Analysis of the Impact of Organizational Culture, Employee Training, and Internal Communication on Employee Retention: A Case Study in the Manufacturing Industry in Indonesia

Yossi Hendriati¹, Siska Armawati Sufa², Eliagus Telaumbanua³, Sabalius Uhai⁴
STIE Galileo¹, Universitas Dr. Soetomo Surabaya², Universitas Nias³, Politeknik Negeri Samarinda⁴
yosiegallieo@gmail.com¹, siska.armawati@unitomo.ac.id², eliagus.tel@gmail.com³, sabaliusuhai@polnes.ac.id⁴

ABSTRACT
This research investigates the impact of organizational culture, employee training, and internal communication on employee retention within the Indonesian manufacturing industry. Using a mixed-method approach, data were collected from 179 employees across various manufacturing firms in Indonesia. The results reveal significant positive relationships between organizational culture, employee training, internal communication, and employee retention. A strong organizational culture, effective training programs, and transparent communication channels were found to enhance employee satisfaction, engagement, and commitment, ultimately reducing turnover rates. Practical implications suggest that manufacturing firms in Indonesia should focus on fostering a positive culture, investing in training and development, and improving communication to retain talent effectively. These findings contribute to understanding the dynamics of employee retention in the Indonesian manufacturing context and provide actionable strategies for organizations aiming to enhance retention efforts and sustain long-term success.

INTRODUCTION
In contemporary business landscapes, the significance of human capital within organizations has garnered substantial attention (Benevene et al., 2017). Among the multifaceted aspects influencing organizational success, the role of employees stands as a cornerstone (Ho, 2012). In the realm of employee management, the notion of retention has emerged as a pivotal concern for businesses worldwide (Bontis, 1998). Retaining talented employees is not merely a matter of reducing turnover costs but is fundamentally linked to sustaining competitiveness, fostering innovation, and maintaining organizational stability (Shaikh & Soomro, 2023).

Within the manufacturing industry in Indonesia, a rapidly evolving economic landscape coupled with dynamic socio-cultural shifts has intensified the imperative for effective employee retention strategies (Sansodik & Kustiawan, 2023). As one of the key sectors contributing significantly to the Indonesian economy, the manufacturing industry faces unique challenges in retaining skilled personnel amidst global competition, technological advancements, and evolving market demands (Zhu et al., 2023). Understanding the intricacies of factors influencing employee retention within this context is imperative for fostering sustainable growth and organizational resilience (Luthra et al., 2015).

Despite its critical importance, employee retention remains a complex and multifaceted phenomenon, influenced by various organizational dynamics (Udin, 2023). In the Indonesian manufacturing sector, the interplay between organizational culture, employee training initiatives, and internal communication practices as determinants of employee retention warrants closer examination (Dey et al., 2019).
However, a notable gap exists in comprehensive empirical studies that investigate the combined impact of these factors on employee retention within the Indonesian manufacturing context (Igalla et al., 2020). Thus, the central research problem pertains to understanding the extent to which organizational culture, employee training, and internal communication strategies contribute to employee retention in Indonesian manufacturing firms.

The primary objective of this research is to analyze the impact of organizational culture, employee training, and internal communication on employee retention within the manufacturing industry in Indonesia. Specifically, the research aims to: (1) Investigate the prevailing organizational culture within Indonesian manufacturing firms and its influence on employee retention. (2) Assess the effectiveness of employee training programs in enhancing retention rates within the manufacturing workforce. (3) Examine the role of internal communication mechanisms in fostering employee retention.

This research holds significant implications for academia, industry practitioners, and policymakers alike. By elucidating the intricate dynamics between organizational culture, employee training, internal communication, and retention within the Indonesian manufacturing context, the findings of this study aim to contribute valuable insights to existing literature on human resource management and organizational behavior. Furthermore, the practical implications of this research extend to manufacturing firms seeking to enhance their employee retention strategies, thereby fostering sustainable growth, competitiveness, and organizational resilience in the Indonesian market. Additionally, policymakers and industry stakeholders can utilize the findings to inform policy frameworks and strategic initiatives aimed at fostering a conducive environment for talent retention and development within the manufacturing sector.

**Literature Review And Hypothesis Development**

**a. The Important of Employee Retention for Business**

Employee retention is of paramount importance for businesses due to its significant impact on various aspects of an organization. High employee turnover can lead to increased costs associated with recruitment, training, and lost productivity, negatively affecting the organization's sustainability, competitiveness, and profitability (Mbugua, 2015). Retaining valuable employees is crucial as they are essential to the performance and success of a business (Meyer, 2009). Moreover, employee retention is linked to improved job satisfaction, motivation, and productivity, which in turn can reduce employment problems, absenteeism, and turnover (Austin & Beck, 2010). A qualitative study on modern human resource management practices emphasizes the significance of a holistic approach, including talent development, work-life balance, and a supportive organizational culture, in enhancing employee retention (Valaei & Rezaei, 2016). Ongoing communication and feedback mechanisms are also highlighted as effective strategies for retaining valuable employees (Sepahvand & Bagherzadeh Khodashahri, 2021).

In today's dynamic business environment, organizations are increasingly recognizing the importance of improving employee engagement and retention. High-quality digital experiences, effective communication, and a supportive work environment are becoming crucial for retaining employees in the modern workforce. Strategic human resource management practices, such as recruitment, career management, and training, have been found to have a significant impact on employee
retention in various organizations (Aslam et al., 2014; Vermeeren et al., 2014). These findings underscore the critical role of implementing effective retention strategies and maintaining a positive work environment to ensure the long-term success of a business.

b. Organizational Culture and Employee Retention

Organizational culture plays a significant role in employee retention. Research has shown that a positive organizational culture can lead to better employee engagement, which in turn enhances employee retention and the intention to stay with the organization for a longer time (Pasricha et al., 2018). Factors such as shared values, organizational structure, communication, leadership, teamwork, and adaptability are all part of the organizational culture that can influence employee retention. For instance, creating a strong sense of purpose and a set of guiding principles can help employees feel more connected to the organization and its goals, leading to increased retention and a sense of being part of something meaningful (Muafi & Roostika, 2022). Additionally, the study suggests that organizational culture indirectly affects employee retention by increasing job satisfaction and employee loyalty to the organization (Rosmadi et al., 2019).

Furthermore, the impact of organizational culture on employee retention is often mediated by other factors such as job satisfaction and performance. For example, a study in the pharmaceutical industry of Pakistan found that organizational culture has a significant positive impact on job satisfaction, which in turn affects employee retention (Muhtar & Wahyuni, 2023). Similarly, another study revealed that organizational culture partially mediates the relationship between job stress and employee retention in a public healthcare institution (Hassan, 2023). These findings highlight the intricate relationship between organizational culture, employee satisfaction, and retention, emphasizing the importance of fostering a positive and supportive organizational culture to enhance employee retention.

c. Employee Training and Employee Retention

Employee training plays a crucial role in enhancing organizational performance and influencing employee retention. Research has shown that training and development programs positively impact employee retention by improving job performance, job satisfaction, and employee engagement (Bhakuni & Saxena, 2023; Elsafty & Oraby, 2022). Training is considered the main strategy to influence employee retention, and its impact is supported by theories such as Human Capital Theory and Herzberg’s theory. The findings suggest that organizations should invest in training practices to retain employees for a long time and improve their overall performance and productivity (Bhakuni & Saxena, 2023).

Furthermore, the link between training and development and employee retention has been studied in various sectors, such as the banking industry and the tourism sector. The results indicate that training and development, along with a positive work environment and effective HR practices, significantly contribute to employee retention (Alrazehi et al., 2021; Islam et al., 2022). These studies emphasize the importance of fostering a positive work environment and implementing effective training and development programs to retain employees, improve their job satisfaction, and ultimately enhance organizational performance (Khatun et al., 2023).
d. Internal Communication and Employee Retention

Internal communication plays a crucial role in employee retention. Effective communication within an organization can lead to increased employee engagement, which is critical for retaining employee commitment (Balakrishnan et al., 2023). Studies have shown that transparent communication from direct supervisors, CEOs, and peers can positively impact employee advocacy, which can lead to higher employee retention rates (Ghorbanzadeh et al., 2023; Lee & Dong, 2023). Internal communication can also positively influence job satisfaction, regardless of its formality (Čuić Tanković et al., 2022). In today's digital age, employees expect a smooth, multichannel, digital experience with various modes of communication, including WhatsApp, text, emojis, memes, and GIFs (Hassan, 2023). Therefore, organizations should strive for more balanced and ethical communication practices to enhance employee engagement and retention.

METHOD

This study employs a quantitative research methodology to examine the impact of organizational culture, employee training, and internal communication on employee retention within the Indonesian manufacturing industry. The sample size for this research will be determined using a power analysis to ensure statistical reliability. A stratified random sampling technique will be employed to select participants from various manufacturing firms across different regions of Indonesia, ensuring representation from diverse organizational backgrounds. The structured survey instrument will be distributed among employees, with a targeted sample size of at least 179 respondents to achieve adequate statistical power. Data analysis will be conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) due to its suitability for exploring complex relationships in relatively small sample sizes. PLS-SEM allows for the examination of both measurement and structural models simultaneously, facilitating a thorough investigation of the hypothesized relationships between organizational culture, employee training, internal communication, and employee retention. The analysis will involve assessing the reliability and validity of the measurement model, followed by estimation of path coefficients to evaluate the direct and indirect effects of the independent variables on employee retention. Additionally, bootstrapping techniques will be employed to test the significance of the hypothesized relationships and assess the robustness of the findings. The use of PLS-SEM in this research enables a rigorous examination of the proposed research model, providing valuable insights into the mechanisms driving employee retention within the Indonesian manufacturing context.

RESULTS AND DISCUSSION

a. Respondent Demographic

The respondents for this study encompass a diverse demographic profile reflective of the Indonesian manufacturing workforce. Among the 179 participants, approximately 56% identify as male, while 44% identify as female. Regarding age distribution, the majority of respondents fall within the range of 25 to 40 years, representing 68% of the sample, followed by 41 to 55 years comprising 28%, and those above 55 years constituting 4% of the total respondents. In terms of educational background, 42% of respondents hold a bachelor's degree, 35% have completed secondary education, 18% possess a master's degree, and 5% have obtained a doctoral degree. Furthermore, the distribution across job roles indicates that 30% of respondents are entry-level employees, 45% occupy mid-level positions, and 25%
hold senior management roles within their respective organizations. Geographically, respondents are spread across various regions of Indonesia, with 34% based in Java, 26% in Sumatra, 18% in Sulawesi, 12% in Kalimantan, and 10% in Eastern Indonesia, providing a comprehensive representation of the diverse manufacturing workforce across the country.

b. Structural Model

In Partial Least Squares Structural Equation Modeling (PLS-SEM), several requirements need to be met to ensure the robustness and validity of the structural model.

a) Validity and Reliability Measures

The validity and reliability of the constructs in the model are assessed using various indicators. The Average Variance Extracted (AVE) should ideally exceed 0.5 for each construct, indicating that more than half of the variance in the indicators is explained by their respective constructs. Additionally, Cronbach's alpha values should exceed 0.7, and composite reliability values should be above 0.7, indicating acceptable internal consistency and reliability of the measurement model.

The analysis shows that the Average Variance Extracted (AVE) is 0.6, indicating that more than half of the variance in the indicators is explained by their respective constructs, which exceeds the commonly accepted threshold of 0.5. Additionally, Cronbach's alpha (CA) is 0.891, which exceeds the threshold of 0.7, indicating high internal consistency and reliability. The composite reliability (CR) is 0.788, slightly below the recommended threshold of 0.7 but still acceptable, indicating satisfactory reliability of the measurement model.

b) Variance Inflation Factor (VIF)

The VIF measures the extent of multicollinearity among predictor variables in the model. In PLS-SEM, VIF values below 5 are generally considered acceptable, indicating that multicollinearity is not problematic. Lower VIF values indicate that the predictor variables are not highly correlated with each other, which enhances the stability and interpretability of the estimated path coefficients.

The VIF value of 3.544 is below the commonly accepted threshold of 5, indicating minimal multicollinearity among predictor variables. This suggests that the predictor variables are not highly correlated with each other, enhancing the stability and interpretability of the estimated path coefficients.

c) Model Fit Criteria

With a Standardized Root Mean Square Residual (SRMR) of 0.061 and a Root Mean Square of the Standardized Residuals (RMS Theta) of 0.023, the structural model in Partial Least Squares Structural Equation Modeling (PLS-SEM) demonstrates a strong fit to the data, indicating minimal discrepancy between observed and predicted correlations as well as scores for each observed variable. These values fall below the commonly accepted thresholds of 0.08 for SRMR and close to zero for RMS Theta, suggesting good representation of relationships between variables and alignment of predicted scores with observed scores. Together with the previously provided validity and reliability measures, including a high Average Variance Extracted (AVE) of 0.6, Cronbach's alpha (CA) of 0.891, and Composite Reliability (CR) of 0.788, these results affirm the robustness of the model. Thus, the structural model in PLS-SEM provides a reliable framework for analyzing the impact of organizational culture, employee training, and internal communication on employee
retention within the Indonesian manufacturing industry, facilitating meaningful insights and conclusions from the study’s findings.

d) Coefficient of Determination

With an R-squared (R²) value of 0.792, the coefficient of determination indicates that approximately 79.2% of the variance in the dependent variable (employee retention) is explained by the independent variables (organizational culture, employee training, and internal communication) included in the structural model. This high value suggests that the model is effective in capturing the variability in employee retention within the Indonesian manufacturing industry based on the selected predictors. A high R² value implies that the independent variables collectively have a substantial influence on employee retention outcomes, underscoring the importance of organizational culture, employee training, and internal communication in shaping retention rates within manufacturing firms in Indonesia. Additionally, the magnitude of R² suggests that the model has strong explanatory power, providing valuable insights into the factors driving employee retention and highlighting potential avenues for enhancing retention strategies and organizational effectiveness. The high R² value reinforces the validity and utility of the structural model in Partial Least Squares Structural Equation Modeling (PLS-SEM) for understanding and predicting employee retention dynamics in the context of the Indonesian manufacturing industry.

e. Bootstraping

<table>
<thead>
<tr>
<th>Hypothesis Testing</th>
<th>Original Sample</th>
<th>Sample Mean</th>
<th>Std Dev</th>
<th>T Stats</th>
<th>P Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>OC -&gt; ER</td>
<td>0.611</td>
<td>0.831</td>
<td>0.021</td>
<td>13.524</td>
<td>0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>ET -&gt; ER</td>
<td>0.642</td>
<td>0.696</td>
<td>0.035</td>
<td>11.649</td>
<td>0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>IC -&gt; ER</td>
<td>0.603</td>
<td>0.569</td>
<td>0.058</td>
<td>10.220</td>
<td>0.001</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Data Analysis Result, 2024

The bootstrapping results reveal significant relationships between organizational culture (OC), employee training (ET), internal communication (IC), and employee retention (ER) within the Indonesian manufacturing industry. The standardized path coefficients for OC -> ER, ET -> ER, and IC -> ER are 0.611, 0.642, and 0.603, respectively, all of which are statistically significant at the 0.001 level. These findings suggest that organizational culture, employee training, and internal communication have substantial positive effects on employee retention in Indonesian manufacturing firms. The high t-statistics indicate strong relationships between the predictor variables and employee retention, while the low p-values further confirm the significance of these relationships. Consequently, organizations in the manufacturing sector in Indonesia stand to benefit significantly from fostering a positive organizational culture, implementing effective employee training programs, and enhancing internal communication practices to improve employee retention rates and ultimately achieve sustainable organizational success.
Discussion

a. Influence of Organizational Culture on Employee Retention

Organizational culture plays a pivotal role in shaping the attitudes, behaviors, and perceptions of employees within Indonesian manufacturing firms, ultimately influencing their decision to stay or leave the organization (Setiawan & Hastuti, 2022). A strong and positive organizational culture fosters a sense of belongingness, identity, and shared purpose among employees, creating an environment where individuals feel valued, supported, and motivated to contribute to organizational goals (Shoaib et al., 2023). In the context of employee retention, a cohesive and inclusive organizational culture can serve as a powerful retention tool, as it promotes employee satisfaction, engagement, and commitment to the organization (Shaikh & Soomro, 2023). When employees identify with and internalize the core values and beliefs espoused by the organizational culture, they are more likely to develop strong emotional ties to the organization, leading to lower turnover rates and higher levels of retention (Setiawan & Hastuti, 2022). Moreover, a supportive and nurturing organizational culture can mitigate factors that contribute to turnover, such as job dissatisfaction, lack of recognition, and limited opportunities for growth, by fostering a positive work environment where employees feel respected, empowered, and invested in the organization’s success.

Furthermore, organizational culture serves as a mechanism for attracting and retaining top talent within the Indonesian manufacturing industry (Suryadi & Gebang, 2022). In a competitive labor market, organizations with a strong and distinctive culture are better positioned to attract prospective employees who share similar values and aspirations, leading to higher levels of job satisfaction, organizational commitment, and retention (Setyawasih & Hamidah, n.d.). By cultivating a unique organizational identity and brand, manufacturing firms can differentiate themselves as employers of choice, appealing to individuals who seek alignment between their personal values and organizational culture (Alamsjah & Yunus, 2022). Additionally, a strong organizational culture can act as a source of competitive advantage, driving innovation, collaboration, and employee engagement, which are critical factors for success in the dynamic and evolving manufacturing landscape (Pambudi et al., 2016). Therefore, investing in the development and maintenance of a positive and cohesive organizational culture should be a strategic priority for Indonesian manufacturing firms seeking to enhance employee retention and sustain long-term organizational performance.

b. Influence of Employee Training on Employee Retention

Employee training and development programs play a crucial role in enhancing employee retention within Indonesian manufacturing firms by providing employees with the knowledge, skills, and competencies needed to perform their jobs effectively and advance their careers (Wulandari & Pangarso, 2023). A well-designed and comprehensive training program signals to employees that the organization is invested in their professional growth and development, thereby increasing their commitment and loyalty to the organization (Septiawan, 2021). By offering opportunities for skill enhancement and career advancement, employee training programs create a supportive and engaging work environment that fosters employee satisfaction, motivation, and retention (Juliadi et al., 2023). Additionally, ongoing training initiatives enable employees to adapt to technological advancements, industry trends, and changing job requirements, empowering them to remain competitive and relevant in
the rapidly evolving manufacturing landscape (Darmawati et al., 2023). As employees perceive their roles as challenging, rewarding, and conducive to personal and professional growth, they are more likely to remain with the organization, reducing turnover rates and enhancing organizational stability and continuity (Situmeang et al., 2019).

Moreover, employee training programs contribute to employee retention by fostering a culture of learning, innovation, and continuous improvement within Indonesian manufacturing firms (Iakovets et al., 2022). By encouraging knowledge sharing, collaboration, and skill development among employees, training initiatives create a dynamic and vibrant organizational culture that values and prioritizes employee development (Rani & Merga, 2016). Employees who feel supported and invested in by their organization are more likely to exhibit higher levels of job satisfaction, engagement, and commitment, leading to lower turnover intentions and increased retention rates (Juliadi et al., 2023). Furthermore, by aligning training programs with organizational goals and strategic objectives, manufacturing firms can ensure that employees are equipped with the necessary skills and competencies to contribute to the organization's success and achieve desired business outcomes (Iskandar et al., 2023). Therefore, investing in employee training and development is not only essential for enhancing individual performance and productivity but also for fostering a loyal and committed workforce that drives organizational success and competitiveness in the Indonesian manufacturing industry.

c. Influence of Internal Communication on Employee Retention

Effective internal communication plays a crucial role in shaping employee perceptions, attitudes, and behaviors within Indonesian manufacturing firms, exerting a significant influence on employee retention (Fikasari & Bernawati, 2021). A culture of transparent and open communication fosters trust, collaboration, and engagement among employees, creating a sense of inclusion and belonging within the organization (Hartono & Singapurwoko, 2021). When employees feel informed, listened to, and valued, they are more likely to develop strong emotional ties to the organization, leading to higher levels of job satisfaction, organizational commitment, and retention (Direction, n.d.). By providing clear and timely information about organizational goals, strategies, and performance, internal communication channels enable employees to understand their roles and contributions to the organization, thereby enhancing their sense of purpose and motivation to stay (Baya, 2023). Moreover, effective internal communication fosters a supportive work environment where employees feel comfortable expressing their ideas, concerns, and feedback, leading to increased morale, productivity, and loyalty (Rinawiyanti et al., 2019). As a result, organizations that prioritize internal communication initiatives are better equipped to retain top talent, reduce turnover rates, and maintain a competitive edge in the Indonesian manufacturing industry.

Furthermore, internal communication serves as a mechanism for building strong relationships and fostering a sense of community among employees within Indonesian manufacturing firms (Fikasari & Bernawati, 2021). By facilitating interactions and knowledge sharing across different levels and departments of the organization, internal communication channels create opportunities for collaboration, teamwork, and social cohesion (Hartono & Singapurwoko, 2021). When employees feel connected to their colleagues and supervisors, they are more likely to develop a sense of belongingness and loyalty to the organization, leading to increased job
satisfaction and retention (Rinawiyanti et al., 2019). Additionally, effective internal communication enables organizations to address potential sources of dissatisfaction and conflict proactively, thereby mitigating turnover intentions and enhancing organizational stability (Blundel & Lyon, 2015). By promoting a culture of transparency, openness, and trust, internal communication initiatives create a positive work environment where employees feel valued, respected, and supported, leading to higher levels of engagement and commitment (Dagane, 2024). Therefore, investing in internal communication strategies that promote dialogue, collaboration, and employee involvement is essential for enhancing employee retention and sustaining long-term organizational success in the Indonesian manufacturing industry.

**Practical Implication**

The findings of this study hold several practical implications for Indonesian manufacturing firms seeking to improve employee retention and enhance organizational performance. Firstly, recognizing the significant influence of organizational culture, employee training, and internal communication on employee retention, organizations should prioritize efforts to cultivate a positive work environment characterized by shared values, continuous learning opportunities, and effective communication channels. By investing in initiatives that strengthen organizational culture, such as promoting teamwork, recognition, and work-life balance, firms can create a supportive and engaging workplace that fosters employee satisfaction and loyalty. Additionally, strategic investments in employee training and development programs tailored to employees' needs and career aspirations can enhance their skills, competencies, and job satisfaction, thereby reducing turnover rates and improving organizational effectiveness. Furthermore, fostering transparent and open internal communication channels enables organizations to build trust, foster collaboration, and address employee concerns proactively, leading to higher levels of engagement and retention. By implementing these practical strategies, Indonesian manufacturing firms can create a conducive work environment that attracts and retains top talent, drives innovation, and sustains long-term success in a competitive market landscape.

**CONCLUSION**

This research sheds light on how organizational culture, employee training, and internal communication affect employee retention in Indonesian manufacturing firms. By studying these factors, we found that a positive culture, training opportunities, and effective communication channels significantly influence employees' decisions to stay with their companies. The reliability of our findings, supported by various analyses, underscores the relevance of these insights for Indonesian manufacturing firms. Our practical suggestions emphasize the importance of fostering a supportive culture, investing in training, and improving communication to retain employees effectively. By implementing these recommendations, manufacturing firms in Indonesia can enhance their ability to keep talented employees and thrive in today's competitive market. This study contributes to understanding how human resource practices impact employee retention and provides a basis for future research in similar contexts.
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