

Employee Performance Model based on Knowledge Management and Employee Retention

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Abstract. The aims of this study are to analysis the influence of knowledge management on employee retention and the effect of both on employee performance. The sample in this study is 173 employees who work in finance companies in Jambi City, the data used are primary data derived from questionnaires, processed and analyzed using structural equation modeling. The results of the study prove that there is a positive and significant effect of knowledge management on employee retention and there is a positive effect of both on employee performance.

Keywords: Employee Performance, Knowledge Management, Employee Retention.

INTRODUCTION

The success of a company can be measured from talented human resources and have a lot of knowledge so that the company must manage humans as capital. According to Ngah & Ibrahim (2010); Novak (2017) it is important to balance the needs of employees and the company's capabilities from human resource management, employees are the main wheel of a company achieving its goals (Widjajani et al., 2017).

The strategy that is often carried out by companies in developing human resources is to implement a knowledge management system so that it can form human resources that have quality and are competitive, given the current tight global competitiveness, companies must be able to create human resources who have a lot of knowledge to encourage employee performance in order to achieve company goals (Tasmin & Woods, 2007; Wiig, 2017), by implementing knowledge management, companies can carry out various innovations and updates that are constantly evolving (Yeşil & Hirlak, 2013).

According to (Novak, 2017), knowledge management is a series of creating, communicating, and applying the knowledge gained which is used to improve the performance of employees and companies. Knowledge management is a way to manage the knowledge owned by employees effectively and efficiently in a company so that it is closely related to employee retention (Gold et al., 2001). Ghosh & Swamy (2014) explains that retention is an important part of the organizational approach in managing general talent management, defined as "the implementation of an integrated strategy or system designed to increase work productivity by developing processes to attract, develop, retain and utilize people with the skills and talents needed to meet the needs of the company.

From this explanation, the aims of this study are to analysis the extent to which knowledge management and employee retention can affect employee performance, while the subjects of this study are employees who work at finance companies located in Jambi Province.

Literature Review

Employee Performance

Performance is the result of work that can be achieved by a person or group of people in an organization, in accordance with their respective authorities and responsibilities in order to achieve organizational goals, not violating the law and in accordance with norms and ethics (Baur & Erdogan, 2012). Irefin & Mechanic (2014) performance is a description of the level of activities implementation or policies in realizing the goals, objectives, vision, and mission of the organization which is poured through the strategic planning of an organization.

Howes (2015) explained that performance factors consist of internal factors and external factors. Internal factors are factors that are related to the traits of a person. For example, a person's performance is good because they have high abilities and that type of person is a hard worker, while someone has poor performance because the person has low abilities and does not seek to improve their abilities. External factors are factors that affect a person's performance derived from the environment Such as the behavior, attitudes and actions of colleagues, subordinates or leaders, work facilities and organizational climate. Sonnentag et al. (2008) state that performance is the result of work that can be achieved by a person or group of people in a company in accordance with their respective authorities and responsibilities.

Employee Retention

Employee Retention is defined as the company's ability to retain potential employees owned by the company to remain loyal to the company (Biaison, 2020). This employee retention is based on the desire to retain potential employees who have certain qualities and expertise so that they can be in the company for as long as possible. Potential employees are intellectual capital that is intangible in nature so it is invaluable for the company. In addition, the costs incurred by the company since recruitment, training, and development are carried out, are very large, as well as the risk of leaking business secrets to other companies, especially competitors, so employee retention is an absolute thing to do (Chen, 2014).

Research Abdulai & Kamara (2019) defines employee retention as policies and practices that companies use to keep quality carwayans away from their jobs. Meanwhile, according to Chen (2014) states that the key to retaining employees is to create an environment that employees choose to work in and will still be given the availability of other job opportunities.

Another definition of retaining employees according to Davis & Lynn (2014) is the company's ability to keep valuable employees who contribute to the success of the organization as long as the relationship is mutually beneficial. Putra & Rahyuda (2016) argues that employee retention is a method used by management to retain competent employees to stay in the company for a certain period of time. The factors of measuring employee retention are: organizational components, Organizational Career Opportunities, Awards, Task and Job Design, Employee Relations (Mathis & Jackson, 2010).

Knowledge Management

According to Rizkyan (2019) knowledge management is a process of helping a company's identity, selecting, organizing, disseminating, and sending important information and expertise including parts of an organization's memory that lie distinctively in the organization in the composed area. Meanwhile, according to Noor & Salim (2011) emphasize that knowledge management is a process of human activity related to knowledge, but does not deal with the special nature of various types of knowledge, or the relative importance of maintaining a balance of different knowledge in an organization.

Another definition of knowledge management is as a process that creates or places knowledge, manages the dissemination and use of knowledge in organizations. This theory is quoted from Darroch with research on showing knowledge management positively related to the success of an organization, especially in manufacturing companies (Firdaus et al., 2021). Knowledge management is the management of corporate knowledge to produce sustainable competitive advantages by optimizing the process of creating, communicating, and applying the knowledge needed in order to achieve business goals (Debowski, 2006).

Zahedi; & Khanachah (2020) put forward the term knowledge management was first used by Wiig in 1986, while writing his first book on the topic of Knowledge Mangement Foundations which was published in 1993. The concept of knowledge management states indirectly the process of transforming information and intellectual assets into enduring values. Knowledge management is the specificity of the organization, when the basic attention is the exploitation and development of organizational knowledge assets to the next goals of the organization.

There are four measurements of knowledge management according to Zahedi; & Khanachah (2020), namely: knowledge discovery, knowledge capture, knowledge sharing, knowledge application

Framework

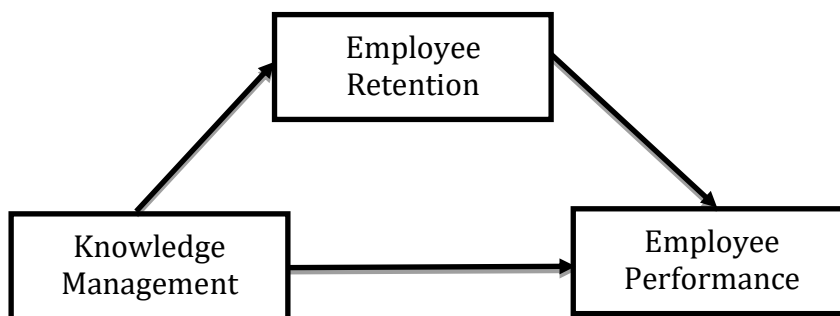


Figure 1. Research Framework

Hypothesis:

H₁: Knowledge management has a positive and significant effect on employee retention

H₂: Knowledge management has a positive and significant effect on employee performance

- H₃: Employee retention has a positive and significant effect on employee performance
- H₄: Knowledge management has a positive effect and significant on employee performance through employee retention as an intervening variable

METHODS

This type of research is descriptive quantitative. The number of samples in this study amounted to 173 employees who work in finance companies in Jambi Province. The data used are primary data obtained from the results of distributing questionnaires filled out directly by research respondents, and processed using verification analysis using Structural Equation Modeling (SEM).

RESULTS AND DISCUSSION

Measurement Model (Confirmatory Factor Analysis)

Analysis begins with testing a measurement model using the Confirmatory Factor Analysis (CFA) test. This test is carried out on each variable and is used to see how strong the indicator indicators can measure the research variables. The following is an overview of measurement models using CFA in each endogenous and exogenous construct can be seen in the following table:

Table 1. Validity and Reliability Test Result

Variables	Indicator	Loading Factor	CR	AVE
Knowledge Management	km1; km2; km3; km4;	0,834; 0,822; 0,878; 0,921;	0,832	0,862
	km5; km6; km7; km8	0,805; 0,797; 0,834; 0,829		
Employee Retention	er1; er2; er3; er4; er5;	0,866; 0,861; 0,947; 0,921;	0,822	0,841
	er6; er7; er8	0,839; 0,911; 0,836; 0,806		
Employee Performance	ep1; ep2; ep3; ep4; ep5;	0,892; 0,862; 0,814; 0,903;	0,798	0,826
	ep6; ep7; ep8	0,826; 0,912; 0,894; 0,905		

From table 1, it can be seen that all constructs in this study have met the requirements of validity and reliability, namely having a loading factor value greater than 0.5 (>0.5), a CR coefficient value greater than 0.7 (>0.7), and an AVE coefficient value greater than 0.5 (>0.5), therefore all constructs are suitable for use in research.

Full Model Structural Analysis

The step in testing the hypothesis is that a full structural model analysis is carried out, here are the results of the full structural model (SEM) data processing

Table 2. Influence Between Variables

Variables	Standardize Direct Effect	Standardize Indirect Effect	C.R	P-Value
KM --> EP	0,218	0,418	2,988	0,047
KM --> ER	0,562	-	7,675	0,00
ER --> EP	0,744	-	10,311	0,00

Hypothesis Test

Based on table 2, you can see the value of the influence between the research variables, and it can be concluded as follows:

- The effect of knowledge management on employee retention with a standardize value of direct influence of 0.562, with a P-value of 0.000 less than 0.05 (< 0.05) and a CR value of 7.675 (>1.98), this proves that H₁ is accepted, which means that the level of knowledge management has a positive and significant effect on the employee retention rate
- The effect of knowledge management on employee performance with a standardize value of direct influence of 0.218, with a P-value of 0.047 less than 0.05 (< 0.05) and a CR value of 2.988 (>1.98), this proves that H₂ is accepted, which means that the level of knowledge management has a positive and significant effect on employee performance levels.
- The effect of employee retention on employee performance with a standardize value of direct influence of 0.744, with a P-value of 0.000 less than 0.041 (< 0.05) and a CR value of 10.311 (>1.98), this proves that H₃ is accepted, which means that the level of knowledge management has a positive and significant effect on the employee retention rate
- The mediation effect of the employee retention rate on the effect of the knowledge management level on the level of employee performance with an indirect influence standardize value of 0.418. The effect of knowledge

management on employee performance is greater if mediated by employee retention, so that the conclusion H₄ can be drawn, which means that the level of knowledge management has a positive and significant effect indirectly on the level of employee performance through employee retention as a mediation variable.

DISCUSSION

The effect of knowledge management on employee retention

Based on the results of hypothesis tests, it shows that knowledge management has a positive and significant effect on employee retention. This means that the higher the knowledge management, the more employee retention will increase, on the contrary, the lower the knowledge management, the decrease in employee retention will also decrease. Knowledge management is the most influential factor in the strategic that will operate as the basis of competitive strength for the company in the future. Knowledge management is also related to the behavior and attitude of employees towards work so that the employee can survive in a company where his views and suggestions are well received in the company.

The results of this study are support the results of Dhandayuthapani (2021) research which proves that knowledge management and core business emphasize employee empowerment. Empowered employees have the freedom to participate in decision-making in an organization. The study revealed that knowledge management has a significant effect on employee retention. Other study with same results conducted by Ramadhani (2020) shows that knowledge management has a positive and significant influence on employee retention

The effect of knowledge management on employee performance

Based on hypothesis tests, it shows that knowledge management has a positive and significant effect on employee performance. This means that the higher the knowledge management, the more employee performance will increase, on the contrary, the lower the knowledge management, the employee performance will also decrease. With knowledge management, an employee can capture, acquire, share, and use his or her knowledge to improve learning and performance within a company. Knowledge management can also have a big impact on a company where there are employees in the company who have knowledge and develop this knowledge to be able to improve employee performance so as to help the company in achieving its goals.

This research supports research conducted by Rahmayanto et al. (2021), shows a significant impact of knowledge management with employee performance. This is also supported by Saeed (2016) whose research results state that there is a significant influence of job satisfaction and knowledge sharing on employee performance. Research conducted by Alyoubi et al. (2018) states that knowledge management has a positive and significant effect on employee performance

The effect of employee retention on employee performance

Based on the hypothesis test, it shows that employee retention has a positive and significant effect on employee performance, meaning that the higher employee retention, the more employee performance will increase, on the contrary, the lower the employee retention, the decrease in employee performance will also decrease. The relationship between employee retention and employee performance is the process by which the company must be able to compete with its employees within the maximum period or until the company target is completed where retention has benefits for the company or employees.

The results of this study support research conducted by Putri & Arwiyah (2019) which showed that employee retention has a significant positive effect on employee performance with a contribution of 92%. This is also supported by Igbinoba et al. (2022) whose research results state that there is a significant influence of employee retention and customer satisfaction on employee performance.

The effect of knowledge management on employee performance through employee retention

Based on hypothesis tests, it shows that knowledge management has a positive and significant effect on employee performance through employee retention. The results of hypothesis research show that knowledge management has a positive and significant effect on employee performance. Based on the results of calculating direct and indirect influences, it proves that employee retention is able to partially mediate between knowledge management and employee performance. Influence in indirect form can be said to be the influence of knowledge management variables on employee performance through employee retention.

This result is supported by Kefale (2020); Aula (2019) whose research results suggest that knowledge management has a positive and significant effect on employee performance through employee retention.

CONCLUSION

Based on the results of research and discussion through hypothesis proof on the problems raised regarding, this study concludes that knowledge management and employee retention have a positive and significant effect on employee performance, the higher the level of application of knowledge management, the more employee retention will increase and this will have an impact on improving employee work.

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