluation is carried out. The validity test is divided into two phases: discriminant validity test, which is based on the cross loading value, and convergent validity test, which looks at the outer loading and AVE (Average Variance Extracted) values. By checking the composite reliability values, reliability tests were also carried out using external models.

#### **Convergent Validity Test**

The average variance extracted (AVE) value must be more than 0.5 and the outer loading must be greater than 0.7 to pass the convergent validity test. To build a model that is suitable or meets the requirements, construction with an outer loading value of less than 0.7 must be eliminated[18].

The cross loading value is used to test discriminant validity. To ensure that the correlation between constructs and measurement items is higher than other constructs, an assessment of the cross loading value of each construct was carried out. From the analysis data, it is clear that this research data is valid because the measurement items are greater than other constructs and the cross loading value is greater than 0.7. Furthermore, discriminant validity test is another method used to carry out the discriminant validate test. The parameter values of the Average Variance Extracted (AVE) root and latent variable correlation follow the general rule that Average Variance Extracted (AVE) root > latent variable correlation indicates the discriminant validate value in this research. If the research meets these requirements, then the research will be considered valid. The second is indicated by the cross loading parameter value with rule of thumbs > 0.7.

From the data analysis, the discriminant validity test was carried out by also looking at the discriminant validity value. The value of discriminant validity in this study is seen from the value of the root parameter Average Variance Extracted (AVE) and the correlation of latent variables with the rule of thumbs root Average Variance Extracted (AVE) > correlation of latent variables. And the second is seen from the value of the cross loading parameter with the rule of thumbs > 0.7, then by fulfilling these conditions the research will be declared valid.

The results of this research show that the Average Variance Extracted (AVE) value for all variables is above 0.5. This means that the research conducted has fulfilled the requirements of the convergent validity test. This is in accordance with the opinion according to [18], the convergent validity of a construct with reflective indicators is evaluated with an Average Variance Extracted (AVE) value that should be equal to 0.5 or more. If the composite reliability is greater than 0.7, then the variable studied is considered reliable (has good reliability) [18]. From data analysis, the research composite reliability value was found to be greater than 0.7, which indicates that all research variables are considered reliable.

Except for the composite reliability value, the variables of this study are considered reliable. This is supported by the Cronbach's Alpha value which shows a prediction figure of more than 0.7[18] [18]. From analysis data, all variables in this study are considered reliable



because the composite reliability value and Cronbach's alpha value are above 0.7. So, the variables used in this research are reliable.

### Inner Test

The R-square test is used to test the value of the independent variable on the dependent variable. The R-Square value of 0.75 indicates that the influence is strong; 0.50 indicates a moderate influence and 0.25 can be concluded that the model is weak [18]. From data analysis, that the R-square value of Job Satisfaction (Z) is  $0.623 = 62.3\%$ , this means that the Organizational Culture and Compensation variables together influence the job satisfaction variable by 62.3% and the remaining 37.7% is influenced by other variables not studied. Meanwhile, the R-square value of work loyalty =  $0.738 = 73.8\%$ , this means that the variables Organizational Culture, Compensation and Job Satisfaction influence the work loyalty variable by 73.8% and the remaining 26.2% is influenced by other variables not examined in this research.

### Q-Square Test

Cross-validated redundancy (Q2) or Q-square test is used to assess predictive relevance. The Q2 value  $> 0$  indicates that the model has accurate predictive relevance for a particular construct, while the Q2 value  $< 0$  indicates that the model lacks predictive relevance. The quantity Q2 has a value in the range  $0 < Q2 < 1$ , where the closer it is to 1, the better the model. The quantity Q2 is equivalent to the total coefficient of determination in path analysis. Q-square can measure how good the observation values produced by the model are and also the estimated parameters (Ghozali, 2020). Based on data analysis regarding the R-square output above, the Q-Square value in this research is:

$$Q2 = 1 - (1 - 0.623)(1 - 0.738)$$

$$Q2 = 0.90$$

From the calculation results above, the Q2 value or predictive relevance in this study is 0.90. From these results it is known that this research model has predictive relevance because Q2 has a value greater than 0 and can be said to be good when it approaches the value 1.

### Hypotesis Test

**Table 1.** Path Coefficients Test

Path Coefficients						
	Mean, STDEV, T-Values, P-Values	Confidence Intervals	Confidence Intervals Bias Corrected	Samples	Copy to	
	Original Sample (O)	Sample Mean (M)	Standard D.	T Statistics (O/STDE.)	P Values	
Budaya Organisasi -> Kepuasan Kerja	0.427	0.424	0.153	2.789	0.003	
Budaya Organisasi -> Loyalitas kerja	0.419	0.391	0.136	3.090	0.001	
Kepuasan Kerja -> Loyalitas kerja	0.226	0.234	0.110	2.047	0.021	
Kompensasi -> Kepuasan Kerja	0.411	0.406	0.138	2.976	0.002	
Kompensasi -> Loyalitas kerja	0.290	0.299	0.092	3.144	0.001	

Source: Smart PLS Output, 2024

The hypothesis is accepted if the p value  $< 0.05$  and tstatistic  $> 1.96$ . Based on the Smart PLS calculation results in Table 1, conclusions can be drawn, namely, a) the organizational culture variable has a positive and significant effect on the job satisfaction

variable, this is indicated by the t statistic value  $> 1.96$ , which is 2.789 and the p value  $< 0.05$ , namely 0.003; b) the organizational culture variable has a positive and significant effect on the work loyalty variable, this is indicated by the statistical t value  $> 1.96$ , which is 3.090 and the p value  $< 0.05$ , which is 0.001; c) the job satisfaction variable has a positive and significant effect on the work loyalty variable, this is indicated by the tstatistic value  $> 1.96$ , which is 2.047 and the p value  $< 0.05$ , which is 0.021; d) The compensation variable has a positive and significant effect on the job satisfaction variable, this is indicated by a statistical value  $> 1.96$ , which is 2.976 and a p value  $< 0.05$ , which is 0.002; e) The Compensation variable has a significant positive effect on the Work Loyalty variable, this is indicated by the t statistic value  $> 1.96$ , which is 3.144 and the p value  $< 0.05$ , which is 0.001.

### Mediation Test

**Table 2.** Specific Indirect Effect

Specific Indirect Effects					
Mean, STDEV, T-Values, P-Values	Confidence Intervals	Confidence Intervals Bias Corrected	Samples		
	Original Sa...	Sample Me...	Standard D...	T Statistics (...)	P Values
Budaya Organisasi -> Kepuasan Kerja -> Loyalitas kerja	0.096	0.101	0.064	1.515	0.065
Kompensasi -> Kepuasan Kerja -> Loyalitas kerja	0.093	0.091	0.051	1.837	0.033

Source: Smart PIs Output, 2024

Hypothesis test results show that organizational culture has no direct effect on work loyalty. With job satisfaction as a mediator, the results of the analysis show that job satisfaction does not mediate the influence of organizational culture on work loyalty. This is indicated by the t statistic value  $< 1.96$ , which is 1.515 and the p value  $> 0.05$ , which is 0.065. This means that in this study sufficient evidence was found to reject H6. Job satisfaction does not mediate the influence of organizational culture on work loyalty, meaning that organizational culture has no effect on work loyalty through job satisfaction.

Hypothesis test results show that compensation directly influences work loyalty. With job satisfaction as a mediator, the results of the analysis show that job satisfaction mediates the influence of organizational culture on work loyalty. This is indicated by the t statistic value  $> 1.96$ , which is 1.837 and the p value  $< 0.05$ , which is 0.033. This means that in this study sufficient evidence was found to accept H7. Job satisfaction mediates the influence of organizational culture on job loyalty, meaning that compensation influences job loyalty through job satisfaction.

## CONCLUSION

Organizational culture, compensation and job satisfaction influence work loyalty. Also, job satisfaction has a role in mediating the influence of compensation on work loyalty. However, it does not mediate the influence of organizational culture on work loyalty.

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