

The Influence of The Work Environment, Company Culture on The Retention Rate of Employees of PT. PG Rajawali II

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Abstract. Employee retention is critical for organizational stability, yet high turnover persists due to inadequate work environments and weak company cultures. While prior research has examined these factors independently, their combined effect remains underexplored, particularly in industrial settings like PT. PG Rajawali II Cirebon. This study investigates how work environment and company culture jointly influence retention, addressing gaps in integrated analysis. A quantitative approach with PLS analysis was applied to data from 60 employees via Likert-scale questionnaires, ensuring reliability (Composite Reliability > 0.7) and validity (AVE > 0.5). Both factors significantly boost retention (work environment: $\beta = 0.302$, $p = 0.004$; company culture: $\beta = 0.547$, $p = 0.000$), with their interaction amplifying the effect ($F\text{-square} = 0.155$). The study underscores the need for holistic retention strategies integrating environmental and cultural improvements, offering practical insights for similar industries. Future research should expand to diverse sectors and incorporate mediating variables (e.g., leadership) to generalize findings.

Keywords: Work Environment, Company Culture, Employee Retenti

INTRODUCTION

Since human resources are essential for a company, human resources must be managed properly (Goswami, 2018; Tanjung, 2020). An organization must be able to consider what its workers need, want, and expect regarding their positions. A company can be profitable if the expectations and circumstances are appropriate. As a result, leaders must consider employee retention rates. (Reza Nurul Ichsan, 2024).

To ensure that resources such as capital, machinery, methods, and materials are able to deliver optimal results, companies need human resources with optimal performance capabilities (Ravichandran et al., 2005). Human resources are at the core of the life of the organization; Overall, the success of an organization depends heavily on the ability of human resources to achieve organizational goals (Aji et al., 2025; Enis, 2017; Mohammed, 2021). Human resource management is essential because it is at the core of all the Company's activities.

In this difficult era of globalization, companies cannot survive without a high-quality workforce to achieve their long-term goals (Tien et al., 2021b, 2021a). Employee retention rates are an important indicator for assessing the success of an organization, which measures how long employees stay with a company (Dugovicova, 2019; Kelly, 2024). High retention rates can reduce recruitment and training costs, improve organizational stability, and increase productivity. Conversely, high employee turnover rates can adversely impact performance and costs. Therefore, many businesses focus on

creating a supportive work environment and a positive company culture to retain their employees.(Safaat Aufahasan Adzka & Departemen, 2024)

Physical, social, and psychological conditions in the workplace are called the work environment, which can affect the comfort, well-being, and productivity of workers. It is believed that employees are more satisfied with their jobs and more motivated to progress if they have a supportive work environment, which includes harmonious interpersonal relationships, support from superiors, and opportunities for growth. (Moh Yusoff Yusliza *et al.*, 2022) suggest that a supportive work environment has a positive relationship so that it can reduce the desire to change jobs. Additionally, a pleasant work environment can help employees feel safer and more comfortable.

A healthy and inclusive company culture also contributes greatly to employee retention rates. Organizational culture encompasses the norms, values, and beliefs that the organization embraces and practices, as well as the way the organization interacts with the community and its staff members. Strong relationships between employees and organizations can be built by a work culture that prioritizes cooperation, transparency, and appreciation for their achievements.(Zulfan et al., 2020) A healthy workplace culture can foster the best and retain the best and most talented employees in their fields. If an organization's culture lives up to their principles, employees are more loyal and more engaged. However, most studies only looked at the influence of individual variables on employee retention rates

separately, although many studies addressed the influence of the work environment and organizational culture on employee retention; However, these two factors are interconnected and influence each other in the formation of the organization. Therefore, there is still a lot of research that needs to be done on how organizational culture and the work environment influence employees' decisions to stay at the company (Mehta et al., 2014; Meng et al., 2016).

Field phenomena show that the influence of the work environment and organizational culture is not always uniform across all types of industries or geographic regions (Uddin et al., 2013). For example, a highly flexible and collaborative business, such as a startup or a technology company, may prioritize a supportive work environment. Leaders in an organization need to provide understanding and instill organizational cultural values, both formal and informal, so that every individual in the organization wants to understand the vision and goals of the organization and integrate themselves as an integral part of the organizational culture system (Imam Ghozali, 2011). Finding that a supportive organizational culture and flexible work environment can play a significant role in maintaining employee retention when the organization undergoes changes, such as reorganization or adoption of new technologies.

The existing research gaps indicate the need for further research that combines these two factors in a variety of contexts. For example, there is still little research examining how the interaction between a positive work environment and a

supportive organizational culture can improve employee retention rates in specific industries or across different geographic locations. Therefore, this study aims to delve deeper into how these two factors play a role in influencing employee retention rates as well as provide practical recommendations for organizations in creating a work environment and organizational culture that supports long-term retention.

Most previous studies have tended to examine the influence of the work environment or organizational culture on employee retention separately, without integrating the two within a comprehensive research framework. Thus, this study focuses on the gap, namely how these two factors interact in influencing employee retention rates. This research is also important to explore the combined influence of these two factors in various industry contexts and geographic regions, given the differences in organizational needs and characteristics that can affect the effectiveness of both.

This research aims to examine the influence of the work environment and company culture on the retention rate of employees at PT. PG Rajawali II Cirebon. This study advances existing research by examining the combined influence of work environment and company culture on employee retention at PT. PG Rajawali II Cirebon, whereas prior studies (e.g., Zulfan et al., 2020; Moh Yusoff Yusliza et al., 2022) often analyzed these factors separately. By employing Partial Least Square (PLS) analysis, the research quantifies their interaction effect, revealing that their synergy enhances retention more

significantly than individual impacts ($F\text{-square} = 0.155$, $p < 0.05$). Additionally, it addresses a gap noted by Imam Ghozali (2011) and Safaat Aufahasan Adzka (2024) by contextualizing these variables in Indonesia's industrial sector, offering localized insights absent in broader cross-cultural studies (e.g., Zulfan et al., 2020). The saturated sampling technique (60 respondents) also ensures comprehensive representation, differing from smaller or fragmented samples in similar studies (Mahdiyah, 2021).

MATERIALS AND METHODS

The research method applied in this study is a quantitative method. Data collection was carried out by interviews using statements or questionnaires where the measurement variable was the Likert scale. The distributed questionnaire is carefully designed to cover variables relevant to the research objectives.

This study uses a quantitative approach because the data is collected through the distribution of questionnaires to employees of PT. PG Rajawali II in Cirebon. In addition, the data sources used by the researcher consist of two categories: primary data and secondary data. Primary data is data collected directly from respondents without the use of intermediaries; in this case, the respondent PT. PG Rajawali II Cirebon provides their identity, such as their age, gender, and work history.

The population in this study is all employees at PT. PG Rajawali II Cirebon, which amounted to 60 respondents. The

sampling technique in this study uses saturated sampling, where each member of the population is taken as a sample. Researchers used as many as 60 people.

In this study, the data collection methods used were literature studies and questionnaires. A questionnaire is a method of data collection in which respondents are asked to answer a set of questions or written statements. Literature study is related to literacy studies conducted by researchers, such as reading several references related to the research subject such as book references, journals, and other references.

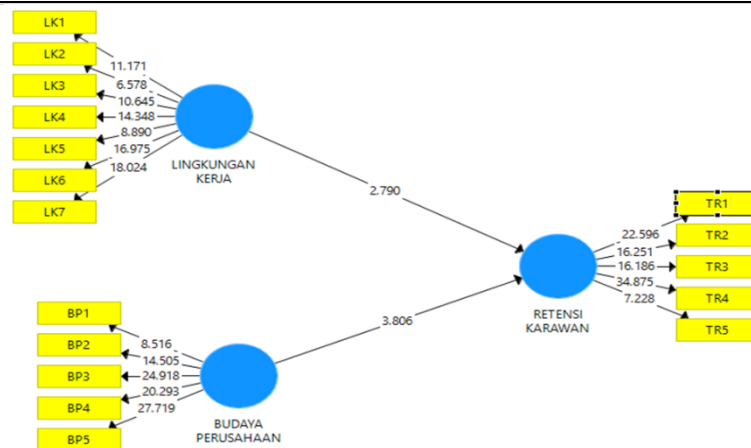
This study uses Partial Least Square (PLS) analysis as a data analysis technique. Because the data used by the researcher came from direct research respondents. The validity test is a measurement of the level of accuracy or validity of a research instrument. If the instrument has a high level of validity, it is considered valid or valid and if the level of validity is low, the indicator does not reflect accuracy.

RESULTS AND DISCUSSION

Data analysis results

Segment data by variables and respondent types; Then, the data for each variable is tabulated and presented; then, calculations are carried out to determine the answer to the problem formulation and to test the hypothesis proposed (Sugiyono, 2017).

This study analyzed data using the help of Smart PLS software version 3.0. The following is a picture of the PLS SEM Test model.



Gambar 1. Path Diagram

Source: PLS Program Output, 2025

Analisis Structural Equation Modeling-Partial Least Square (SEM-PLS)

Structural Equation Modeling (SEM) which includes a second-generation multivariate analysis method, which allows correlation testing between complex variables to obtain a comprehensive picture of the model as a whole. According to Ghozali, SEM is a statistical method that combines path analysis and factor analysis to analyze the relationship between latent variables and observed variables (Imam Ghozali, 2011). More specifically, this study uses a variant-based Structural Equation Modeling method, namely the Partial Least Square (PLS).

PLS is a very effective method of analysis because of its ineffective assumption basis (Willy Abdillah, 2015). PLS can be used to confirm theories and determine if there is a relationship between latent variables (Ghozali, 2011). The PLS analysis test consists of two assessments: the outer and inner models.

1. Evaluation of Measurement Models (Outer Model)

The validity test is used to measure the

validity or validity of a questionnaire; A questionnaire is considered valid if the questions in it are able to reveal something that the questionnaire will measure, while reliability is a measure used to determine how reliable or reliable a questionnaire is. A questionnaire is considered reliable if the respondents' responses are consistent or stable over time (Ghozali, 2020). A detailed explanation of the components of the measurement model is as follows:

a. Composite Reliability

Cronbach's Alpha and Composite Reliability is a measure used to evaluate the internal consistency of the indicators that make up the structure of the measurement model. Composite Reliability provides a more accurate estimate of reliability because it takes into account the different factor loadings of each indicator, in contrast to Cronbach's alpha, which assumes that each indicator has the same contribution. The composite reliability value that can be accepted and declared valid is that it exceeds 0.7 (Hair et al, 2011).

b. Validitas Convergence

says that the convergent validity can be

assessed by calculating the value of a standardized outer factor, with an ideal value of more than 0.7. However, in empirical practice, an outer factor value of more than 0.5 is still acceptable, and some experts even consider a

minimum value of 0.4 to be reasonable. In addition, the Average Variance Extracted (AVE), which has an ideal value of at least 0.5, can be used to measure convergent validity.

Validity and Reliability Tests

Composite Reliabel

Table 1. Composite reliability

	Composite Reliability
LK	0,931
BP	0,921
TR	0,925

The conclusions of the composite reliability test are as follows:

1. The working environment variable (X1) is reliable, since the composite reliability value is $0.931 > 0.7$
2. The company culture variable (X2) is reliable, since the composite reliability value is $0.921 > 0.7$
3. The Employee Retention (Y) variable can be relied upon, because the composite reliability value is $0.925 > 0.7$

Based on the results of the composite reliability test, all variables in this study had a value above **0.7**, which indicates that all the constructs tested had good internal consistency. In other words, the measuring

tool used in this study can be relied upon to measure the variables in question consistently.

Discriminatory Validity

Discriminant validity is a validity measure of the extent to which a latent construct or variable can be distinguished from other constructs in a research model. In other words, discriminant validity tests whether the indicators present in the model are more correlated with the construct in question (latent variable) than with any other construct. The following are the output results of the discriminant validity test using SmartPLS 3.0

Table 2. Discriminatory Validity (Cross Loadings)

	Variable Leave 1	Variable Leave 2	Variable Leave 3
BP1	0,180	0,735	0,407
BP2	0,326	0,819	0,556
BP3	0,512	0,875	0,596
BP4	0,587	0,868	0,633
BP5	0,386	0,876	0,670
LK1	0,783	0,470	0,384
LK2	0,753	0,375	0,308
LK3	0,849	0,357	0,336

LK4	0,837	0,399	0,418
LK5	0,773	0,430	0,447
LK6	0,857	0,339	0,484
LK7	0,827	0,425	0,677
TR1	0,509	0,645	0,871
TR2	0,486	0,641	0,829
TR3	0,522	0,543	0,877
TR4	0,514	0,632	0,899
TR5	0,362	0,443	0,736

The table above shows the strong discriminant validity for all latent variables. Compared to other variables in the model, cross loadings measure how much load the indicator factor is for its own variables. If the indicator has the highest factor load on the latent variable that is supposed to be measured, then the discriminant validity has been met.

In this study, each indicator had a greater loading factor value on the latent variable measured than the other variable. For example, the BP (Company Culture) indicator has a loading factor value of 0.875

on the Company Culture (BP) variable, which is higher than its correlation with Work Environment (LK) = 0.512 and Employee Retention (TR) = 0.596. This suggests that the indicator has greater power to measure the Company Culture (BP) variable.

It is possible that the indicators of one variable are more correlated with other variables. This can indicate that there is a problem with the measurement model design if the discriminant validity based on Cross Loadings is not met.

Table 3. Discriminatory Validity (Fornell Lacker Criterium)

	Variable Leave 1	Variable Leave 2	Variable Leave 3
Variable Leave 1	0,812		
Variable Leave 2	0,493	0,836	
Variable Leave 3	0,572	0,696	0,844

The Fornell-Larcker criterion examines the square root of the Average Extracted Variance (AVE) and the correlation between latent variables. If the square root of a variable's AVE is greater than its correlation with the other variable, then the discrimination is valid.

The bolded diagonal value, or the square root value of the AVE, for each variable is greater than the correlation between them and the other variables, as

shown in the table above. For example, the square root value of the AVE of the Work Environment (LK) was 0.812, higher than its correlation with Company Culture (493) and Employee Retention (572, respectively). This also applies to other variables; if the validity of the discriminator based on the Fornell-Larcker Criterion is not met, then there is an indication that the constructs in the research model may overlap and are not sufficiently different from each other.

Outer model

To evaluate an external model or measurement model, it is necessary to conduct an assessment of the construct validity test and the construct reliability

test. In the construct validity test, it was measured using convergent validity and discriminant validity. Based on the results of data processing, it can be concluded that the external load value meets the criteria of convergent validity and is declared valid.

Tabel 4. Outer Model

	Variable Leave 1	Variable Leave 2	Variable Leave 3
BP1		0,735	
BP2		0,819	
BP3		0,875	
BP4		0,868	
BP5		0,876	
LK1	0,783		
LK2	0,753		
LK3	0,849		
LK4	0,837		
LK5	0,773		
LK6	0,857		
LK7	0,827		
TR1			0,871
TR2			0,829
TR3			0,877
TR4			0,899
TR5			0,736

Based on the results of data processing, it can be concluded that the value of the external load meets the criteria of convergent validity and can be declared valid.

Analisis Model Struktural/Structural Model Analysis (Inner Model)

The structural model analysis used 2 tests, including: (1) Rsquare; (2) F-square

R-Square

Adjusted and R-Squared are used to determine the magnitude of the value of

the dependent variable that can be explained by the variation of the independent variable, and the rest is the value part of the other variables that are not included in the model.

The R-Square value criteria are:

- (1) If the value (adjusted) = > 0.75 of the substance model (strong);
- (2) If the value (adjusted) = > 0.50 of the substance model (medium);
- (3) If the value (adjusted) = > 0.25 the model is weak (bad). (Hair et al, 2011).

Table 5. R Square test

	R Square	Adjusted R Square
Variable Leave 3	0,553	0,538

Model in adjusted R-squaare =. This means that the variable work environment (X1), Company Culture (X2), and Employee Retention (Y) are 53.8% so the model is moderate.

F-Square

The results of the model test show that the value of F-Square can be seen in the table above as follows: Variables X1 (Work Environment), X2 (Company Culture) and Y (Employee Retention) have a value = 0.155 so they have a great influence of exogenous variables on endogenous.

Table 6. F Square test

	Variable Leave 1	Variable Leave 2	Variable Leave 3
Variable Leave 1			0,155
Variable Leave 2			0,507
Variable Leave 3			

Uji Hypothesis

Hypothesis testing on Partial Least Square (PLS) can be done by bootstrap method. In the bootstrap method, we can also observe the value of the structural path coefficient. Here are the results of using bootstrap:

Testing of the immediate effects

In Partial Least Square (PLS) analysis, hypothesis testing can be done using the bootstrapping method. This method allows us to also check the value of the coefficient of the structural path. The following are the test results using the bootstrapping method:

To test the direct effect hypothesis, the criteria that must be met are as follows: First in the coefficient of the path (a) if the value is positive, indicates a codirectional

relationship between two variables; In other words, when the value of one variable increases, the value of other variables also tends to increase. And (b) on the other hand, if the value is negative, indicates a connection between the influence of one variable on another; So when the value of one of the variables increases, the value of the other variable tends to decrease. Second, it is important to look at probability or significance values (P-Values):

1. If the P-Values value < 0.05, then significant
2. If the P-Values value > 0.05, then it is not significant (Juliandi, 2018)

Immediate effects

Table 7. Immediate effect

	Original Sampel (O)	P Values
X1 - Y	0,302	0,004
X2 - Y	0,547	0,000

The path coefficients in the table above show that there are positive path

coefficient values (seen in the original sample) including:

- a. In this study, there was an influence between the work environment and employee retention because the sample value was 0.302 and the p value was $0.004 < 0.05$ showing a positive and significant relationship, H1 was accepted that there was a significant influence between the work environment on employee retention at PT. PG Rajawali II.
- b. In this study, the influence between company culture and Employee Retention was found because the original sample value was 0.547 and the p value of $0.000 < 0.05$ showed a positive and significant relationship, and H2 was accepted because there was a significant influence between company culture on employee retention at PT. PG Rajawali II.
- c. From the results of the measurement of F qualand, it was obtained that the variables X1 (Work Environment, X2 (Company Culture) to Y (Employee Retention) had a value = 0.155, so the large and significant influence of exogenous relationships on endogenous and H3 was accepted because the work environment, company culture had a significant influence on employee retention at PT. PG Rajawali II

Discussion

The Influence of Work Environment and

Employee Retention

A good work environment has a positive impact on employee job satisfaction and certainly reduces the rate of labor turnover. Factors such as adequate work facilities, communicative relationships with colleagues, and support from management can be important elements in creating a conducive work environment to work. In this study, there is an influence between the Work Environment and the Employee Retention Rate because the value is 0.302 and the p value is $0.004 < 0.05$ shows a positive and significant relationship, H1 is accepted that there is a significant influence between the work environment on employee retention at PT. PG Rajawali II

The Influence of Company Culture and Employee Retention Rates

A company culture is a set of values, norms, and beliefs that are upheld by the organization and internalized by employees in their daily activities. This culture reflects the company's identity and influences how employees interact, make decisions, and carry out their duties. A positive culture also helps in maintaining employee loyalty. Clear organizational values, an honest reward system, and bright career development opportunities for employees will also help improve employee retention. In this study, there was an influence between Company Culture and Employee Retention Rate because the original sample value was 0.547 and the p value of $0.000 < 0.05$ showed a positive and significant relationship, and H2 was accepted because there was a significant influence between company culture on

employee retention at PT. PG Rajawali II

The Influence of Work Environment, Company Culture on Employee Retention Rates

From the results of the measurement of F squared, it was obtained that the variables X1 (Work Environment), X2 (Company Culture) in explaining Y (Employee Retention Rate) had a value = 0.155, then the large and significant influence of the relationship between exogenous and endogenous variables, H3 was accepted that the Work Environment, Company Culture had a significant effect on the Employee Retention Rate at PT. PG Rajawali II Cirebon.

CONCLUSIONS

This study found that both the work environment and company culture significantly and positively influence employee retention at PT. PG Rajawali II Cirebon, with employees more likely to stay when they experience comfortable working conditions and a cohesive organizational culture. The interaction between these factors enhances retention more effectively than when analyzed separately. For future research, recommendations include expanding the scope to multiple industries, exploring additional variables (e.g., leadership, compensation), adopting qualitative or longitudinal methods, comparing demographic impacts, investigating mediating/moderating factors, and conducting cross-cultural studies to strengthen retention strategies across diverse contexts.

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