



The Effect of Job Satisfaction and Employee Engagement on Employee Loyalty through Managerial Trustworthiness: A Study at PT. Additon Karya Sembada in Surabaya

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Abstract

Introduction/Main Objectives: This study aims to determine and analyze: 1) the effect of job satisfaction on employee loyalty, 2) the effect of job satisfaction on managerial trustworthiness, 3) the effect of employee engagement on employee loyalty, 4) the effect of employee engagement on managerial trustworthiness, 5) the effect of managerial trustworthiness on employee loyalty, 6) the mediating role of managerial trustworthiness in the relationship between job satisfaction and employee loyalty, and 7) the mediating role of managerial trustworthiness in the relationship between employee engagement and employee loyalty at PT Additon Karya Sembada.

Background Problems: The dynamics of business competition often lead companies to adopt policies that are not well-received by their employees, which in turn negatively impacts employee loyalty—a key factor in organizational sustainability and growth.

Research Methods: The study employed a saturated (census) sampling method, using all 105 employees of PT Additon Karya Sembada as the sample. Data analysis examined both direct and indirect (mediating) effects among the variables.

Finding/Results: 1) Job satisfaction has a positive but **non-significant** direct effect on employee loyalty, 2) Job satisfaction has a positive and **significant** effect on managerial trustworthiness (the strongest effect), 3) Employee engagement has a positive but **non-significant** direct effect on employee loyalty, 4) Employee engagement has a positive and significant effect on managerial trustworthiness, 5) Managerial trustworthiness has a positive and **very significant** direct effect on employee loyalty, 6) Managerial trustworthiness **fully mediates** the relationship between job satisfaction and employee loyalty and 7) Managerial trustworthiness **fully mediates** the relationship between employee engagement and employee loyalty.

Conclusion: Managerial trustworthiness plays a crucial full mediating role. While job satisfaction and employee engagement do not directly drive loyalty, they significantly enhance loyalty when they first build trust in management. Therefore, fostering managerial trustworthiness is essential for translating positive employee attitudes into lasting loyalty.

Keywords: Job Satisfaction; Employee Engagement; Managerial Trustworthiness; Employee Loyalty



Introduction

In an era of increasingly competitive business environments, human resources (HR) constitute a primary strategic asset. Loyal employees not only voluntarily exert extra effort (Marks, 2024), but also significantly reduce turnover costs, which can range from 20% to 500% of annual salary (Pardede, 2024). However, data from Gallup's State of the Global Workplace 2025 report reveal a concerning trend: 62% of employees are not engaged, 40% experience stress, and 50% intend to seek new employment opportunities. This phenomenon calls for more effective human resource management strategies to retain talent amid the flexibility and complexity of today's modern work dynamics.

Theoretically, job satisfaction and employee engagement are considered primary drivers of employee loyalty (Setyadi & Sartika, 2023). Nevertheless, a significant research gap exists, Sedyoningsih (2024) found that job satisfaction and engagement do not have a significant effect on employee loyalty, a finding that contradicts prevailing theoretical assumptions. On the other hand, the mediating role of managerial trustworthiness remains debated. Malik (2023) argues that trust is crucial, whereas Marks (2024) concludes that loyalty does not depend on the level of managerial trustworthiness.

These inconsistencies highlight the need for more comprehensive measurement instruments to accurately capture the phenomenon at PT. Additon Karya Sembada (AKS). Therefore, the researcher conducted a critical review of various theoretical models before determining the research indicators. The selected model is considered the most capable of capturing the psychological and relational dynamics of employees within the current industrial context, as summarized in Table 1.

Table 1 Justification for Indicator Selection

Reference	Justification for selection
Job Satisfaction Variable	
Selected: Lee et al. (2017) Alternative: Schriesheim & Tsui (1980) in Marks (2024)	Lee's model encompasses broader aspects, not only transactional elements (e.g., salary), but also psychological well-being (welfare) and flexibility, which are crucial for the development of trust.
Employee Engagement Variable	
Selected: Gallup Q12 Alternative: Shuck et al. (2017) in Marks (2024)	The Employee Engagement Scale (EES) tends to focus more on the individual's psychological dimension (theoretical orientation), whereas Gallup Q12 captures concrete day-to-day working conditions and has been empirically validated in industrial settings.
Managerial Trustworthiness Variable	
Selected: Mayer et al. (1995) Alternative: Whitener et al (1998)	Whitener emphasizes managerial behaviors (what managers do), while Mayer measures employee' perceptions (evaluative outcomes), which are more relevant to cooperative behavior.

Employee Loyalty Variable	
Selected: Dutta & Dhir (2021) Alternative: Mowday (1979) in Quang et al. (2021)	Mowday focuses on the rational choice to remain with the organization, whereas Dutta & Dhir conceptualize loyalty as a deeper emotional relationship (sense of ownership, trust, and willingness to stay).

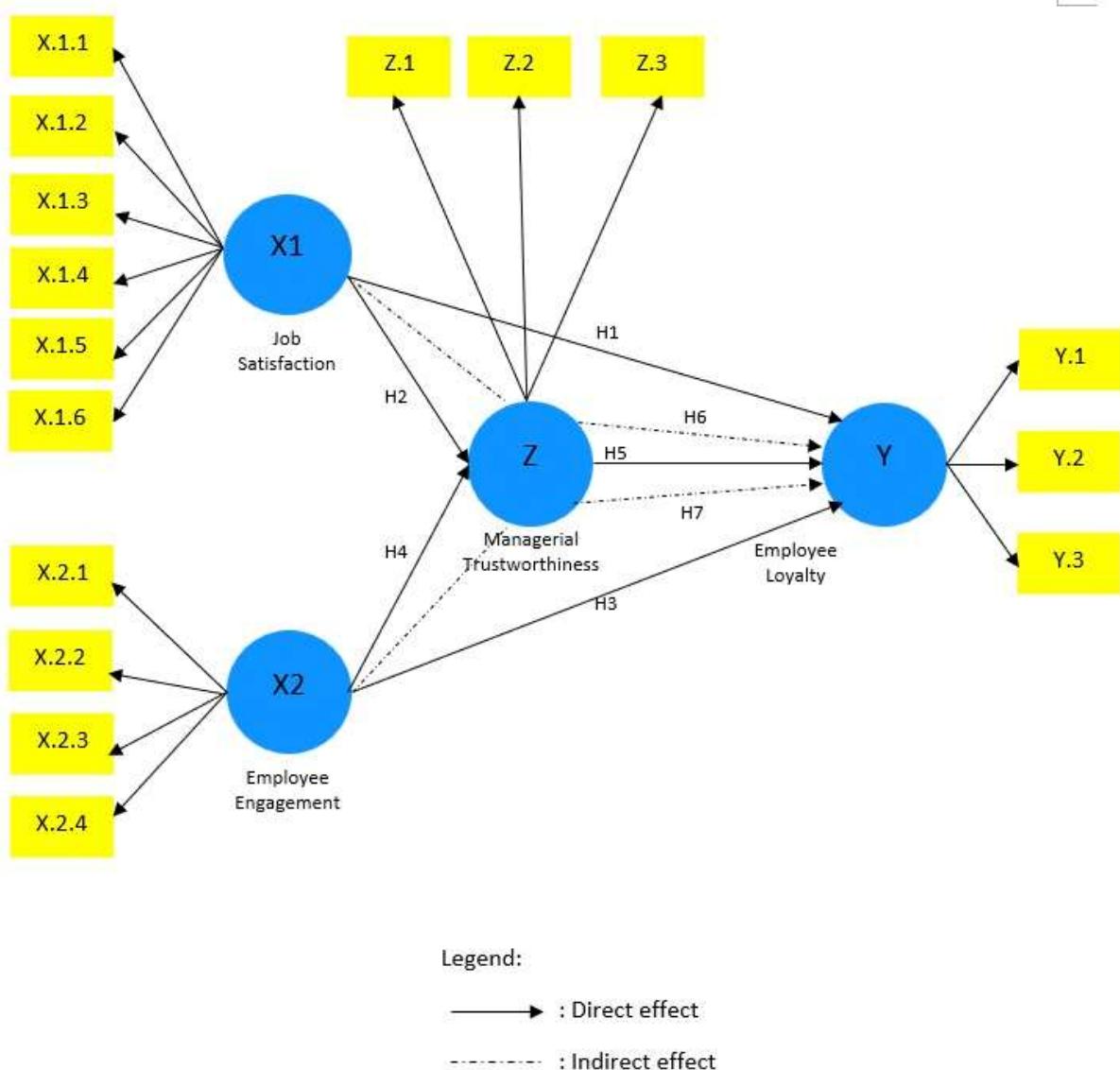
Source: Data processed by researcher, 2025

The urgency of further examining these inconsistent findings becomes highly relevant within the context of high-complexity manufacturing industries, such as AKS. The company demonstrates a unique stability in employee loyalty, particularly during the significant transformation that occurred throughout the COVID-19 pandemic. Employees' willingness to work beyond their formal duties (all-out-effort) not only ensured the company's survival but also contributed to improved financial performance over the past decade. This transformation is strongly presumed to have been driven by effective leadership (lead by example), which strengthened managerial trustworthiness from staff level to top management.

AKS's top management is committed to continues improvement in human resource management, especially as Generations Y and Z now constitute approximately 81% of the total workforce, representing a particular concern for the company. This concern is reinforced by the findings from the State of Global Workplace 2025 report, as previously discussed, which indicate that nearly half of the respondents are under 35 years of old (the age range associated with Generations Y and Z). Furthermore, the chemical construction industry is widely recognized for its high level of complexity, competition, and risk, both in technical operations and and in terms of the working environment. These challenges require AKS not only to prioritize occupational safety but also to address employees' psychological and emotional well-being to ensure that loyalty and productivity are sustained.

Consequently, the relationship among job satisfaction, employee engagement, managerial trustworthiness, and employee loyalty emerge as critical factors warranting deeper investigation, particularly within similar industries that remain underexplored. This study aims to provide both theoretical and practical contributions to cross-generational human resource management in the chemical construction industry, while simultaneously offering practical implications for corporate management

Based on the theoretical synthesis and empirical observations described above, the research model is visualized as illustrated in following figure:

**Figure 1. Research Model**

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

Based on the research model above, the hypothesis tested in this study are as follows:

- H1: Job satisfaction has a positive effect on employee loyalty
- H2: Job satisfaction has a positive effect on managerial trustworthiness
- H3: Employee engagement has a positive effect on employee loyalty
- H4: Employee engagement has a positive effect on managerial trustworthiness
- H5: Managerial trustworthiness has a positive effect on employee loyalty
- H6: Managerial trustworthiness mediates the effect of job satisfaction on employee loyalty
- H7: Managerial trustworthiness mediates the effect of employee engagement on employee loyalty

Research Methods

This study employs a quantitative approach using a saturated sampling method (census) involving the entire population of AKS employees, totaling 105 respondents. The research

includes four variables, consisting of two independent variables (job satisfaction and employee engagement), one mediating variable (managerial trustworthiness), and one dependent variable (employee loyalty)

The indicators for job satisfaction refer to Lee et al. (2017), encompassing salary and welfare, leader behavior, personal growth, work itself, interpersonal relationships, and job competency. Employee engagement is measured using the Gallup Q12 instrument, which includes basic needs, individual contribution, teamwork, and growth. The mediating variable, managerial trustworthiness, is assessed using the model developed by Mayer et al. (1995), comprising the dimensions of ability, benevolence, and integrity. Meanwhile, employee loyalty is measured based on the indicators of sense of ownership, trust, and willingness to stay proposed by Dutta and Dhir (2021)

Primary data were collected between January 2025 up to November 2025 through a online questionnaire Google form using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The collected data were subsequently analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 3.2.9. The analysis consists of two main stages:

Measurement Model Evaluation (Outer Model)

This stage examines convergent validity (Average Variance Extracted/ AVE ≥ 0.50 and loading factor ≥ 0.60), discriminant validity (Heterotrait-Monotrait Ratio/ HTMT < 0.90), and construct reliability (Composite Reliability and Cronbach's Alpha ≥ 0.70).

Structural Model Evaluation (Inner Model)

This stage is conducted to test the hypothesis by assessing the coefficient of determination (R^2) > 0.75 = strong, < 0.50 = weak; effect size (f^2) > 0.35 = large effect, < 0.15 = small effect; predictive relevance (Q^2) > 0 = predictive relevance, < 0 = no predictive relevance; and model fit validation using the Standardized Root Mean Square Residual (SRMR < 0.10 indicates acceptable model fit), the Normal Fit Index (NFI ideally approaching 1), and Goodness of Fit (GoF > 0.36 indicates strong fit).

The significance testing of direct effects (H1-H5) and mediating effects (H6-H7) was conducted using a bootstrapping procedure. A hypothesis is considered supported if t-statistic exceeds 1.96 (at a significant level of $\alpha = 0.05$) and the p-value is less than 0.05.

Result

Data analysis began with the evaluation of the outer model to ensure the validity and reability of the research instrument.

Table 2 Construct Reliability and Validity Test

Indicators	Cronbach's Alpha	rho_A	Composite Reability	AVE
Employee Engagement	0.905	0.910	0.921	0.540
Employee Loyalty	0.905	0.911	0.924	0.635
Job Satisfaction	0.849	0.868	0.893	0.628
Managerial Trustworthiness	0.937	0.939	0.946	0.616

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

Table 3 Heterotrait-Monotrait Ratio

Indicators	Employee Engagement	Employee Loyalty	Job Satisfaction
Employee Loyalty	0.649		
Job Satisfaction	0.763	0.788	
Managerial Trustworthiness	0.764	0.883	0.893

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

Based on tables 2 and 3; and Figure 2, the test results indicate that all constructs have fulfilled the criteria for convergent validity, with AVE values exceeding 0.50, and discriminant validity with HTMT values below 0.90. Instrument reliability is also considered very high, as both Cronbach's Alpha and Composite Reliability value surpass the threshold of 0.7. This suggests that the indicators employed such as salary and welfare and interpersonal relationship under the job satisfaction variable, demonstrate strong internal consistency in measuring the phenomenon at AKS.

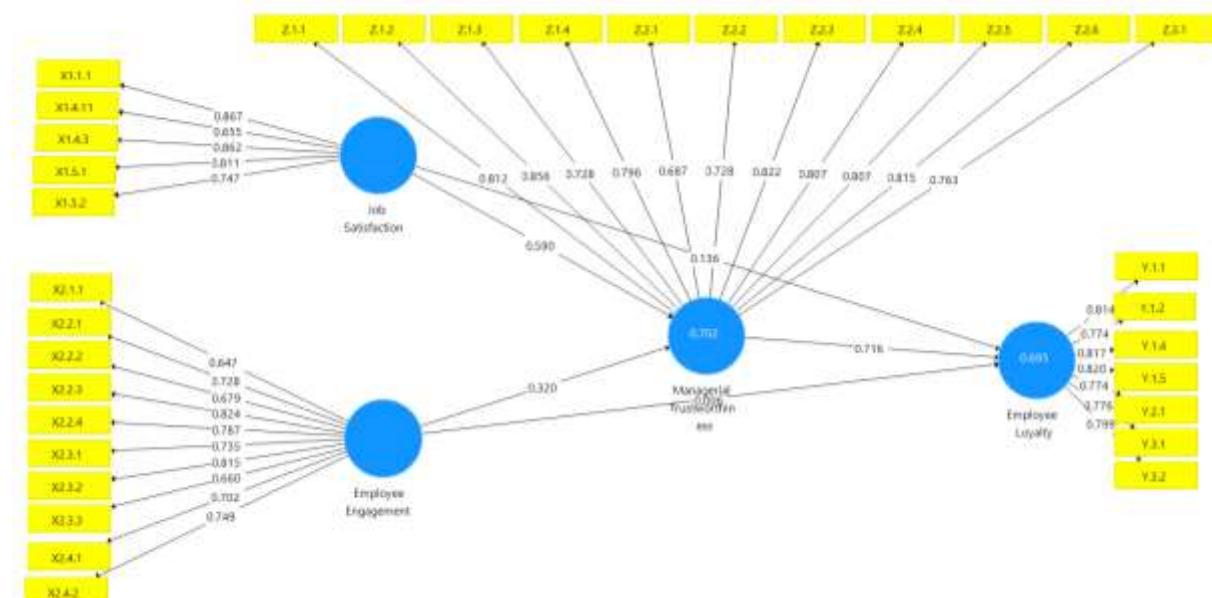
Structural model evaluation (Inner model)

After the measurement model was confirmed to be valid, the evaluation proceeded to the structural model (inner model). The structural model was assessed by measuring the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The coefficient of determination (R^2) indicates the proportion of variance in the dependent variable that can be explained by all independent variables included in this study. The R^2 results are presented in Table 4 and Figure 2.

Table 4 R^2 value

	R^2	R^2 Adjusted
Employee Loyalty	0.695	0.686
Managerial Trustworthiness	0.702	0.697

Source: SmartPLS 3.2.9, data processed by researcher, 2025

**Figure 2 Path Diagram PLS Algorithm (Outer Model)**

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

The R^2 value for employee loyalty is 0.695 (classified as moderate), indicating that 69.5% of the variance in employee loyalty in this study is explained by job satisfaction, employee engagement and managerial trustworthiness, while the remaining 30.5% is influenced by other variables not included in this model. The R^2 value for managerial trustworthiness 70.2% is explained by job satisfaction and employee engagement, while the remaining attributable to other factors.

Subsequently, the effect size (f^2) was measured to determine the magnitude of each independent variable's contribution to the dependent variable in this research model. The result are presented in Table 5.

Table 5 f^2 value

	Employee Loyalty	Managerial Trustworthiness
Employee Engagement	0.000	0.192
Employee Loyalty		
Job Satisfaction	0.020	0.653
Managerial Trustworthiness	0.500	

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

The f^2 value of job satisfaction on managerial trustworthiness is 0.653, indicating that job satisfaction is a dominant factor in determining the level of managerial trustworthiness. The f^2 value of managerial trustworthiness on employee loyalty is 0.500, suggesting that managerial trustworthiness is a dominant factor in determining employee loyalty.

This empirical support is further strengthened by significant Q^2 predict value (Q^2 predict value of employee loyalty is 0.493; managerial trustworthiness is 0.673), as well as the model fit validation results, which indicate a good fit (SRMR = 0.089; NFI =0.616; GoF =0.65).

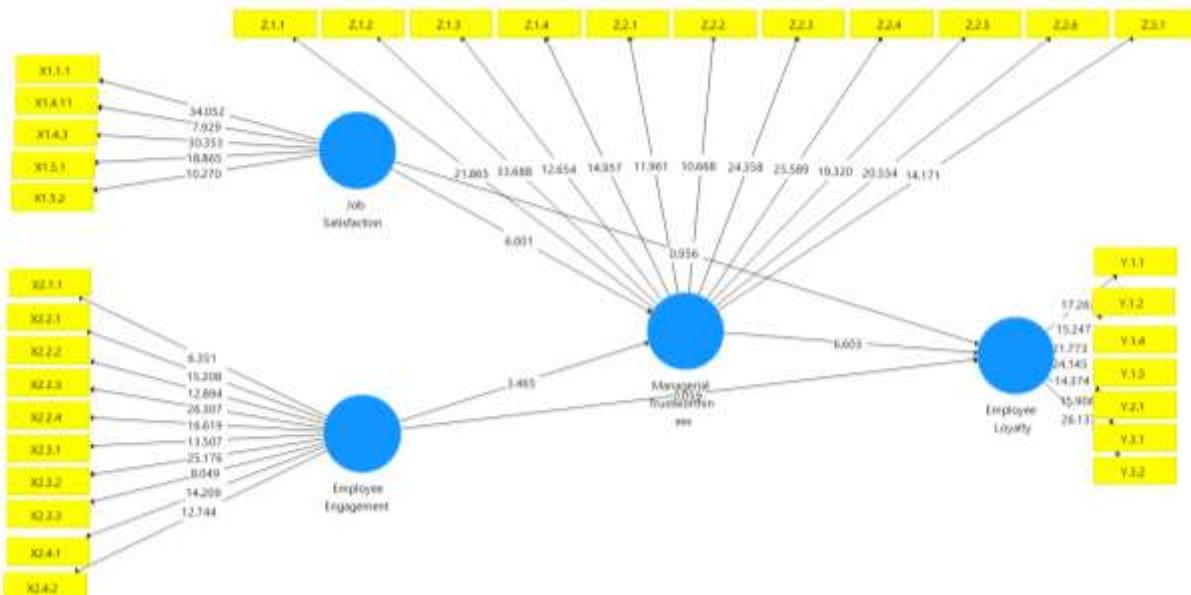


Figure 3. Path Diagram PLS Algorithm (Inner Model)

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

Table 6 Hypothesis Test Summary

Direct Effects							
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Summary	
Job Satisfaction → Employee Loyalty	0.136	0.137	0.140	0.970	0.334	Positive but not significant	H1 is not supported
Job Satisfaction → Managerial Trustworthiness	0.590	0.583	0.099	5.990	0.000	Positive and highly significant	H2 is supported
Employee Engagement → Employee Loyalty	0.006	-0.003	0.105	0.059	0.953	Positive but not significant	H3 is not supported
Employee Engagement → Managerial Trustworthiness	0.320	0.329	0.096	3.350	0.001	Positive and highly significant	H4 is supported
Managerial Trustworthiness → Employee Loyalty	0.716	0.723	0.108	6.643	0.000	Positive and highly significant	H5 is supported
Indirect Effects							
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STD EV)	P Values	Kesimpulan	
Job Satisfaction → Managerial Trustworthiness → Employee Loyalty	0.423	0.424	0.104	4.065	0.000	Positive and highly significant	H6 is supported
Employee Engagement → Managerial Trustworthiness → Employee Loyalty	0.229	0.236	0.066	3.469	0.001	Positive and highly significant	H7 is supported

Source: SmartPLS version 3.2.9, data processed by researcher, 2025

Discussion

Through bootstrapping procedure for hypothesis testing (Table 6), it was found that job satisfaction (H1) and employee engagement (H3) do not have a significant direct effect on employee loyalty. This finding is noteworthy as it confirms Sedyoningsih's (2024) argument that job satisfaction alone does not guarantee employee loyalty. At AKS, employee loyalty is not merely an emotional transaction, but rather the result of employees' evaluation of their managerial trustworthiness, as evidenced by the acceptance of H5, H6, and H7. These results support the views of Malik (2023) and Meira and Hancer (2021) on Marks (2024), who argue that trust serves as essential bridge for employees in high-risk manufacturing industries, while simultaneously contradicting Marks' (2024) conclusion that loyalty does not depend on trust. In short, without trust in management, even high levels of job satisfaction will not transform into long-term loyalty.

Building upon these findings, a deeper analysis of the mean values of the variables provides additional critical insights. Although the mean score for job satisfaction at AKS is relatively high (indicating that employees perceive current policies positively), the absence of a significant direct effect on loyalty suggest a "break" in the retention strategy. Based on the indicator

analysis, improvements in non-financial aspects of job satisfaction, such as work-life balance, work flexibility, autonomy, and inclusive cross-generational interpersonal relationships (identified as indicators with the highest loading factors), should be directed toward strengthening employees' perceptions on managerial trustworthiness (ability, integrity, and benevolence). This aligns with Dutta and Dhir's (2021) view that employee loyalty constitutes an emotional and relational bond. By reinforcing the existing lead-by-example leadership style, the company can transform passive job satisfaction into active employee loyalty that consistently and sustainably drives all-out employee performance.

Conclusion

Based on the results and analysis conducted, it can be concluded that job satisfaction and employee engagement do not automatically serve as direct determinants of employee loyalty at PT. Additon Karya Sembada. The key finding of this study reveals the presence of full mediation by managerial trustworthiness. Employee loyalty is shown to be the result of a complex reciprocal relationship, in which job satisfaction and employee engagement will only transform into long-term loyalty if they successfully foster trust in management's integrity, ability, and benevolence. This finding reinforces Social Exchange Theory, which posits that loyalty represents employees' response to perceived fairness and leadership consistency.

These findings provide critical insight for management, indicating that various HR policies and programs may fail to produce optimal impact if they are not accompanied by the development of employee trust in management. Non-financial aspects of job satisfaction also appear to play a more dominant role in shaping overall employee satisfaction within the company. Therefore, the HR management perspective should shift from merely fulfilling job satisfaction and engagement toward a trust-based management approach. Considering that managerial trustworthiness exerts the strongest influence on employee loyalty, managerial efforts should focus on strengthening relational bonds through consistent leadership, transparent communication, and tangible support for employee development. Once trust is established, loyalty will naturally emerge as a long-term, sustainable process between employee and management.

Nevertheless this study has limitations, particularly the sample being confined to a single company, thus requiring cautious generalization of the findings. Future research is recommended to expand the sample across diverse industries and to employ a longer observation period (longitudinal design) in order to more accurately capture the dynamic changes in employee loyalty. Furthermore, incorporating additional variables such as organizational culture, work motivation, organizational commitment, psychological safety, or specific leadership styles is suggested to enhance the relevance of the research model in addressing the increasing complexity of the modern workplace.

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