

## **The Impact of Workforce Diversity and Organizational Culture on Employee Retention in EJIP Manufacturing Companies**

**Salsabila Dwi Yuniastri<sup>1\*</sup>, Siti Karyati<sup>2</sup>**

<sup>1,2</sup>Universitas Pelita Bangsa

Email : salsabiladwi171@gmail.com

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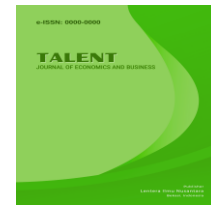
### **Abstract**

This study examines the influence of workforce diversity and organizational culture on employee retention in manufacturing companies in EJIP industrial estates. In an increasingly competitive global era, employee retention is crucial for organizational stability and performance. High turnover rates lead to increased operational costs, decreased productivity, and loss of organizational knowledge. The diversity of the workforce, which includes characteristics such as gender, age, ethnicity, and educational background, has the potential to increase creativity and innovation but also poses challenges in human resource management. Meanwhile, organizational culture greatly influences employee behavior and engagement, especially in creating an inclusive and supportive work environment. This study uses a quantitative approach, with data from 75 manufacturing employees collected through purposive sampling techniques. The results of the study show a positive and significant influence of workforce diversity and organizational culture on employee retention. The study emphasizes the importance of effective diversity management and the development of inclusive organizational practices to improve employee retention, reduce turnover, and improve performance in the manufacturing sector.

**Keywords:** Workforce Diversity, Organizational Culture, Employee Retention, Manufacturing, Turnover.

### **Introduction**

In the increasingly competitive global era, companies face great challenges in retaining quality employees. Employee retention is a crucial issue that affects organizational stability and performance, especially in the manufacturing sector. High turnover rates can lead to significant cost increases, decrease productivity, and result in a loss of organizational knowledge. Therefore, in-depth research on the factors that affect employee retention is urgently needed to help companies in facing these challenges (Umar et al., 2024). Factors that are starting to be paid a lot of attention in employee retention are the diversity of the workforce and organizational culture. Workforce diversity includes a variety of characteristics such as gender, age, ethnicity, and educational background in the workforce. This condition shows that companies need to prepare policies and practices that can effectively manage diversity. This diversity can increase creativity and innovation, but it also poses challenges in human resource management, especially related to employee retention. Organizational culture, which includes values, norms, and practices in the company, also plays an important role in creating a supportive work environment (Serang et al., 2024).



A company's inability to properly manage workforce diversity can increase the risk of losing a potentially high number of employees. To address these issues, it is important for companies to develop an inclusive organizational culture and develop strategies that support employee engagement. Many manufacturing companies are beginning to realize the importance of an inclusive organizational culture as well as strategies that encourage employee engagement, such as career development opportunities, training programs, and the right incentives (Yulianto et al., 2023).

Organizational culture also influences employee behavior and attitudes. A positive culture can create a strong sense of attachment between employees and the company. An inclusive and supportive culture can provide a sense of security for employees from diverse backgrounds. Conversely, a culture that doesn't support diversity can encourage minority employees to leave the company. As such, a strong organizational culture aligned with diversity values is critical in employee retention efforts (Alvina & Djastuti, 2018).

The high turnover in the company has a significant impact, including increased operational costs and decreased productivity due to the loss of experienced employees. This situation is further exacerbated by the lack of effective management of factors that affect employee job satisfaction. The process of adapting new employees takes time, while the loss of old employees creates a skills gap (Putra & Prihatsanti, 2016). Lack of satisfaction with the work environment, company policies, and recognition of achievements are often the main triggers for turnover. Companies need to pay attention to these factors to maintain the quality of their workforce. Many employees feel they lack a clear career path or personal development opportunities, so they look elsewhere. Excessive pressure and workload also accelerate employees' decision to leave the company, especially in the manufacturing industry (Firdaus, 2017).

High turnover is influenced by economic instability, differences in expectations between employees and management, and an imbalance between work and personal life. Companies that are unable to adapt their human resource management strategies to address these issues risk declining service quality, declining employee morale, and reduced competitiveness. Thus, this study not only focuses on individual factors, but also seeks to provide a comprehensive picture of the interaction between workforce diversity, organizational culture, and employee retention in the manufacturing sector (Rony et al., 2023).

Key Themes in Workforce Diversity and Organizational Culture's Impact on Retention

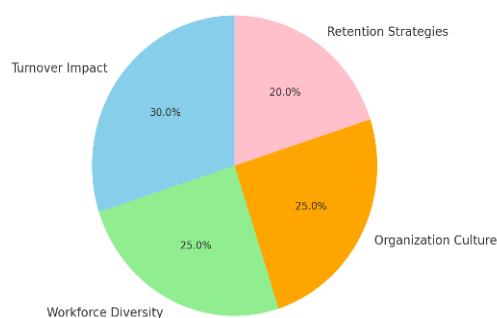
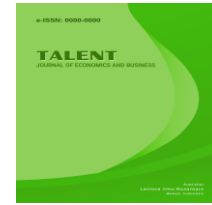


Figure 1 Workforce Diversity and Organizing Cultur's impact on Retention



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This study pays equal attention to several key themes that affect employee retention in the manufacturing sector. The impact of turnover is the biggest concern with a contribution of 30%. This theme includes aspects such as increased operational costs, decreased productivity, and significant loss of skills due to high employee turnover (Lestari et al., 2021). The diversity of the workforce and organizational culture each contributed 25%. Workforce diversity includes a variety of characteristics, including gender, age, ethnicity, and educational background, which affect work dynamics in companies. On the other hand, organizational culture includes values, norms, and practices that play a role in creating an inclusive and inclusive work environment that supports that diversity (Cahyati & Adelia, 2024)

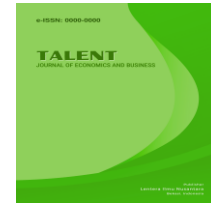
Based on issues, phenomena, and problem research, this study takes the title of the influence of workforce diversity and organizational culture on employee retention. The research was conducted in manufacturing companies, which have unique characteristics that differ from other sectors, including a diverse workforce in terms of education, skills, and socio-economic backgrounds. This diversity, if managed properly, can be a valuable asset for a company. Additionally, manufacturing companies often have a hierarchical, performance-based organizational culture, which can affect employee retention rates. With high turnover being one of the main issues in the sector, research on the influence of workforce diversity and organizational culture is relevant to provide more specific and measurable solutions.

However, a clear gap remains in understanding how these two constructs workforce diversity and organizational culture—jointly shape retention outcomes in manufacturing contexts. Existing studies often treat them as separate variables, overlooking their combined potential to mitigate high turnover rates in performance-driven, hierarchical organizations. The novelty of this research lies in examining the synergy of these dimensions within the specialized manufacturing landscape, thereby offering fresh insights and practical recommendations for improving employee retention through integrated diversity and culture management strategies.

This study aims to identify the influence of workforce diversity on employee retention in manufacturing companies. The purpose of the study is to find out whether the diversity of the workforce, including gender, age, ethnicity, and educational background, has a significant effect on employee retention rates. The results of this study are expected to provide insight for managers to formulate more effective strategies in increasing retention. In addition, this study analyzes the role of organizational culture in influencing employee retention. This study will explore how much influence the supportive organizational culture of employees has on their decision to stay at the company. This study also aims to determine the relationship between workforce diversity and organizational culture together in increasing employee retention in the manufacturing sector.

## **Method**

This study is a quantitative research that aims to examine the influence of Workforce Diversity and Organization Culture on Employee Retention in employees of manufacturing companies in the Ejib Area, Cikarang, with the criterion of having worked for at least one year. The sampling technique uses a non-probability sampling method, especially purposive sampling, with a sample of 75 respondents, according to the formula of Hair et al. (2017), which is 5–10 times the number of research indicators. This specific number of 75



respondents is chosen to ensure that the recommended ratio is met, thereby providing sufficient statistical power for analyzing multiple indicators within the structural equation model. The research instrument in the form of a questionnaire uses the Likert scale to measure three main variables. The first independent variable, Workforce Diversity, is measured through the indicators Diversity of Age, Gender Diversity, Ethnic and Cultural Diversity, Educational Background Diversity, and Diversity in Work Experience (Won et al., 2021). The second independent variable, Organization Culture, is measured through the indicators of Value Alignment, Leadership and Communication, Teamwork and Collaboration, Innovation and Adaptability, and Commitment to Organizational Goals (Widarko & Anwarodin, 2022). Meanwhile, the dependent variable, Employee Retention, is measured through the indicators of Job Satisfaction, Organizational Commitment, Work-Life Balance, Career Development Opportunities, and Job Security (Ekhsan et al., 2022). Data analysis was carried out using Smart PLS to test the relationship between these variables and evaluate the structural model of the research. In this software, the measurement model is examined using convergent validity (outer loadings and AVE), reliability (Cronbach's Alpha and Composite Reliability), and discriminant validity, while the structural model assessment relies on path coefficients, and R-squared values.

## Results and Discussion

### Respondent Profile

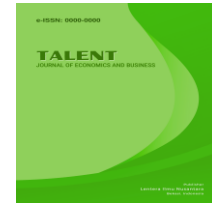
The respondent profiles in this study describe the demographic characteristics of the sample involved, including aspects such as age, gender, education level, and work experience.

Table 1. Respondent Profile

Items	Type	Respondent	Percentage (%)
Gender	Male	10	13,33%
	Female	65	86,67%
Education	High School/Vocational High School Equivalent	69	92%
	Diploma	0	0%
	S1	6	8%
	S2	0	0%
	18-25 Years	73	97,33%
Education	26-35 Years	2	2,67%
	>35 Years	0	0%
	1-3 Years	53	70,67%
Length of Work	3-5 Years	16	21,33%
	>5 years	6	8%

Source: SmartPLS3 Output (2024)

The profile of the respondents in this study shows that the majority are women (86.67%), with only 13.33% men. In terms of education, most of the respondents have a high



school/vocational education equivalent (92%), while S1 graduates only reach 8%, and none of them have a diploma or S2 level. Based on age, the majority of respondents were in the range of 18-25 years (97.33%), with a small proportion aged 26-35 years (2.67%), and no respondents were over 35 years old. Based on the length of employment, the majority of respondents have 1-3 years of work experience (70.67%), followed by those with 3-5 years of work experience (21.33%), and only 8% have worked for more than 5 years. This data reflects the dominance of young respondents with secondary education levels and relatively recent work experience.

### Validity Test

In this study, a validity test was carried out to evaluate the suitability between the existing indicators and the concept to be measured. The following are the results of the validity test conducted for the research instrument:

Table 2. Results of Outer Loadings

	<b>Employee Retention</b>	<b>Organization Culture</b>	<b>Workforce Diversity</b>	<b>Information</b>
ER2	0,793			Valid
ER3	0,788			Valid
ER5	0,827			Valid
ER7	0,741			Valid
OC10		0,808		Valid
OC6		0,765		Valid
OC7		0,844		Valid
OC8		0,793		Valid
OC9		0,801		Valid
WD10			0,799	Valid
WD5			0,840	Valid
WD6			0,805	Valid
WD9			0,727	Valid

Source: SmartPLS3 Output (2024)

Based on Table 2 of the results of the validity analysis through the outer loading test, it can be concluded that all indicators used in this study have an outer loading value above 0.7, so it can be considered valid to measure each variable. These indicators consist of the Employee Retention (ER) variable with an outer loading value between 0.741 to 0.827, the Organization Culture (OC) variable with an outer loading value between 0.765 to 0.844, and the Workforce Diversity (WD) variable with an outer loading value between 0.727 to 0.840. These results show that the research instruments used are able to represent the measured constructs consistently and validly.

### Reliability Test

Reliability Test is a test conducted to measure the consistency and reliability of a research instrument. Once the instrument is valid, reliability testing is an important step to

ensure that the instrument can produce stable and consistent measurements when used repeatedly under the same conditions. By looking at the Composite Reliability value and Cronbach's Alpha value >0.70.

Table 3. Reliability Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Retention	0,796	0,798	0,867	0,621
Organization Culture	0,862	0,867	0,900	0,644
Workforce Diversity	0,804	0,813	0,872	0,630

Source: SmartPLS3 Output (2024)

Based on Table 3, the results of the reliability test that have been carried out show that all research variables have a good level of reliability. This can be seen from the Cronbach's Alpha value for each variable which is all above the threshold of 0.7, namely Employee Retention of 0.796, Organization Culture of 0.862, and Workforce Diversity of 0.804. The rho\_A value also consistently shows strong results with numbers above 0.7. In addition, the Composite Reliability for all three variables is above 0.8, indicating excellent internal consistency. The Average Variance Extracted (AVE) value that exceeded 0.5 for each variable, namely 0.621 for Employee Retention, 0.644 for Organization Culture, and 0.630 for Workforce Diversity, shows that the research construct has sufficient convergent validity. Thus, the instruments used can be trusted to measure the variables studied.

### R Square Test (R<sup>2</sup>)

R Square (R<sup>2</sup>) or determination coefficient is a statistical measure that shows how much the independent variable is capable of explaining variations in dependent variables. The value ranges from 0 to 1, where closer to 1 indicates stronger prediction ability.

Table 4. Test Result (R<sup>2</sup>)

	R Square	R Square Adjusted
Employee Retention	0,597	0,586

Source: SmartPLS3 Output (2024)

Based on Table 4, the results of the R Square test show that the tested variables have a significant contribution to the model used. The R Square value for the Employee Retention variable is 0.597, which indicates that about 59.7% of the variation in employee retention can be explained by the variables in the model. Meanwhile, the Square Adjusted R value of 0.586 provides a more accurate picture by considering the number of independent variables used, which means that 58.6% of the variation in employee retention can be explained by the model after adjustment. This shows that the model used has a good fit in explaining the factors that affect employee retention.



### Path Coefficients

These path coefficients are obtained through path analysis and provide information about the direct influence between independent variables on dependent variables in the research model. The following are the results of the path coefficients calculation that show the relationship between the variables in the tested model:

Table 5. Path Coefficients Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Valus
OC -> EM	0,521	0,524	0,110	4,746	0,000
WD-> EM	0,312	0,312	0,108	2,898	0,004

Source: SmartPLS3 Output (2024)

Based on Table 5, the results show that there is a significant relationship between organizational culture variables and employee sustainability, with a path coefficient value of 0.521, which shows a positive and significant influence on employee retention. This is reinforced by a T-statistics value of 4.746 and a P value of 0.000, which shows a very significant result. In addition, the results of the study also revealed that the diversity of the workforce had a positive influence on employee retention with a path coefficient of 0.312, a T-statistics value of 2.898, and a P value of 0.004, which also showed a significant relationship. These two variables, organizational culture and workforce diversity, have been shown to contribute significantly to employee sustainability in the companies studied.

### Discussion

#### The Relationship of Workforce Diversity on Employee Retention

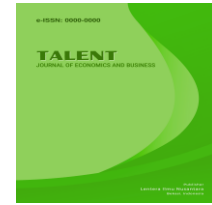
Workforce Diversity is able to contribute to increasing Employee Retention proven to have a significant positive influence on employee retention. These findings indicate that when companies are able to manage diversity well, such as differences in background, experience, or skills, it can create an inclusive and harmonious work environment. An environment that respects diversity encourages mutual respect, increases job satisfaction, and strengthens employee engagement with the company. With diversity managed effectively, employees feel more valued and have room to grow, so they tend to stay longer in the company.

The majority of respondents in this study are young women, with an equivalent high school/vocational education level, and less than three years of work experience. These characteristics indicate a group that may still be in the early stages of their careers, where a work environment that supports diversity can be an important factor in building a positive work experience. For respondents with relatively short work experience, the diversity accepted in the work environment creates an inclusive atmosphere that can reduce work pressure and encourage them to stay in the company. In addition, the majority of women in this study reinforce the importance of inclusivity and gender diversity management as one of the important aspects in creating higher employee retention.



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The results of this study are in line with several previous studies that show that the diversity of the workforce has a positive influence on employee retention. As research by Mbijiwe (2019) shows that the diversity of the workforce increases employee retention. This research reveals that diversity in cultural, age, and gender backgrounds creates an inclusive work environment that increases employee commitment to the organization. In addition, this approach also reduces turnover intention, especially if organizations implement diversity strategies effectively in their managerial practices. Similarly, Febrisa's research (2023) concluded that the diversity of a well-managed workforce has a positive impact on employee retention. The study emphasizes the importance of open communication and recognition of individual values to create a supportive work climate, which in turn increases employee loyalty.

However, not all studies have found a positive relationship between organizational culture and employee retention. For example, the Martdianty study (2020) found that workforce diversity doesn't necessarily affect employee retention, especially if organizations fail to strategically leverage diversity. In some cases, conflicts between groups that arise due to a lack of diversity integration actually increase employees' intention to leave. The study also highlights the importance of a conducive work climate to maximize the benefits of diversity.

The results of this study show that companies should pay more attention to diversity in their work environment as part of their employee retention strategy. Companies need to implement policies that support inclusivity and respect for differences, be it in terms of gender, age, or cultural background. Raising awareness of the importance of diversity at the managerial level and among all employees can help create a more harmonious and productive atmosphere. Additionally, companies need to provide training and opportunities for employees to collaborate and learn from diversity, which can ultimately increase their satisfaction and loyalty to the company.

### **The Relationship of Organizational Culture on Employee Retention**

Organization Culture is able to contribute to increasing employee retention. The results of the study show that organizational culture has a positive and significant influence on employee retention. A good organizational culture creates a work environment that is supportive, rewards employees' contributions, and encourages their involvement in achieving company goals. Employees who feel valued and supported tend to be more motivated to stay in the company. These findings indicate that organizations with an inclusive, collaborative, and consistent culture have a greater chance of retaining their employees in the long term.

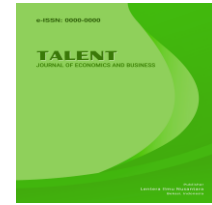
The majority of respondents in this study were young women with a high school/vocational education equivalent and less than three years of work experience. This profile reflects a workforce that is just starting their career and tends to need more of a sense of stability and support from the organization. A good organizational culture plays an important role for this group, as it can help them feel welcome and have a clear developmental path. Thus, a positive organizational culture not only encourages retention, but also gives young employees the confidence to continue to grow with the company. This emphasizes the importance of adapting an organization's culture approach to workforce characteristics to maximize retention rates.





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The results of this study are in line with several previous studies that show that organizational culture has a positive influence on employee retention. As per research by Junianingrum (2024) which highlights that an inclusive and supportive organizational culture increases employees' emotional attachment to the organization, thereby strengthening their intention to persevere. A culture that emphasizes the values of togetherness, collaboration, and appreciation of individual contributions has proven effective in creating employee loyalty. Similarly, research by Prasetyo (2023) revealed that an inclusive and supportive organizational culture is able to increase employee loyalty, especially among the younger generation who are looking for stability and recognition in the workplace. This research emphasizes the importance of inclusion values and appreciation of employee contributions to drive higher retention rates.

However, research by Chung-Hee (2018) show different results. They found that while organizational culture is considered important, those factors have no direct influence on employee retention. In contrast, factors such as compensation and career opportunities play a more dominant role. This suggests that the influence of organizational culture on retention can vary based on the industry context and employee priorities.

The results of this study provide practical implications for organizations, especially in the manufacturing sector, to strengthen an inclusive, supportive, and collaborative organizational culture. This is especially important for young workers with secondary education who are just starting their careers. Organizations can focus on creating a positive work environment through open communication, appreciation of individual contributions, and clear career development paths. Thus, organizations can not only retain employees but also improve overall productivity.

## **Conclusion**

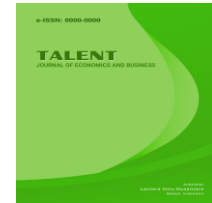
This study shows that workforce diversity and organizational culture have a positive and significant influence on employee retention. Good diversity management, such as valuing differences in backgrounds, experiences, and skills, creates an inclusive work environment that increases employee satisfaction and engagement. Similarly, an inclusive, collaborative, and supportive organizational culture provides a sense of stability, recognition, and motivation for employees, especially those in the early stages of their careers. These findings underscore the importance of diversity and organizational culture as a key strategy to increase employee loyalty and reduce turnover intention.

Companies need to focus more on implementing policies and programs that support diversity and a positive organizational culture. Practical measures such as diversity training, strengthening the value of inclusivity at the managerial level, and open communication can help create a harmonious and productive work environment. Additionally, it is important for companies to provide clear career development paths as well as reward individual contributions. With this strategic approach, organizations are expected to not only retain their workforce but also increase productivity and competitiveness in the manufacturing sector. Nevertheless, one limitation of this study is the single geographic scope and relatively small sample size, potentially affecting the generalizability of the results. Future research can address these gaps by broadening sample demographics, examining additional variables such as leadership styles or technological adoption and employing a longitudinal design to capture evolving trends in workforce diversity, organizational culture, and retention.



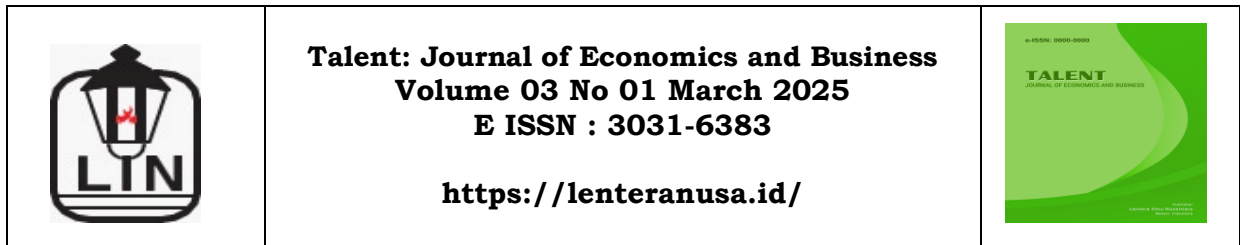
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