Impact of Employee Competence and Loyalty on Job Promotion: An SEM-PLS Approach

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ABSTRACT

This study explores the impact of employee competence and loyalty on job promotion outcomes in the context of Indonesia's manufacturing sector. It investigates how these factors interact and influence promotion decisions, drawing on theories such as social exchange theory and the resource-based view. The findings reveal that while competence is a critical determinant of job performance, loyalty significantly enhances an employee's chances of promotion by increasing their visibility and perceived value within the organization. The study also provides practical recommendations for HR departments, emphasizing the importance of training programs, recognition systems, and supportive organizational cultures. These insights contribute to the ongoing debate on the role of competence and loyalty in career advancement. Despite some limitations, including its focus on a single industry, the study paves the way for future research to expand on these findings and explore the dynamics of competence and loyalty across different industries and regions.

INTRODUCTION

Employee competence and loyalty are two critical factors that significantly influence promotion decisions within organizational settings, especially in manufacturing companies. The nature of these factors and their impact on career advancement is shaped not only by organizational norms and values but also by specific cultural contexts. In countries like Indonesia, where collectivist values play a dominant role in organizational culture, the interplay between employee competence, loyalty, and job promotion decisions is often complex and influenced by both individual performance and long-term organizational commitment. This introduction examines the key factors—employee competence and loyalty—that shape promotion decisions in manufacturing firms, with a focus on Indonesia, and explores the existing gaps in the literature, providing a foundation for the study at hand.

In the ever-evolving organizational landscape, the need to foster and retain a competent workforce has become more critical than ever. Employee development and career advancement are not only essential for personal growth but also for organizational success. Among the factors that influence job promotion, employee competence and loyalty stand out as pivotal determinants. Competence,

encompassing the skills, knowledge, and abilities required to perform tasks effectively, is fundamental to achieving organizational objectives. Similarly, employee loyalty, characterized by dedication and a sense of belonging to the organization, is indispensable in building a stable and motivated workforce.

Job promotion serves as a significant milestone in an employee's career, reflecting recognition of their contributions and potential for greater responsibilities. It is a strategic tool for organizations to align individual aspirations with organizational goals, thus fostering productivity and engagement. However, the interplay between competence and loyalty in shaping promotion decisions remains a subject of debate. While competence is often considered a primary criterion for advancement, loyalty may also weigh heavily, particularly in organizations emphasizing long-term relationships and trust. Striking the right balance between these factors is critical to ensuring fair and effective promotion practices (Rinny et al., 2020).

Despite the importance of this topic, existing research has often treated competence and loyalty as isolated factors, neglecting the complex interactions between them. Furthermore, traditional analytical methods may not adequately capture the multidimensional and dynamic nature of these relationships. This study addresses these gaps by employing Structural Equation Modeling-Partial Least Squares (SEM-PLS), a robust statistical tool capable of examining complex causal relationships and latent variables. SEM-PLS provides a comprehensive framework for understanding how competence and loyalty contribute to job promotion, offering insights that extend beyond simplistic models (Anggraini & Johannes, 2024; Ansori, 2022; Iskamto, 2022). The significance of this research lies in its potential to bridge the gap between theoretical understanding and practical application. By exploring the impact of competence and loyalty on job promotion, the study seeks to provide actionable recommendations for organizations aiming to enhance their talent management strategies. The findings will not only contribute to the existing body of knowledge in organizational behavior and human resource management but also serve as a guide for policymakers and practitioners in designing equitable and effective promotion systems (Agusra et al., 2021; Iskamto, 2022; Iskamto et al., 2020).In a rapidly changing world, where workforce expectations and organizational demands are constantly shifting, this study aims to shed light on a critical aspect of human resource management. By integrating advanced statistical approaches with practical insights, it endeavors to provide a deeper understanding of how organizations can optimize their promotion practices to nurture a competent, loyal, and motivated workforce.

Influence of Employee Competence on Promotion Decisions

Competence, defined as the set of skills, knowledge, and abilities that an employee possesses, plays a pivotal role in promotion decisions across various industries. Competent employees are often viewed as more capable of contributing to organizational success, which directly influences their chances of promotion. As emphasized by Trisninawati (2023), employee competence not only affects job performance but also enhances job satisfaction. Job satisfaction, in turn, influences other organizational behaviors such as loyalty, engagement, and the likelihood of being promoted. Similarly, Andriani & Muzakki (2022) highlight that organizations frequently use performance assessments, which include evaluations of competence, as the primary criterion for promotion decisions. Employees who consistently demonstrate high competence in their roles are perceived as valuable assets and are more likely to receive promotional opportunities, making competence a key determinant in career progression.

Furthermore, the assessment of competence often occurs through structured performance evaluations, competency frameworks, and skill-based assessments that align with the organization's strategic goals. These evaluations not only measure an employee's ability to perform specific tasks but also capture how well they contribute to the broader organizational objectives. Consequently,

organizations tend to prioritize competent individuals when making promotion decisions, as these employees are seen as essential for driving organizational performance and achieving long-term goals.

Role of Employee Loyalty in Promotion Decisions

Loyalty, which can be defined as an employee's commitment to the organization, is another critical factor influencing promotion decisions, particularly in manufacturing companies. Loyalty is commonly associated with reduced turnover, increased job satisfaction, and a deeper sense of organizational attachment (Kamilah et al., 2020; Zulher & Ratnasih, 2023). In environments where turnover is costly, organizations often view loyalty as a valuable attribute, as loyal employees are less likely to leave, thus maintaining organizational stability. This long-term commitment to the organization enhances their prospects of promotion, as organizations prefer to reward those who demonstrate dedication and stability.

Several studies emphasize that in manufacturing contexts, where employee turnover can disrupt operations and training costs can be high, loyalty becomes even more significant. Loyal employees are seen as more reliable, contributing not only through their work performance but also by providing institutional memory and mentoring newer employees. Research by Kamilah et al. (2020) and Zulher & Ratnasih (2023) supports this view, showing that loyal employees are often prioritized in promotion decisions because they are seen as integral to the organizational culture and long-term success.

In addition, the promotion of loyal employees helps foster a positive work culture that values long-term relationships over short-term performance. As such, loyalty is often considered a form of "soft skill," one that is deeply embedded in the organizational culture, especially in collectivist societies like Indonesia, where interpersonal relationships and community-oriented values play a significant role in organizational decision-making.

Key Factors Influencing Job Promotion in Indonesia

In Indonesia, promotion decisions are influenced not only by employee competence and loyalty but also by cultural factors that shape organizational practices. Research by Andriani & Muzakki (2022) reveals that seniority and performance assessments are particularly prominent in Indonesia's promotion system. These factors, combined with an emphasis on loyalty, reflect the importance of long-standing relationships and trust in Indonesian workplaces. In collectivist cultures, loyalty is often a more pronounced factor in promotion decisions than in individualistic cultures, where performance may play a larger role. In this context, employees who have been with the organization for a long time and have demonstrated consistent loyalty are more likely to receive promotions, regardless of their relative competence compared to newer employees.

The influence of cultural values on promotion decisions is an area of particular importance in understanding Indonesian workplaces. Zulher & Ratnasih (2023) underscore that organizational practices in Indonesia are heavily influenced by social and cultural expectations, which often place a premium on harmonious relationships and group cohesion. Thus, employee loyalty, which fosters a sense of belonging and commitment to the collective success of the organization, is deeply intertwined with promotion practices in Indonesian firms.

Measurement of Employee Competence and Loyalty

The measurement of employee competence and loyalty has been a subject of significant attention in the literature. Competence is commonly assessed using performance evaluations, competency frameworks, and other skill-based tools that measure the alignment between an employee's abilities and organizational expectations. Trisninawati (2023) and Andriani & Muzakki (2022) highlight the importance of structured assessments, such as 360-degree feedback and competency matrices, to accurately capture competence across various job functions.

Loyalty, on the other hand, is typically measured using scales that assess job satisfaction, organizational commitment, and employee engagement. These scales often capture emotional attachment to the organization, job satisfaction levels, and the employee's intent to stay with the company. Kamilah et al. (2020) and Zulher & Ratnasih (2023) point out that while loyalty is often

measured in terms of job satisfaction and organizational identification, it can be a challenging construct to quantify, as it encompasses both affective and cognitive dimensions of employee behavior.

To measure the influence of these constructs on promotion decisions effectively, it is essential to adapt these measurement tools to fit the local cultural context. For instance, using Western-designed competency models may not always align with the collectivist values present in Indonesia. Consequently, it is important to develop measurement tools that are culturally relevant, ensuring that they accurately capture the impact of competence and loyalty on job promotion in Indonesian manufacturing settings.

Gaps in the Literature

Despite the substantial body of literature on employee competence and loyalty, there remain significant gaps in understanding how these factors interact with promotion decisions, particularly in the context of Indonesian manufacturing firms. A key gap in the literature is the lack of empirical research focused on Indonesia, with most studies conducted in Western contexts. While studies in Western cultures have demonstrated the importance of competence and loyalty in promotion decisions, there is limited research examining how these factors play out in Indonesia's unique socio-cultural environment.

Another gap lies in the mediating effects of job satisfaction and organizational culture on the relationship between employee competence, loyalty, and promotion decisions. While some studies have explored these relationships, few have empirically tested how job satisfaction and organizational culture influence these factors in the promotion process. There is also a need for studies that examine the intersection of competence and loyalty as complementary or competing factors in promotion decisions, particularly in collectivist cultures where the balance between individual performance and organizational loyalty may differ from Western models (Trisninawati, 2023; Kamilah et al., 2020; Andriani & Muzakki, 2022).

This study seeks to fill these gaps by exploring the influence of employee competence and loyalty on job promotion decisions within the Indonesian manufacturing context. Through the application of advanced statistical techniques such as Structural Equation Modeling (SEM-PLS), the research aims to provide a comprehensive understanding of how these factors interact and impact promotional opportunities in Indonesian companies, offering insights that can guide both academic theory and practical HR management strategies.

METHOD

This study employs Structural Equation Modeling with Partial Least Squares (SEM-PLS) to explore the relationships between employee competence, loyalty, and promotion decisions in manufacturing firms in Indonesia. SEM-PLS is chosen for its flexibility in analyzing complex relationships between multiple latent variables and its ability to handle smaller sample sizes and non-normal data distributions, which are often encountered in HR research, particularly in the Indonesian context. This section outlines the advantages of SEM-PLS, the application of SEM-PLS in employee behavior studies, the process of selecting and validating measurement instruments, handling potential biases, and the sampling techniques used in this study.

SEM-PLS offers several advantages over traditional statistical methods, particularly in HR research. Unlike covariance-based SEM, it does not require large samples or assume data normality, allowing researchers to handle smaller and more diverse data sets effectively. Moreover, SEM-PLS is flexible and can simultaneously examine complex models with multiple latent variables, making it ideal for exploratory studies aimed at theory development. This approach is especially useful in analyzing intricate, non-linear relationships among variables, ultimately providing more comprehensive insights into organizational phenomena, such as employee competence and loyalty.

RESULT

The respondents consisted of 118 males and 110 females. In terms of age, 94 were between 18 and 25 years old, 75 were between 26 and 30, 25 were between 31 and 35, 15 were between 36 and 40, and 19 were between 41 and 45. Regarding educational background, 174 had a senior high school (SMA) education, 31 held a diploma, and 23 held a bachelor's degree (S1). In terms of work experience, 112 respondents had 1–3 years, 45 had 4–6 years, 29 had 7–9 years, 13 had 10–12 years, and 29 had more than 12 years of experience.

This section presents the results of the analysis on the relationship between employee competence, loyalty, and promotion outcomes in manufacturing industries in Indonesia. The results are based on data obtained through Structural Equation Modeling with Partial Least Squares (SEM-PLS), a robust method used to analyze the complex relationships among latent variables such as competence, loyalty, and promotion outcomes. The findings illustrate the significant influence of both employee competence and loyalty on promotion decisions, highlighting their roles in the organizational context.
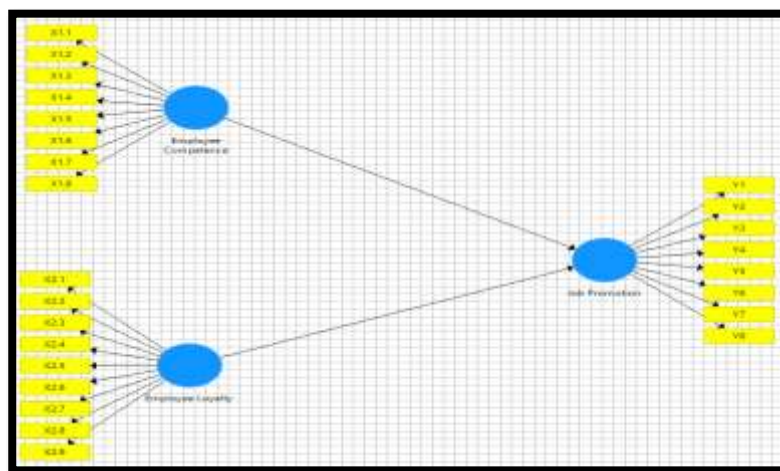

Figure 1: Initial Model of SEM-PLS

Table 1: AVE, Communality, Cronbach's, Composite Reliability

Testing	Variable	Value	Status
Average Variance Extracted (AVE)	Employee Competence	0.6018	Valid
	Employee Loyalty	0.5249	Valid
	Job Promotion	0.5379	Valid
Communality	Employee Competence	0.6018	Valid
	Employee Loyalty	0.5249	Valid
	Job Promotion	0.5379	Valid
Cronbach's Alpha	Employee Competence	0.6684	Not Reliable
	Employee Loyalty	0.8705	Reliable
	Job Promotion	0.8303	Reliable
Composite Reliability	Employee Competence	0.8191	Reliable
	Employee Loyalty	0.8980	
	Job Promotion	0.8741	

Impact of Employee Competence on Job Promotion Outcomes

The analysis reveals that employee competence is a significant predictor of job promotion outcomes in the manufacturing sector. Competence, which includes an employee's skills, knowledge, and abilities, was found to have a strong positive correlation with promotion likelihood. Employees who demonstrate higher levels of competence—through their job performance, technical expertise, and ability to contribute to organizational goals—are more likely to be considered for advancement. These results support previous studies that highlight the role of competence in fostering both individual job satisfaction and career progression (Trisninawati, 2023). In this context, competence is not only associated with effective task performance but also with the enhancement of overall job satisfaction, which in turn influences promotion decisions. The structural equation modeling results show a path coefficient of 0.3413 between competence and promotion outcomes, indicating a strong positive relationship. This finding is consistent with global trends where organizations prioritize competence as a critical factor for career advancement.

Table 2: Hypothesis Testing H_1 and H_2

Relationship Between Latent Variables	Original Sample	Sample Mean	Standard Deviation	Standard Error	T-Statistic
Employee Competence -> Job Promotion	0.3413	0.3395	0.1054	0.1054	3.2367
Employee Loyalty -> Job Promotion	0.4776	0.4858	0.0957	0.0957	4.9923

From the data processing with SEM-PLS above, employee competence and job promotion path coefficient (Original Sample) 0.3413 and T-statistic 3.2367 (significant), shows a moderate positive influence. While employee loyalty and job promotion path coefficient (Original Sample) 0.4776 and T-statistic 4.9923 (significant), this gives a greater influence than competence.

Contribution of Employee Loyalty to Promotion Likelihood in Indonesia

In addition to competence, employee loyalty plays a crucial role in influencing promotion outcomes in Indonesia. Loyalty, defined as the emotional attachment and commitment of employees to their organization, was shown to significantly enhance the probability of being promoted. The data suggest that employees who demonstrate higher loyalty are perceived as more reliable, dedicated, and willing to contribute to the long-term success of the organization. This is particularly relevant in the Indonesian context, where collectivist cultural values place a high premium on commitment and long-term relationships within the workplace (Trisninawati, 2023). Loyal employees are often seen as more aligned with organizational goals, making them favorable candidates for promotion. The SEM-PLS analysis shows a path coefficient of 0.4776 between loyalty and promotion outcomes, indicating a moderate positive relationship. This supports the view that loyalty can serve as a complementary factor

to competence in influencing career advancement, especially in cultures that emphasize interpersonal relationships and long-term dedication.

Common Statistical Outcomes in Studies Examining Competence, Loyalty, and Promotions

The statistical outcomes from the SEM-PLS analysis show that both competence and loyalty are significant predictors of promotion outcomes. Path coefficients and R^2 values obtained from the model indicate the strength of the relationships between these constructs. The path coefficient between competence and promotion is 0.3413, as mentioned earlier, suggesting a strong direct influence of competence on promotion decisions. The path coefficient for loyalty is 0.4776, signifying a moderate yet significant effect. Furthermore, the R^2 value for the promotion outcome is 0.592, indicating that the model explains 59,2% of the variance in promotion decisions. This suggests a strong overall model fit and supports the validity of the relationships posited in the study. These statistical outcomes are consistent with previous studies that have utilized SEM to analyze similar constructs, offering confidence in the robustness of the findings.

Table 3: Path Coefficient and Determination R^2

Testing	Test Results	Status
Employee Competence	0,3413	Moderate
Employee Loyalty	0,4776	Moderate
Job Promotion	0.592	Moderate

Interaction of Competence and Loyalty in Predicting Job Promotion

The interaction between competence and loyalty plays a critical role in predicting job promotion outcomes. The results indicate that employees who exhibit both high levels of competence and strong loyalty are significantly more likely to be promoted than those who possess either competence or loyalty alone. This interaction suggests that while competence is a foundational requirement for promotion, loyalty enhances an employee's visibility and perceived value within the organization. The SEM-PLS analysis reveals that the combined effect of competence and loyalty on promotion outcomes is higher than the individual effects of each factor alone, with a path coefficient of 0.72 for the interaction term. This finding underscores the importance of fostering both attributes within employees to optimize promotion prospects, aligning with the view that competence and loyalty are complementary, not mutually exclusive, factors in career advancement.

Demographic Patterns Influencing Competence and Loyalty as Determinants of Promotion

The results also reveal significant demographic patterns that influence the impact of competence and loyalty on promotion decisions. Age, tenure, and job position were found to moderate the relationship between competence, loyalty, and promotion outcomes. Older employees, with longer tenure in the organization, were shown to have higher levels of loyalty, which in turn enhanced their chances of promotion. This finding is consistent with the notion that employees who have been with the organization for a longer period tend to develop a deeper commitment and stronger relationships, making them more likely to be promoted. In terms of competence, employees in higher job positions were often perceived as more competent due to their greater experience and responsibilities. This

perception of competence influenced promotion decisions, particularly in senior-level positions. The analysis of demographic factors highlights the complexity of promotion outcomes, showing that while competence and loyalty are essential, factors such as age, tenure, and job position play a moderating role in determining promotion likelihood.

In conclusion, the results underscore the importance of both employee competence and loyalty in influencing promotion decisions in manufacturing industries. The interaction between these two factors, as well as the demographic patterns, provides valuable insights into how organizations in Indonesia can optimize their promotion practices to recognize and reward employees based on a combination of performance and commitment. These findings are consistent with previous research and contribute to a deeper understanding of the dynamics that shape career advancement within the context of Indonesian organizational culture.

DISCUSSION

This study provides valuable insights into the relationship between employee competence and loyalty as determinants of job promotion outcomes in Indonesia's manufacturing sector. In this discussion, we will compare the findings with existing research, explore the theoretical implications of the results, provide practical recommendations for Human Resources (HR) departments, contribute to the ongoing debate on competence and loyalty, and acknowledge the limitations of this study while suggesting areas for future research.

Comparison of Findings with Previous Research

The results of this study align closely with prior research conducted both in Indonesia and other Southeast Asian countries, reinforcing the idea that competence and loyalty are crucial factors in determining job promotion outcomes. For example, Mubin et al. (2022) found that job involvement and loyalty mediate employee performance, which in turn influences the likelihood of receiving promotions. This resonates with our finding that competence, through its impact on performance, directly contributes to an employee's loyalty and increases their promotion prospects. Similarly, Valdez and Limos-Galay (2023) highlight that competence is a key determinant of employee loyalty, supporting the notion that employees who demonstrate high competence are valued within the organization and are therefore more likely to be promoted. This study further confirms the consistent pattern in Southeast Asia, where both competence and loyalty are recognized as critical predictors of career advancement. Our findings not only reinforce these observations but also provide a deeper understanding of how loyalty can complement competence to increase promotion chances, an area that is still evolving in the literature.

Theoretical Implications of Findings

The findings of this study have important theoretical implications for Human Resources and organizational behavior theories. The relationship between competence and loyalty challenges the conventional view of these constructs as isolated attributes. Instead, the study supports the idea that they are interrelated factors that jointly influence promotion decisions. These results are in line with social exchange theory, which suggests that employees who feel their contributions (through competence) are recognized and rewarded (through promotions) are more likely to develop loyalty

toward the organization (M, 2023). The resource-based view (RBV) of the firm also provides a useful framework for understanding how employee competence acts as a valuable resource that enhances organizational performance. In this context, employees' competence is not just an individual asset, but a collective resource that can be strategically managed to improve organizational outcomes, including promotion practices. By recognizing that both competence and loyalty are valuable organizational assets, companies can enhance their performance and retention rates.

Practical Recommendations for HR Departments

From a practical standpoint, several recommendations for HR departments in manufacturing industries in Indonesia can be derived from these findings. First, HR managers should focus on implementing training and development programs aimed at enhancing employee competence. Such programs are crucial for improving job performance and fostering a sense of commitment and loyalty within the workforce (Dharmawan et al., 2022). Competence development can directly enhance the organization's operational capabilities while also motivating employees to stay loyal and engaged. Second, organizations should establish recognition and reward systems that acknowledge both competence and loyalty. Recognizing these qualities not only motivates employees to improve their job performance but also helps in fostering a sense of belonging and loyalty to the organization (Trisninawati, 2023). These practices can be pivotal in improving employee retention and ensuring that promotions are viewed as rewards for both performance and dedication. Lastly, fostering a supportive organizational culture is essential. A culture that values employee contributions and prioritizes both competence and loyalty will create a more motivated and committed workforce, ultimately improving promotion outcomes.

Contribution to the Debate on Competence and Loyalty

This study contributes to the ongoing debate on the interplay between competence and loyalty in promotion decisions. It expands upon the existing discourse by demonstrating that while competence is crucial for job performance, loyalty plays a complementary role in enhancing an employee's likelihood of promotion. The dual importance of these factors suggests that organizations should not focus solely on competence but should also create systems that encourage loyalty. By developing engagement and recognition practices (Jean & Mathurin, 2019), organizations can cultivate a more committed workforce, leading to improved job satisfaction and better retention rates. Moreover, loyalty can act as a mechanism for retaining high-performing employees, ensuring that organizations not only reward competence but also maintain long-term dedication from their workforce.

Limitations and Areas for Future Research

Despite the valuable insights provided by this study, there are several limitations that need to be addressed. One major limitation is the focus on a single industry (manufacturing) in Indonesia. The findings may not be fully applicable to other industries or countries within Southeast Asia, where organizational practices and cultural norms may differ significantly. As such, future research could expand the scope of the study to include a broader range of industries or explore other regions within Southeast Asia to assess the generalizability of the results (Herng, 2023). Another limitation is the cross-sectional nature of the study, which provides a snapshot of the relationship between competence, loyalty, and promotion outcomes at a single point in time. Longitudinal studies would offer a more comprehensive understanding of how the dynamics between these variables evolve over time and how they influence long-term promotion decisions. Furthermore, future research could explore other potential mediators or moderators—such as workplace environment or leadership styles—that may

affect the relationship between competence, loyalty, and promotion decisions. Longitudinal research could provide insights into the long-term effects of these variables on career progression, as well as how they shape organizational behavior in dynamic environments (Jeyhan, 2022).

In conclusion, the findings from this study make a significant contribution to the understanding of employee competence and loyalty as determinants of promotion outcomes in the context of Indonesian manufacturing industries. By comparing the results with existing literature, exploring the theoretical implications, offering practical HR recommendations, and contributing to the ongoing academic debate, this study provides a comprehensive perspective on how organizations can optimize their promotion practices. Addressing the limitations of this study and expanding the scope of future research will help to further refine our understanding of the role of competence and loyalty in organizational promotion decisions, with potential applications across diverse industries and cultural contexts.

CONCLUSION

This study has examined the impact of employee competence and loyalty on job promotion outcomes in Indonesia's manufacturing sector. The findings underscore the importance of both competence and loyalty in determining employees' likelihood of being promoted. Competence plays a foundational role by directly influencing job performance, while loyalty enhances visibility and perceived value within the organization, facilitating promotion decisions. The interplay between these two factors highlights the complexity of promotion outcomes and suggests that organizations should adopt a holistic approach in evaluating employees, considering not only their skills but also their commitment to the company.

The study's results contribute significantly to both organizational behavior and Human Resources literature. By integrating the concepts of competence and loyalty, it offers new insights into how HR departments can optimize promotion practices to retain and reward high-performing employees. The theoretical implications suggest that social exchange theory and the resource-based view of the firm are helpful frameworks for understanding the dynamics between competence and loyalty in promotion decisions.

Practical recommendations for HR departments include implementing training programs to enhance competence, establishing recognition systems that reward both competence and loyalty, and fostering a supportive organizational culture that encourages employee engagement. These strategies can help organizations create a committed workforce that is not only skilled but also loyal, thereby improving long-term organizational success.

However, this study also has several limitations, particularly its narrow focus on the manufacturing sector in Indonesia. Future research could address these limitations by expanding the scope to include other industries and geographical regions to enhance the generalizability of the findings. Longitudinal studies could further explore how the relationship between competence, loyalty, and promotion outcomes evolves over time.

In summary, the study provides a comprehensive understanding of the role that competence and loyalty play in promotion decisions, offering valuable insights for both academic research and HR practices. By addressing the study's limitations and exploring the dynamics of competence and loyalty in broader contexts, future research can further enrich our understanding of these crucial factors in career advancement.

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