

# The Influence of Supply Chain Management and Organization Performance toward Turnover Intention at the Head Office of PT Bank Syariah Mandiri

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**Abstract**-Human resources is one of the crucial aspects to achieve the company goals which can be handle by supply chain strategy. The relationship among supply chain strategy, management of core operational functions and improvement in performance requires better understanding. In banks, turnover intention is the process or attitude of an employee to consider leaving the current job, and to find alternative employment opportunities in other organizations or companies that are better. The objective of this research was to find out the influence of Supply Chain Management and Organization Performance toward Turnover Intention at the Head Office of PT Bank Syariah Mandiri. In this research, the researcher took the samples by using non-probability sampling method with a purposive sampling technique. The samples were the permanent officers of PT. Bank Syariah Mandiri (Head Office) consisted of 291 respondents from the total of 404 permanent officers. The researcher used structural equation model in testing, analyzing the data, and model development. The Data were analyzed by using statistical software tools (LISREL 8.8). The paper seeks to establish and validate a theoretical model linking the supply chain strategy, core operational functions and organizational performance in bank. The data validates the theoretical basis of the constructs and shows supply chain strategy has an overall positive impact on multiple performance dimensions through strategically aligned core operational functions.

**Keywords:** Human resource management, Career Development, Work-life Balance, supply chain strategy, Organizational Climate, Employee Engagement, Turnover Intention.

## 1. Introduction

Supply chain strategies for the Human Resources in organizations is the crucial aspects which determines the influenceiveness of an organization. Hence, organizations always need to invest through carrying out human resource management functions ranging from recruitment, selection, and to maintaining human resources. Academic and corporate awareness of sustainable supply chain and logistics issues has increased significantly in recent years. Employee turnover can affect financial and non-financial of a company [1-3]. According to [4], the expenditure costs included are the costs of recruiting, training and apprenticeship, loss of productivity, reduced engagement, disruptions in service that have a negative influence on company culture. Moreover, [5] state that by the high costs spent, organizations focus on retaining talented employees and reducing turnover. According to [6] when *employee turnover* occurs, it will disrupt the company

operations, especially employees who have good performance leaving the company while the company still relies on them.

There are two banking systems that are applicable in Indonesia, namely conventional banking and Islamic banking. Islamic banking in Indonesia is growing every year, so it requires competent and understanding human resources towards the Islamic banking system. The employees of conventional banking migrate to Islamic banking because conventional banking uses the usury system which is clearly unlawful. However, some people still work in conventional banks without considering this due to other factors. One factor is the supply chain strategy given is better than in Islamic banking. There are even employees of Islamic banking to move to conventional banks due to the compensation offered is greater and so forth.

In Indonesia, the increasing number of turnover in the banking world is shown by the results of a survey by Watson Wyatt stated at the *Global Strategic Reward* press conference (Suhendro, 2008). According to the survey, in 2007, the number of *turnover* in the banking sector for key positions such as managerial level and above reached 6.3% -7.5%, whereas, in general, in the industry it is only 0.1% - 0.74% . Therefore, the high number of turnover in the banking sector must also receive serious attention because it can affect the efficiency and influenceiveness of the banking sector itself. *Employee turnover* can disrupt the organization's plans and supply chain strategies to achieve its goals according to Abasi & Hollman in Ahmad and Omar (2010), which is related to the reduction in human resources and the loss of talented staff needed by the organization.

The results of the 2014 *Pricewaterhouse Coopers* (PwC) Indonesia survey [7] bout the banking industry in Indonesia showed *employee turnover* in this sector reached 15%. The increasing number was caused by the demand for human resources (HR) in this sector is still high, while the available supply is low. The survey conducted by PwC Indonesia shows that human resources in the banking industry often move to other companies. As many as 54% of respondents moved for better benefits. Moreover, 37% of respondents stated looking for other workplaces for career advancement. The research results also showed that 4% of respondents moved because they wanted a challenge, while the other 4% moved because they were not satisfied with the leadership style of their

superiors. The PwC claims that the results of this survey show 80% of the assets of the banking industry in Indonesia. The survey respondents were the top management of 30 major banks in Indonesia. The survey was conducted from January to February 2014 based on the explanation of [8] on *Bisnis Indonesia* [9].

Banks have poor statistics in handling human resources (HR). Turnover in banks for business functions reaches 25% a year. There are only one-third of loyal employees, and nearly half of employees think of getting ready to move to another bank for career advancement. Companies in Indonesia, including banks, also stated that most (8 out of 10) encountered problems in retaining their best employees based on information from the Bankers Association website [10; 11].

*Employee turnover* is unavoidable within the company. For instance, the number of employees of the BSM (head office), especially for permanent officers at the end of December 2017 consisted of 393 people was reduced by 19.80% of the total employees or as many as 78 employees resigned as of December 31, 2018. This also occurred in the previous year at the end of December 2016 that out of a total of 388 BSM permanent employees, there were 91 BSM employees who resigned or around 23.53%. This shows the high number of turnovers. Table 1.1 shows the BSM permanent *employee turnover* data for the last 5 years (Data for 2014-2018):

**Table 1.** *Turnover of Permanent officers of PT Bank Syariah Mandiri (Head Office)*

Year	Total Permanent Officers	Total Resigned Officers
2018	404	78
2017	393	91
2016	388	100
2015	558	64
2014	530	63

Source: Processed Data of Human Capital Service Group PT Bank Syariah Mandiri

Based on the results of interviews with several BSM employees, the researchers found that the employees wanted to resign due to several factors including *supply chain strategy, human resource management, work-life balance, organizational climate, and employee engagement*. BSM employees who get a higher compensation offer than other companies have a tendency to move. If the company compensates well and can satisfy employees, it will increase *employee engagement* with the company and can reduce *employee turnover intention*.

Human resource management is very important for employees in the company, so that employees are loyal to the company, especially at PT Bank Syariah Mandiri. If the employee's career has not developed, the employee will try to look for opportunities in other companies to develop his career. In addition, when employees are given the opportunity to develop their careers, it will increase *employee engagement* with the company.

The balance between work life and personal or family life known as *work-life balance* greatly affects employees to survive in the company, especially at PT Bank Syariah Mandiri. In the banking world, employees often leave late at night every day, so there is no time for their personal

and family lives. Employees will try to find companies that can provide a life balance between work time and personal time. Therefore, if employees get a balance between work life and personal life (*work-life balance*), so there will be comfort in working and increase *employee engagement* to the company so that it can reduce *employee turnover*.

If the company is able to create a good organizational climate and is conducive to work, *employee engagement* at the company will increase and have an impact on the decline in *employee turnover*. The creation of a healthy climate in the company will create a pleasant atmosphere within individuals and provide encouragement and motivation to individuals to carry out work tasks properly and optimally.

Involving employees in determining business targets and company goals is very important because there will be an engagement between employees and the company (*employee engagement*). Thus, the higher *employee engagement* can lead to lower *employee turnover*.

The above description is supported by several previous researches on the issue of *turnover intention*. According to a research conducted by [12] it was found that *compensation* has a significant negative direct influence on *turnover intention*, as well as research conducted by [13-15] that there was a significant negative direct influence between *compensation* and *turnover intention*. Furthermore, a research conducted by [16-19] that there was a significant negative direct influence between *human resource management* and *turnover intention*. In a study conducted by [20-25] found that there is a significant negative direct influence between *work-life balance* and *turnover intention*. According to [26, 27] in his research that organizational climate has a significant negative direct influence on *turnover intention*.

In a research conducted by [28], [29], found that there was a significant positive direct influence between *compensation* and *employee engagement*. According to [30], [31] in their research found that *human resource management* had a significant positive direct influence on *employee engagement*. Research conducted by [32], [33], there was a significant positive direct influence between *work-life balance* and *employee engagement*. In [8, 12] in his research found that there was a significant positive direct influence between *organizational climate* and *employee engagement*. According to [18] in his research it was found that there was a significant negative direct influence between *employee engagement* and *turnover intention*.

In addition, [4] in their research found that *compensation* has an indirect significant negative influence on *turnover intention* through *employee engagement*. From the description above, it can be concluded that every company needs qualified and competent human resources in their fields in order to be able to achieve its goals. To maintain the most valuable assets, human resources (HR), every company must be able to provide proper compensation, certainty of human resource management, and create a work-life balance and a good organizational climate and foster *employee engagement*. Based on these phenomena, the researcher was interested in writing a dissertation entitled "The Influence of Compensation, Human resource management, Work-Life Balance, and Organizational Climate mediated

through Employee Engagement toward Turnover Intention of the permanent employees at the Head Office of PT Bank Syariah Mandiri”.

## 2. Literature Review

### 2.1 Turnover Intention

In [3] state that *turnover intention* is the conscious and deliberate desire to leave the organization. Based on the description above, it can be synthesized that turnover intention is the desire or intention of employees to leave the company voluntarily which can be avoided and unavoidably based on various reasons with indicators (1) thinking of quitting, (2) intention to search for alternatives, and (3) intention to quit.

### 2.2 Employee Engagement

In [9], it is stated that employee engagement is part of the People and Organization chapter. The concept of employee engagement is often defined as a willingness to work with extra time. In measuring employee engagement, [9] states that there are 3 (three) indicators in employee engagement, which include: Vigor, Dedication, and Absorption. Based on the description above, it can be synthesized that employee engagement is a bond of the attitude of a person or employee in work in the company with indicators of vigor, dedication and absorption that are able to optimally encourage individual performance in order to make the company able to achieve its goals, and its superiority in competition.

### 2.3 Compensation

*Compensation* is a reward received by the employees as a substitute for their service contribution to the company. The provision of compensation is one of the functions of human resource management that relates to all types of individual rewards in exchange for carrying out organizational tasks. [20] states that *compensation* is what is received by employees, either in the form of money or not money as a remuneration given for employee efforts (employee contributions) that they provide to the organization. According to [22], *compensation* is what workers receive as rewards for their contribution to the organization. In [4] defines *compensation* is as "the total of all rewards provided employees in return for their services".

In [22] states that there are two groups of compensation given to employees, namely: 1) *Financial Compensation* which consists of Direct Financial Compensation (salary, bonuses and commissions) and *Indirect Financial Compensation* (health insurance, pensions, Religious Holiday Allowance, etc. ), and 2) *Non-Financial Compensation* consists of: a) *Non-Financial The Job* which can be in the form of interesting work, the opportunity to use the skills possessed, training, authority and responsibility, respect for performance, and recognition from superiors, and b) *Non Financial Job Environment* which relates to the work environment in the form of competency supervision, comfortable working conditions, job sharing, and the opportunity to develop in the work environment.

Based on the description above, it can be synthesized that *compensation* is a form of *return* both financial and *non* financial received by the employees as a substitute for

the contribution of the use of their services to companies aimed at maintaining and attracting quality human resources. Compensation indicators are divided into two types as follows: (1) direct financial compensation, and (2) indirect financial compensation.

### 2.4 Human resource management

According to [4], "*Human resource management is a lifelong process of managing learning, work and transitions in order to move toward a personally determined and evolving preferred future*". Moreover, human resource management according to [6] is a process of increasing individual work skills achieved in order to achieve the desired career. In addition, [31] defines career development as personal improvements by a person to achieve personal career planning.

[32] argues that it is important to distinguish between two sets of activities that can be included in *human resource management: Career Planning and Career Management*. There are several human resource management indicators according to Handoko (2008) consisting of work performance, exposure, organizational loyalty, mentors and sponsors, opportunities for growth and management support.

Based on the description above, it can be synthesized that *human resource management* is a process of managing learning, working, and a set of personal goals that lead to the achievement of high achievements for personal career advancement in an organization. The Indicators include career planning, opportunities for growth and organizational loyalty.

### 2.5 Supply Chain Management

Supply chain strategy is one of the important components of an organizational strategy. An alignment of supply chain strategy with organizational strategy, core organization and supply chain partners provide a lasting competitive advantage. A comprehensive supply chain strategy impacts many competitive dimensions including quality, cost, reliability, responsiveness and innovation, in [29] state that the principle of *work-life balance* is a balance between an individual's work and their life outside work, and that this balance should be healthy. According to [29] says that *work-life balance* is "*the degree 'to which an individual is simultaneously able to balance the temporal, emotional, and behavioral demands of both paid work and family responsibility'*" Furthermore, McFerdries in [16] states that *work-life balance* is "*the state of equilibrium in which the demands of both a person's job and personal life are equal*". In addition, Kalliath and Brough in [19] argue that *work-life balance* is "*the individual perception that work and non-work activities are compatible and promote growth in accordance with individual's current life priorities*".

Therefore, it can be synthesized that *work-life balance* is the ability to balance the allocation of time and energy between work and personal life, to eliminate tension and achieve goals both corporate and personal goals in order to avoid conflicting roles and increase retention, especially for employees who have strong family ties. Work-life balance has several indicators including *work interference with personal life* (WIPL), *personal life interference with*

work (PLIW), and work / personal life enhancement (WEPL).

### 2.6 Organizational Climate

In [4] said that organizational climate is "a relatively enduring quality of the internal environment of an organization as experienced by its members, which influences their behavior and may be described in terms of the values of a particular set of characteristics of the organization". Taguiri added that Organizational climate influences the habits of organizational members. In [14] state that Organizational climate refers to the shared perceptions of employees and the meaning they attach to the policies, practices, and procedures they experience in their workplaces, as well as to the behaviors they observe being rewarded, supported, and expected.

Furthermore, according to [22], Organizational climate is "as a psychological state strongly affected by organizational conditions, such as systems, structure and managerial behavior, organizational climate is a perception of how things are in the organizational environment". In [19] defines Organizational climate as "... collection and pattern of environmental determinant of arosed motivation".

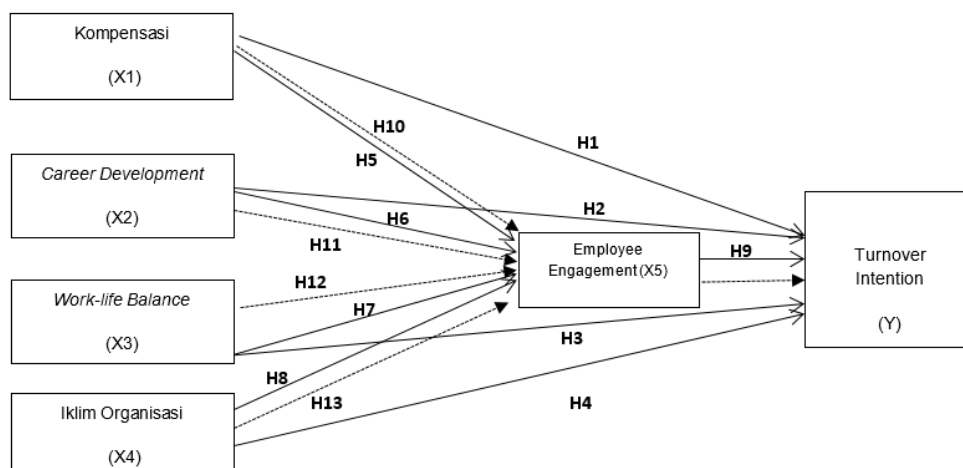
Based on the description above, it can be concluded that *Organizational climate* is employees' perceptions of policies, practices and procedures within the organization or company environment that they experience and feel and influence their behavior and motivation, and can be explained in terms of the values of a set of organizational characteristics. *Organizational climate* has indicators including structure, standards, responsibilities, rewards, support and commitment.

### 3. Methods

In this research, the researcher used a quantitative approach through survey methods. The data were analyzed by using the *Structural Equation Modeling* (SEM) method. In collecting the data, the researcher used questionnaires and tests that had been prepared beforehand. The objective of this research was to find out the relationship between variables, as well as to find out the influence of one variable with another. The variables are *Compensation* (X1), *Human resource management* (X2), *Work-Life Balance* (X3), *Organizational Climate* (X4), *Employee Engagement* (X5) and *Turnover Intention* (Y). The following are the research instrument grids and the relationships between the research variables which can be described in the research constellation as follows:

**Table 2.** The Research Instrument Grids

Variable	Indicator	Source	Item
Turnover Intention (Y)	Thinking of quit	Mobley, Horner, & Hollingsworth didalam Hsu (2002)	2
	Intention to search for alternatives		3
	Intention to quit		3
Compensation (X1)	Direct financial compensation	Mondy & Noe (2005)	5
	Indirect financial compensation		8
Human resource management (X2)	Career Planning	DeSimone & Werner (2012)	2
	Opportunity to grow	Handoko (2008)	4
	Organizational loyalty	Handoko (2008)	3
Work-life Balance (X3)	Work Interference with Personal Life (WIPL)	Fisher, Bulger, & Smith (2009)	5
	Personal Life Interference with Work (PLIW)		6
	Work/Personal Life Enhancement (WPLE)		6
Organizational Climate (X4)	Structure	Stringer (2002)	2
	Standards		2
	Responsibility		1
	Recognition		3
	Support		2
Employee Engagement (X5)	Commitment	Schaufeli & Bakker (2003)	4
	Vigor		4
	Dedication		4
	Absorption		4



**Picture 1.** The Research Constellation

Based on the descriptions in the conceptual description, relevant research results, and theoretical framework, therefore, this research hypotheses can be formulated as follows:

1. There is a negative direct influence of compensation on turnover intention.
2. There is a negative direct influence of human resource management on turnover intention.
3. There is a negative direct influence of work-life balance on turnover intention.
4. There is a negative direct influence of organizational climate on turnover intention.
5. There is a positive direct influence of compensation on employee engagement.
6. There is a positive direct influence of human resource management on employee engagement.
7. There is a positive direct influence of work-life balance on employee engagement.
8. There is a positive direct influence of organizational climate on employee engagement.
9. There is a negative direct influence of employee engagement on turnover intention.
10. There is an indirect negative influence of compensation on turnover intention with employee engagement as an intervening variable.
11. There is an indirect negative influence on human resource management on turnover intention with employee engagement as an intervening variable.
12. There is an indirect influence of work-life balance on turnover intention with employee engagement as an intervening variable.
13. There is an indirect negative influence of organizational climate on turnover intention with employee engagement as an intervening variable.

The population of this research were the permanent employees of PT Bank Syariah Mandiri (Head Office) consisting of 291 respondents from the total of 404 permanent officers. To take the sample, the researcher used a *Non-Probability Sampling* method, with a *Purposive Sampling* technique. *Non-probability sampling* method can be defined as a method of selecting research samples that do not provide equal opportunity or probability for all samples in the population to be part of research [19]. In [4] further explained one of the sample selection techniques in *non-probability sampling*, namely *Purposive Sampling*, referring to the method of determining research samples based on certain criteria in accordance with the scope of the study, namely permanent employees at PT Bank Syariah Mandiri. The data were analyzed by using the *Structural Equation Modeling* (SEM) method, namely Lisrel, and utilizing the Lisrel 8.80 software.

## 4. Results

In this research, the researcher obtained 332 completed questionnaires after distributed them to 364 the permanent employees of PT Bank Syariah Mandiri. Yet, due to the incomplete, inaccurate (in the same answer) questionnaire filling, and are not in accordance with the specified target respondents, then the questionnaire responses were filtered and 291 questionnaires were successfully entered into the

data processing. The following are the results of the respondents' profile analysis:

**Table 3.** The Profile of Repondents

Profile	Category	Total	Percentage
Gender	Male	204	70,10%
	Female	87	29,90%
Age	25 yo – 30 yo	59	20,27%
	31 yo – 35 yo	107	36,77%
	36 yo – 40 yo	84	28,87%
	≥ 40 yo	41	14,09%
Latest Education	S1	255	87,63%
	S2	35	12,03%
	S3	1	0,34%
Marital Status	Married	238	81,79%
	Single	53	18,21%
Employment Status	Contract Employee	0	0,00%
	Permanent Employee	291	100%
Position	Director	0	0,00%
	Officer	291	100%
	Department Head	0	0,00%
Length of work	≤ 1 year	7	2,41%
	> 1 – ≤ 3 year	21	7,22%
	> 3 – ≤ 5 year	34	11,68%
	> 5 year	229	78,69%

Based on table 4 above, it can be seen that the majority of respondents are male which is at the percentage of 70.10%, while the percentage of female respondent is at 29.90%. Furthermore, in the age section, the majority of respondents who are 31-35 years old are at the percentage of 36.77%, while sequentially followed by respondents who are 36-40 years old are at the percentage of 28.87%, the percentage of respondents who are 25 - 30 years old is at 20.27%, and the percentage of respondents who are ≥ 40 years is at 14.09%. From the latest education level, 87.63% of respondents had a bachelor degree background, followed by 12.03% of respondents with postgraduate education, and 0.34% were doctoral. The majority of respondents who are married is at a percentage of 81.79%, then the remaining 18.21% are single. There are about 100% of respondents are permanent employees as officers which are the main criteria of respondents in this research. Based on the length of work, 78.69% of employees stated that they had worked at BSM for more than 5 years, then sequentially as much as 11.68%; 7.22%; and 2.41% said they had worked for 3 to 5 years, 1 to 3 years, and less than one year.

### 4.1 Goodness of Fit

The results of the questionnaires of 291 permanent employees of PT Bank Syariah Mandiri (Head Office) have been processed using LISREL software. *Goodness of fit* is an indication of the comparison of the model specified with the covariance matrix among indicators or observed variables. The following is the *goodness of fit statistics*:

**Tabel 4.** Goodness of Fit Statistics

GOF Measures	Value	Label
<i>Absolute Fit Measures</i>		
Statistic Chi-Square	(df: 2469)	Poor Fit
P-value	9592,62 (P = 0,0)	
GFI	0,99	Good Fit

SRMR	0,059	Poor Fit
RMSEA	0,00 (P = 1,00)	Good Fit
ECVI	9,61	
Saturated ECVI*	18,12	Good Fit
Independence ECVI *	545,75	
<b>Incremental Fit Measures</b>		
NNFI	1,02	Good Fit
NFI	1,00	Good Fit
AGFI	0,99	Good Fit
RFI	1,00	Good Fit
IFI	1,02	Good Fit
CFI	1,00	Good Fit
<b>Parsimonious Fit Measures</b>		
AIC	318	
Saturated AIC*	5.256	Good Fit
Independence AIC*	158.605	
Normed Chi-Square	3,885	Marginal Fit
CAIC	1.061	
Saturated CAIC*	17.537	Good Fit
Independence CAIC*	158.605	

Source: Ouput LISREL 8.80

The results of the *Goodness of Fit* of the overall structural model in the table above have the same value as the results of the Goodness of Fit of the measurement model so that the analysis can be evaluated from the explanation of the previous measurement model. There are 12 index values that have *good fit* results and have represented both *absolute, incremental, and parsimonious fit measures* so that the fit of the research model is Good through the following summary:

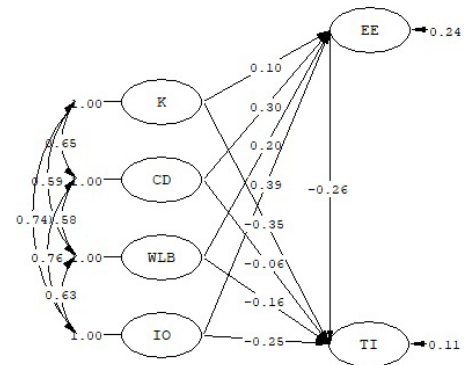
1. Through Absolute Fit Measure, it can be seen that there are 3 indexes of the goodness model that have *Good Fit* results, namely GFI, RMSEA, ECVI, while the SRMR measure shows the Poor Fit index
2. From the incremental fit measures, there are 6 indexes of the goodness model that have good fit results including NNFI, NFI, AGFI, RFI, IFI, CFI with index values > 0.90
3. Parsimonious fit measures with a single model include AIC, Normed Chi-Square, and CAIC show good results with the Normed Chi-Square value which is less than the limit of 5. AIC and CAIC have a smaller difference with the saturated value compared to the independence value.

The GOF measurements on the structural model above show the same results as the GOF measurements output on the fit test of the measurement model, therefore, it can be said that the model is good because there is no significant change between the two models. There is no absolute fit measure model in evaluating the model in SEM.

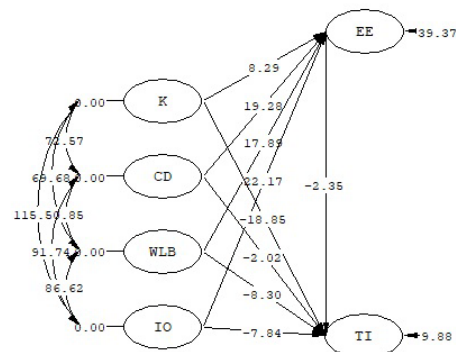
In [24] explains that a good model assessment ideally comes from a minimum of one measurement index having the goodness of fit of each index category namely absolute, incremental, and parsimonious fit measures, which has been proven from table 4 above in order to support the conclusion that the research model has goodness of fit.

### 4.2 Causal Relationship among Variables

The results of the questionnaires of 291 permanent employees of PT Bank Syariah Mandiri (Head Office) have been processed using LISREL software. The structural model analysis found that the estimated value of the causal relationship among *compensation variable (X1), human resource management variable (X2), work-life balance variable (X3), organizational climate variable (X4), supply chain engagement (X5) and turnover intention variable (Y)* are standardized, while hypothesis testing is carried out by looking at the t-value. The following is the full path SEM diagram with 6 latent variables:



Picture 2. Structural Model (Standardized Solution)



Picture 3. Structural Model (T-Value)

From the results of the structural model analysis shown in Picture 2 and 3, it is shown that the estimation of causal relationships between *compensation variable (X1), human resource management (X2), work-life balance (X3), organizational climate (X4), supply chain engagement (X5) and turnover intention (Y)* which are standardized in the form of t-value and standardized solution value. The causal relationship among variables can be described as follows:

Table 5. Causal Relationships among Variables

No	Path	SLF	t-value	t-table	Significance	Summary
1	Compensation → Turnover Intention	-0,35	-18,85	1,96	Significant	There is sufficient evidence that compensation has a direct negative influence on turnover intention
2	Human resource management → Turnover Intention	-0,06	-2,02	1,96	Significant	There is sufficient evidence that human resource management has a direct negative influence on turnover intention

3	<i>Work-Life Balance → Turnover Intention</i>	-0,16	-8,30	1,96	Significant	There is sufficient evidence that work-life balance has a direct negative influence on turnover intention
4	<i>Organizational Climate → Turnover Intention</i>	-0,25	-7,84	1,96	Significant	There is sufficient evidence that the organizational climate has a direct negative influence on turnover intention
5	<i>Compensation → Employee Engagement</i>	0,10	8,29	1,96	Significant	There is sufficient evidence that compensation has a direct positive influence on employee engagement
6	<i>Human resource management → Employee Engagement</i>	0,30	19,28	1,96	Significant	There is sufficient evidence that human resource management has a direct positive influence on employee engagement
7	<i>Work-Life Balance → Employee Engagement</i>	0,20	17,89	1,96	Significant	There is sufficient evidence that work-life balance has a direct positive influence on employee engagement
8	<i>Organizational Climate → Employee Engagement</i>	0,39	22,17	1,96	Significant	There is sufficient evidence that the organizational climate has a direct positive influence on employee engagement
9	<i>Employee Engagement → Turnover Intention</i>	-0,26	-2,35	1,96	Significant	There is sufficient evidence that employee engagement has a direct negative influence on turnover intention
10	<i>Compensation → Turnover Intention through employee engagement</i>	-0,03	-2,30	1,96	Significant	There is sufficient evidence that compensation has an indirect negative influence on turnover intention through employee engagement
11	<i>Human resource management → Turnover Intention through employee engagement</i>	-0,08	-2,33	1,96	Significant	There is sufficient evidence that human resource management has an indirect negative influence on turnover intention through employee engagement
12	<i>Work-Life Balance → Turnover Intention through employee engagement</i>	-0,05	-2,34	1,96	Significant	There is sufficient evidence that work-life balance has an indirect negative influence on turnover intention through employee engagement
13	<i>Organizational Climate → Turnover Intention through employee engagement</i>	-0,10	-2,34	1,96	Significant	There is sufficient evidence that the organizational climate has an indirect negative influence on turnover intention through employee engagement

Source: Ouput LISREL 8.80

The structural equation of the causal relationship of each of the variables consisting of *compensation* (X1), *human resource management* (X2), *work-life balance* (X3), *organizational climate* (X4), *supply chain*

*engagement* (X5) and *turnover intention* (Y). The data which were analyzed by using LISREL software can be seen from the structural model equation as follows:

Table 6. Structural Equations of Causal Relationships

Structural Equations						
EE =	0.10*K	+ 0.30*CD	+ 0.20*WLB	+ 0.39*IO,	Errorvar.= 0.24	, R <sub>y</sub> = 0.76
	(0.013)	(0.015)	(0.011)	(0.018)	(0.0061)	
	8.29	19.28	17.89	22.17	39.37	
TI =	- 0.26*EE	- 0.35*K	- 0.056*CD	- 0.16*WLB	- 0.25*IO,	Errorvar.= 0.11, R <sub>y</sub> = 0.89
	(0.11)	(0.018)	(0.028)	(0.019)	(0.032)	(0.011)
	-2.35	-18.85	-2.02	-8.30	-7.84	9.88

Source: Ouput LISREL 8.80

The coefficient of determination (R2) in the structural equation based on Lisrel 8.80 output can describe the number of variants of endogenous variables simultaneously by exogenous variables. Sarjono and Julianita (2014) explained that the high value of R2 indicates the greater exogenous latent variable that can describe the endogenous latent variable. From table 6 above, the first structural equation shows that employee engagement variable can be described by compensation,

human resource management, work life balance, and organizational climate variables by 76%. The second equation shows that the turnover intention variable can be described by employee engagement, compensation, human resource management, work life balance, and organizational climate variable by 89%, while the rest is explained by other variables which are not analyzed through this research.

Table 7. Direct Influence, Indirect Influence, and Total Influence

H	From	Through	To	Direct Influence	Indirect Influence	Total Influence
1	Compensation		Turnover Intention	-0,35	-	-0,35
2	Human resource management		Turnover Intention	-0,06	-	-0,06
3	Work-Life Balance		Turnover Intention	-0,16	-	-0,16
4	Organizational Climate		Turnover Intention	-0,25	-	-0,25
5	Compensation		Employee Engagement	0,10	-	0,10
6	Human resource management		Employee	0,30	-	0,30

			<i>Engagement</i>			
7	<i>Work-Life Balance</i>		<i>Employee Engagement</i>	0,20	-	0,20
8	Organizational Climate		<i>Employee Engagement</i>	0,39	-	0,39
9	<i>Employee Engagement</i>		<i>Turnover Intention</i>	-0,26	-	-0,26
10	Compensation	<i>Employee Engagement</i>	<i>Turnover Intention</i>	-0,35	0,10*-0,26 = -0,026	-0,376
11	<i>Human resource management</i>	<i>Employee Engagement</i>	<i>Turnover Intention</i>	-0,06	0,30*-0,26 = -0,078	-0,138
12	<i>Work-Life Balance</i>	<i>Employee Engagement</i>	<i>Turnover Intention</i>	-0,16	0,20*-0,26 = -0,052	-0,212
13	Organizational Climate	<i>Employee Engagement</i>	<i>Turnover Intention</i>	-0,25	0,39*-0,26 = -0,101	-0,351

**Table 8.** Results of Analysis of Direct and Indirect Relationship

Total and Indirect Influences				
Total Influences of KSI on ETA				
	K	CD	WLB	IO
EE	0.10 (0.01)	0.30 (0.02)	0.20 (0.01)	0.39 (0.02)
TI	8.29 -0.38 (0.02)	19.28 -0.13 (0.03)	17.89 -0.21 (0.02)	22.17 -0.35 (0.03)
	-19.52	-4.94	-11.01	-10.70
Indirect Influences of KSI on ETA				
	K	CD	WLB	IO
EE	-	-	-	-
TI	-0.03 (0.01)	-0.08 (0.03)	-0.05 (0.02)	-0.10 (0.04)
	-2.37	-2.32	-2.35	-2.33
Total Influences of ETA on ETA				
	EE	TI		
EE	-	-		
TI	-0.26 (0.11)	-		
	-2.35			

Source: Ouput LISREL 8.80

## 5. Discussion

The paper seeks to establish a relationship between supply chain strategy and core internal operational functions. The study finds a strong positive association between the two, thus lending strength to the assessment. Hence, it makes good strategic sense to strengthen core functions for achieving supply chain objectives. The long term alignment of supply chain goals and investment in core functions helps build the required capabilities. Second, the paper looks at the five core functions stemming from supply chain strategy and examines their relationship with organizational performance. The proposed structural model provides strong overall support for the positive impact of the core functions on organizational performance with the exception of information technology. Compensation has a significant negative influence on turnover intention. One of the reasons that employees leave their work is due to unsatisfactory compensation [9]. Hence, it can be interpreted that the better compensation provided by companies will reduce the occurrence of turnover intention. This result is strengthened by a research conducted by [19] of 457 company employees in Malaysia. Moreover, [16] found a significant negative influence between compensation and turnover intention of 654 company employees in China. [11] in their research also found a significant negative influence between compensation and turnover intention. In addition, the same finding was also obtained from research conducted by [15] that compensation has a significant negative influence on turnover intention of 356 company employees in China. In [16] conducting research on 153 academic staff in 13

educational institutions in South Africa found that there was a significant negative influence between compensation and turnover.

*Human resource management* has a significant negative influence on *turnover intention*. According to [22], the employees leave their jobs for reasons of lack of career opportunities, whereas, by offering opportunities to develop careers can prevent employees from leaving the Company. Furthermore, [11] add that if an organization or company cannot provide *human resource management* properly, then employees will resign from the company. Therefore, if the *human resource management* of employees is well managed, it will reduce the *turnover intention* of employees. This result is strengthened by a research conducted by [24] on 1000 employees from 100 companies in Belgium. It was found that there was a significant negative influence between human resource management opportunity and turnover intention. A research conducted by [31] found a significant negative influence between career growth opportunities and turnover intention of 236 Frontline employees in 3, 4 and 5 star hotels in South India. Similarly, [28] in their research found that there was a negative influence between development & career opportunity on turnover intention of 356 company employees in China. Then, a research conducted by [26] found that if career needs were not matched with a development program it would increase the turnover of 431 sisters in Taiwan. In addition, a research conducted by [22] found that human resource management had a significant negative influence on *turnover intention* of 207 employees working in health care. Also, a research conducted by [26] on his journal



found that there was significant negative influence between *career opportunities* and *turnover intention*.

*Supply chain management* has a significant negative influence on *turnover intention*. The balance between work life and personal or family life is known as work-life balance which influences the employee to survive in the company. It means that providing good work-life balance provided by the company can reduce *turnover intention*. This result is strengthened by a research conducted by [33] found that work-life balance has a significant negative influence on *turnover intention* of 1000 employees from 100 companies in Belgium. Similarly, [26] in his research found that there was a significant negative influence between *work-life-balance* on the turnover intention of 356 company employees in China. [19] in his research also found the same thing that low level *work-life balance* will increase intention to leave. Moreover, [16] also found a significant negative influence between work-life balance and turnover intention of 6983 workers working in Australia and New Zealand. In addition, [13] added that there is a significant negative influence between *work-life balance* and *turnover intention* of 150 employees in Malaysia who were born in 1980-2000.

*Organizational climate* has a significant negative influence on *turnover intention*. Thus, it can be said that if the organizational climate in the company is good, it can reduce the *turnover intention* of employees. This result is reinforced by the research conducted found that there was a significant negative influence between organizational climate and the turnover intention of 182 professional employees in *business schools* in the US. [15] in his research also found that there was a significant negative influence between *organizational climate* and *turnover intention*. In a study conducted by [14], it was found that there was a significant negative influence between organizational climates with the turnover intention of 190 hospital employees in Mexico. Moreover, [3] also found that organizational climate had a significant negative influence on the turnover of 526 employees of 37 hotels in the US. In addition, [32] in his research found that there is a significant negative influence on organizational climate on the turnover intention of 766 employees who work in New York

*Compensation* has a significant positive influence on *employee engagement*. It means that if the company provides satisfactory compensation in accordance with employee expectations, it will increase the employee engagement. This result is strengthened by a research conducted [4] that compensation has a significant positive influence on the *employee engagement* of 441 *Micro, Small and Medium Enterprises* (MSMEs) employees in India. Similarly, the findings of a research conducted by [6] prove that compensation has a significant positive influence on *employee engagement* of 250 employees of telecommunications companies in Klang Valley. Moreover, a research conducted by [7] showed that there was a significant positive influence between compensation and *employee engagement* on 60 employees working for family and non-family companies. In addition, [8] also proved their research result that there was a significant positive influence between *compensation* and *employee engagement* on 93 employees of multinational companies in India.

*Human resource management* has a significant positive influence on *employee engagement*. If the employees are given the opportunity to develop their careers, it will increase the *employee engagement*. It means that if the human resource management of employees is well managed, it will increase *employee engagement*. This result is strengthened by a research conducted by [11] which proves that *employee human resource management* has a significant positive influence on *employee engagement*. Moreover, a research conducted by [19] found that there was a significant positive influence between *human resource management* and *employee engagement* on 383 company employees in Combatore District. In addition, a research conducted by Tladinyane & Merwe (2016) found that there was a significant positive influence between *career adaptability* and *employee engagement* on 131 insurance employees in South Africa.

*Work-life balance* has a significant positive influence on *employee engagement*. It means that if the company makes *work-life balance* conditions better in paying attention to the balance of an employee's life, personal life, and life at work, it will increase *employee engagement*. This is strengthened by a research conducted by [16] by the study of literature found that there was a positive influence between *work-life balance* and *employee engagement*. Furthermore, a research conducted by [8] on 250 telecommunications company employees in Klang Valley found that *work-life balance* and *employee engagement* has a significant positive influence. Moreover, this result is also strengthening a research conducted by [7] on 336 Banking Frontliner employees in Jordan. It is found that *work-life balance* has a significant positive influence on *employee engagement*. In line with research conducted by Benito-Osorio, [9] that the application of *work-life balance* in companies will increase *employee engagement*. Research conducted by [10] *As Predators of Job Satisfaction*" found that *work-life balance* has a significant positive influence on *employee engagement* of 313 employees in IT Industry New Delhi, India. In line with a research conducted by [20] with 16,813 employees (commercial sector, public sector, non-profit organization) in Australia, it is found that there was a significant positive influence between work-life balance and employee engagement. In addition, this result is also strengthened by research conducted by [21] that *work-life balance* has a significant positive influence on employee engagement.

*Organizational climate* has a significant positive influence on employee engagement. It means that the better the organizational climate in the company, the more *employee engagement* will increase. This result is reinforced by a research conducted by [22] with 1578 employees in Australia found that there was a positive influence between *organizational engagement climate* and *employee engagement*. Moreover, a research conducted by [6] with a case study of 383 company employees in the Combatore District found a positive influence between *organizational climate* and *employee engagement*. Furthermore, it is strengthened by research conducted by [7] on 250 telecommunications company employees in Klang Valley found that *organizational climate* has a significant positive influence on *employee engagement*. Research conducted by [28] with a case study of 375

company employees in India found that *organizational climate* has a significant positive influence on *work engagement*.

*Supply chain engagement* has a significant negative influence on *turnover intention*. It means that the better *employee engagement* will reduce the *turnover intention* of the employees. This result is strengthened by research conducted by [18] with 212 students who works part-time at Midwestern University found that *Engagement* (Vigor, Dedication, Absorption) significantly negatively influences *turnover intention*. In [5] found that *employee engagement* has a significant negative influence on *turnover intention* on 193 police officers in Australia. Research by [7] found that there was a significant negative influence between *employee engagement* and *turnover intention* in a case study of 5443 employees from 10 hospitals in US. [6] found that *employee engagement* has a significant negative influence on *turnover intention* of 207 employees who work in health care.

*Compensation* has a significant negative influence on *turnover intention* mediated by *employee engagement*. Therefore, it can be interpreted that the better the *compensation* provided by the company to its employees, it can increase *employee engagement* and have implications for decreasing *turnover intention*. This result is strengthened by a research conducted by [13] with a sample of 297 employees in the UK found that *employee engagement* partially mediated the influence between *perceived HRM practiced*, specifically *compensation* and *turnover intention*. Similarly, in a research conducted by [5] proved that *organizational engagement* partially mediated the influence of *HR practice*, especially *compensation* on *turnover intention*. Moreover, research conducted by [14] that *work engagement* partially mediated the influence (negative) between *job resources*, especially *salary* and *turnover intention*. In addition, It is also strengthened by research conducted by [11] found that *work engagement* partially mediated the influence (negative) between *pay satisfaction* and *turnover intention*.

*Human resource management* has a significant negative influence on *turnover intention* mediated by *employee engagement*. It means that if the company provides good human resource management to its employees, it will have implications for increasing *employee engagement* and can reduce the *turnover intention* of employees. This result is strengthened by research conducted by [10] in a sample of 297 employees in the UK found that *employee engagement* mediated the influence between perceived HRM practiced specifically *human resource management* and *turnover intention*. Similarly, [5] proved that *organizational engagement* partially mediated positively between *HR practices*, specifically *career management* as part of *human resource management* and *turnover intention*. In addition, research conducted by [4] with 5088 respondents in the service industry found that there was a negative influence between *organizational support for development (human resource management)* and *turnover intention* partially mediated by *work engagement*. In [15] conducted a research and found that *work engagement* partially mediated the influence (negative) between *satisfaction training* as part of *human resource management* and *turnover intention*. Moreover, [13] in their research found that *work engagement*

mediates the (negative) influence between *job resources*, especially *career opportunities* and *turnover intention*. Then, this is also strengthened by research conducted by [7] with a sample of 1698 from employees of insurance companies, health services, pension fund companies and home-care institutions. The result of their research is *engagement* partially mediated the influence (negative) between *job resources*, especially *human resource management* and *turnover intention*.

*Work-life balance* has a significant negative influence on *turnover intention* mediated by *employee engagement*. Therefore, it can be interpreted that if the company provides a good *work-life balance* to employees, it can increase *employee engagement* towards the company, which will reduce the level of *turnover intention*. This result is strengthened by a research conducted by [6] in a sample of 297 employees in the UK found that *employee engagement* partially mediated the influence between *perceived HRM practiced* specifically *work-life balance* and *turnover intention*. Furthermore, research conducted by [12] in a sample of 103,478 employees from 15 companies found that *employee engagement* partially mediated the influence (positive) between *supportive work-life policies* and *expected retention*. This proves that a more *flexible* workplace can increase *employee engagement* which in turn can lead to longer work periods thereby reducing *turnover intention*.

*Organizational climate* has a significant negative influence on *turnover intention* mediated by *employee engagement*. Hence, it can be interpreted that if a company can create an *organizational climate* that is conducive to work, it can increase *supply chain engagement* of the employees and give influence to reduce *turnover intention*. This is supported by research conducted by [11] with a total sample of 211 respondents from 67 organizations in India. It is found that *organizational engagement* mediated the (positive) influence between the *supportive work environment* and *employee retention*. According to [1] state that the *supportive organizational climate* in the context of interpersonal relationship can improve managerial *influenceiveness*. Therefore, supervisory relationship that is part of the supportive work environment can run well if it is supported by a *supportive organizational climate*. According to [14], Organizations need to maintain learning and working climate to develop *talented workforced*. In addition, [6], add that *peer relationships, supervisory relationships, organizational policies and procedures, work climate* and *workplace environments* are integral elements of positive work climate that can increase the employee engagement.

## 6. Conclusion

From the results of evaluations and discussions above, therefore, it can be concluded that: 1) *Compensation* has a direct negative influence on *turnover intention*, 2) *Human resource management* has a direct negative influence on *turnover intention*, 3) *Work-life balance* has a direct negative influence on *turnover intention*, 4) *Organizational climate* has a direct negative influence on *turnover intention*, 5) *supply chain strategy* has a direct positive influence on *employee engagement*, 6) *Human resource management* has a direct positive influence on *employee engagement*, 7) *Work-life balance* has a direct positive influence on *employee engagement*, 8)

*Organizational Climate* has a direct positive influence on *employee engagement*, 9) *Employee engagement* has a direct negative influence on *turnover intention*, 10) *Compensation* has an indirect negative influence on *turnover intention through employee engagement*, 11) *Human resource management* has an indirect negative influence on *turnover intention through employee engagement*, 12) *Human resource management* has an indirect negative influence on *turnover intention through employee engagement*, 13) *Work-life balance* has an indirect negative influence on *turnover intention through supply chain management*, and 14) *Organizational climate* has an indirect negative influence on *turnover intention through employee engagement*.

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