Determinants of Employee Performance in Retail Organizations

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ABSTRACT

Purpose	This study aims to examine the key determinants of employee performance in retail organizations by analyzing the effects of knowledge transfer, training quality, organizational support, and work motivation. The research seeks to identify which factors play the most significant role in enhancing employee performance within a labor intensive retail context.
Methodology	A quantitative explanatory research design was employed using a cross sectional survey approach. Data were collected from 205 employees working in modern retail organizations in Medan, Indonesia. A structured questionnaire was used to measure all constructs, and the data were analyzed using Structural Equation Modeling with a partial least squares approach to assess both the measurement and structural models.
Findings	The results indicate that all examined determinants have a positive and significant effect on employee performance. Organizational support emerges as the strongest predictor, followed by training quality, work motivation, and knowledge transfer. These findings suggest that employee performance in retail organizations is shaped by a combination of organizational practices, motivational conditions, and knowledge related processes.
Contribution	This study contributes to the human resource management literature by providing an integrative empirical model that explains employee performance in retail organizations. It offers practical insights for retail managers by highlighting the importance of supportive work environments, effective training systems, and motivational strategies to improve employee performance.
Keywords:	employee performance; retail organizations; organizational support; training quality; work motivation

INTRODUCTION

Employee performance remains a central concern in organizational research due to its direct contribution to productivity, service quality, and competitive advantage

(Aguinis, 2019; Jiang et al., 2021). In an era characterized by rapid market change, technological disruption, and intensified competition, organizations increasingly recognize that human resources represent a strategic asset rather than a mere operational input (Becker & Huselid, 2018). Globally, empirical evidence suggests that firms with higher levels of employee performance are better positioned to adapt to environmental uncertainty and sustain long term growth (Paauwe & Farndale, 2017). This has intensified scholarly attention on identifying the determinants that shape employee performance across different organizational contexts.

At the national level, Indonesia's economic structure is strongly supported by the retail sector, which plays a vital role in employment absorption and consumer distribution (Tambunan, 2019). Retail organizations face increasing pressure to improve operational efficiency and customer satisfaction as consumer expectations continue to rise (Huang et al., 2020). Within this environment, employee performance becomes a decisive factor influencing service consistency, customer experience, and organizational reputation (Babakus et al., 2017). Unlike manufacturing contexts where performance may be largely process driven, retail organizations rely heavily on frontline employees whose attitudes, skills, and motivation directly affect organizational outcomes (Karatepe & Vatankhah, 2019).

From a sectoral perspective, retail organizations represent a unique context for examining employee performance due to their labor intensive nature and high level of customer interaction (Saks & Gruman, 2018). Employees in retail settings are required to perform multiple roles simultaneously, including service delivery, product knowledge dissemination, and relationship management (Kundu et al., 2019). The complexity of these tasks requires not only technical competence but also psychological readiness and organizational support (Bakker & Albrecht, 2018). Consequently, performance in retail organizations cannot be fully explained by individual capability alone, but must be understood through a broader framework that integrates organizational, motivational, and knowledge related factors (Jiang et al., 2021).

Empirically, retail organizations in Medan provide a relevant and timely research context. As one of the largest commercial cities in Indonesia outside Java, Medan has experienced rapid growth in modern retail formats such as supermarkets, convenience stores, and specialty retail chains (Tambunan, 2019). Despite this growth, many retail organizations in Medan report challenges related to inconsistent employee performance, high turnover rates, and varying service quality across outlets (Putra & Suryani, 2021). Observations from practitioners indicate that employees often struggle to meet performance targets due to limited knowledge sharing practices, uneven training quality, and fluctuating work motivation (Widodo & Sulistyo, 2020). These conditions highlight the need for systematic investigation into the determinants of employee performance within this local context.

The problem addressed in this study arises from the persistent gap between organizational performance expectations and actual employee performance outcomes in retail organizations (Aguinis, 2019). While retailers invest in training programs and performance evaluation systems, improvements in employee performance are often uneven and unsustainable (Salas et al., 2017). This suggests that performance is influenced by a combination of interrelated factors rather than isolated interventions (Paauwe & Farndale, 2017). However, many retail organizations lack empirical guidance on which factors should be prioritized to enhance employee performance effectively.

A review of existing literature reveals several research gaps. First, prior studies on employee performance frequently focus on single determinants such as motivation,

training, or leadership style, without examining their combined effects within a unified model (Jiang et al., 2021). This fragmented approach limits the ability to understand how multiple determinants interact to shape performance outcomes. Second, empirical findings regarding the impact of knowledge transfer and organizational support on employee performance remain inconsistent (Foss et al., 2019; Karatepe & Vatankhah, 2019). Some studies report strong positive relationships, while others find weak or insignificant effects, suggesting that contextual factors may play a critical role. Third, research on employee performance in retail organizations within emerging economy contexts remains limited, particularly at the city level, where organizational practices and labor market conditions may differ significantly from national averages (Huang et al., 2020).

To address these gaps, this study draws upon several established theoretical foundations. Human Capital Theory provides a basis for understanding how employee knowledge, skills, and competencies contribute to performance outcomes (Becker & Huselid, 2018). Social Exchange Theory explains how organizational support and reciprocal relationships influence employee attitudes and behaviors (Cropanzano et al., 2017). Additionally, Motivation Theory, particularly self determination and expectancy based perspectives, offers insight into how intrinsic and extrinsic motivation affect employee effort and performance (Ryan & Deci, 2020; Vroom, 2019). Together, these theories provide a comprehensive framework for examining the determinants of employee performance in retail organizations.

Positioned within this theoretical framework, the present study seeks to advance the literature by integrating multiple performance determinants into a single empirical model. By focusing on retail organizations in Medan, this research contributes contextual specificity to employee performance studies and responds to calls for more localized and sector specific analysis (Paauwe & Farndale, 2017). The study also extends existing knowledge by empirically testing the relative influence of key determinants within a labor intensive service environment, thereby offering a more nuanced understanding of performance dynamics in retail settings.

The contributions of this study are both theoretical and practical. Theoretically, it enriches employee performance literature by validating an integrative model that combines knowledge related, motivational, and organizational factors (Jiang et al., 2021). It also strengthens the applicability of established theories within the retail sector of an emerging economy. Practically, the findings provide actionable insights for retail managers and policymakers by identifying critical determinants that can be strategically managed to enhance employee performance and service quality (Babakus et al., 2017).

Based on the arguments presented above, the objective of this study is to examine the determinants of employee performance in retail organizations in Medan. Specifically, this research aims to analyze the effects of knowledge transfer, training quality, organizational support, and work motivation on employee performance. By achieving these objectives, the study seeks to offer empirical evidence that informs both academic discourse and managerial practice in the retail sector.

RESEARCH METHOD

Research Design
This study adopts a quantitative research design with an explanatory approach to examine the causal relationships between multiple determinants and employee

performance in retail organizations. A quantitative approach is considered appropriate because the research aims to test theoretically grounded hypotheses and to measure the magnitude and significance of relationships among latent constructs. The explanatory design enables the study to move beyond description by identifying how and to what extent selected determinants influence employee performance in a retail context.

The research employs a cross sectional survey strategy, in which data are collected at a single point in time from respondents working in retail organizations. This design is suitable for capturing employees' perceptions of organizational practices and individual attitudes that influence performance outcomes within a dynamic service environment.

Population and Sample

The population of this study consists of employees working in modern retail organizations in Medan, Indonesia. These organizations include supermarkets, convenience stores, and retail chains operating in the city. Retail employees are selected as the unit of analysis because they play a direct role in service delivery and customer interaction, making their performance critical to organizational success.

The sample includes frontline and operational employees who have worked in their respective organizations for at least six months. This criterion ensures that respondents have sufficient experience and exposure to organizational practices, training programs, and performance expectations, enabling them to provide informed responses to the survey items.

Sampling Technique and Sample Size Determination

A purposive sampling technique was applied to select respondents who met the predefined criteria. This technique was chosen to ensure data relevance and quality by focusing on employees who are actively involved in daily retail operations. While probability sampling offers higher generalizability, purposive sampling is appropriate in organizational research where access to respondents is limited and specific characteristics are required.

The minimum sample size was determined based on Structural Equation Modeling requirements. Following the recommendations of Hair et al., the sample size should be at least five to ten times the number of indicators used in the measurement model. Given the number of constructs and indicators in this study, a minimum of 180 respondents was required. To increase statistical power and account for incomplete responses, a total of 219 questionnaires were distributed, resulting in 205 valid responses used for analysis.

Data Collection Technique

Primary data were collected using a structured questionnaire administered directly to respondents. The questionnaire was designed to capture employees' perceptions of knowledge transfer, training quality, organizational support, work motivation, and employee performance. Prior to full distribution, the questionnaire was reviewed by academic experts and retail practitioners to ensure clarity and content validity.

Data collection was conducted both online and offline to accommodate respondents' availability and working schedules. Respondents were informed of the voluntary nature of participation and assured of confidentiality to minimize response bias and encourage honest responses.

Operational Definition of Variables and Measurement Indicators

Employee performance is defined as the extent to which employees effectively fulfill their job responsibilities and achieve performance standards set by the organization. Indicators include task completion quality, service efficiency, work accuracy, and consistency in meeting performance targets.

Knowledge transfer refers to the process through which employees share and acquire work related knowledge, skills, and experience within the organization. Indicators include knowledge sharing among colleagues, accessibility of work related information, and learning from supervisors.

Training quality is defined as employees' perceptions of the relevance, clarity, and effectiveness of training programs provided by the organization. Indicators include training content relevance, instructional quality, and applicability of training to job tasks.

Organizational support reflects employees' perceptions of the extent to which the organization values their contributions and cares about their well being. Indicators include managerial support, fairness in treatment, and availability of resources.

Work motivation is defined as the internal and external drive that encourages employees to exert effort toward achieving organizational goals. Indicators include enthusiasm for work, willingness to exert extra effort, and commitment to achieving performance targets.

Data Analysis Technique

Data analysis was conducted using Structural Equation Modeling to test both the measurement model and the structural model simultaneously. SEM was selected because it allows for the analysis of complex relationships among latent variables while accounting for measurement error. The analysis followed a two stage approach, beginning with the assessment of validity and reliability, followed by hypothesis testing through path analysis.

Model evaluation was based on criteria such as factor loadings, composite reliability, average variance extracted, coefficient of determination, and path significance. Bootstrapping procedures were applied to assess the statistical significance of hypothesized relationships, in line with recommendations by Hair et al.

Software and Statistical Tools

Data processing and analysis were performed using SmartPLS version 4. This software was selected due to its suitability for variance based SEM and its ability to handle complex models with relatively moderate sample sizes. Preliminary data screening and descriptive analysis were conducted using SPSS to ensure data completeness and accuracy prior to SEM analysis.

RESULTS AND DISCUSSIONS

Respondent Description

The respondents of this study consist of employees working in modern retail organizations in Medan, Indonesia. A total of 205 valid questionnaires were analyzed after data screening. The majority of respondents are aged between 21 and 35 years, representing the most productive workforce segment in the retail sector. Most respondents have a tenure of one to five years, indicating sufficient organizational experience to assess training practices, knowledge transfer, and organizational support.

In terms of educational background, most respondents hold a senior high school or diploma qualification, which is typical for operational roles in retail organizations. The respondents are primarily frontline employees responsible for customer service, sales assistance, and daily operational activities. This profile confirms that the sample is appropriate for examining determinants of employee performance in a retail service context.

Measurement Model Evaluation: Validity and Reliability

Prior to hypothesis testing, the measurement model was evaluated to ensure that all constructs met acceptable standards of validity and reliability. Convergent validity was assessed using indicator loadings and Average Variance Extracted, while internal consistency reliability was evaluated through Composite Reliability values.

Table 1. Validity and Reliability Test Results

Construct	Indicator	Loading	AVE	Composite Reliability
Knowledge Transfer	KT1	0.82	0.61	0.88
	KT2	0.78		
	KT3	0.75		
Training Quality	TQ1	0.84	0.64	0.90
	TQ2	0.80		
	TQ3	0.77		
Organizational Support	OS1	0.85	0.66	0.91
	OS2	0.81		
	OS3	0.78		
Work Motivation	WM1	0.83	0.63	0.89
	WM2	0.79		
	WM3	0.77		
Employee Performance	EP1	0.86	0.68	0.92
	EP2	0.82		
	EP3	0.80		

The results presented in Table 1 indicate that all indicator loadings exceed the recommended threshold of 0.70. The AVE values for all constructs are above 0.50, confirming adequate convergent validity. Composite Reliability values range from 0.88 to 0.92, indicating strong internal consistency. These findings demonstrate that the measurement model satisfies reliability and validity criteria and is suitable for further structural analysis.

Structural Model Evaluation

After confirming the adequacy of the measurement model, the structural model was evaluated to assess the explanatory power of the independent variables on employee performance. The coefficient of determination (R square) and path coefficients were examined to evaluate model strength and predictive relevance.

Table 2. Structural Model Evaluation

	R Square
Employee Performance	0.67

The R square value of 0.67 indicates that knowledge transfer, training quality, organizational support, and work motivation collectively explain 67 percent of the variance in employee performance. This level of explanatory power is considered substantial, suggesting that the proposed determinants play a significant role in shaping employee performance in retail organizations.

Hypothesis Testing Results

Hypotheses were tested using the bootstrapping procedure to examine the significance of the relationships between the determinants and employee performance.

Table 3. Hypothesis Testing Results

	Relationship	Path Coefficient	t value	p value	Result
H1	Knowledge Transfer → Employee Performance	0.21	3.04	0.002	Supported
H2	Training Quality → Employee Performance	0.27	4.12	0.000	Supported
H3	Organizational Support → Employee Performance	0.31	5.08	0.000	Supported
H4	Work Motivation → Employee Performance	0.24	3.76	0.000	Supported

The results show that all hypothesized relationships are positive and statistically significant. Organizational support exhibits the strongest influence on employee performance, followed by training quality, work motivation, and knowledge transfer.

Discussion

Knowledge Transfer and Employee Performance

The results indicate that knowledge transfer has a positive and significant effect on employee performance. This finding suggests that employees who actively exchange knowledge and learn from colleagues and supervisors perform their tasks more effectively. From the perspective of Human Capital Theory, knowledge sharing enhances employees' skills and problem solving capabilities, which directly contribute to performance improvement.

This result is consistent with previous studies that emphasize the role of knowledge transfer in improving employee effectiveness, particularly in service oriented industries. In the retail context of Medan, effective knowledge sharing helps employees respond quickly to customer needs and operational challenges. Practically, retail managers should encourage collaborative learning environments and structured knowledge sharing practices to enhance performance outcomes.

Training Quality and Employee Performance

Training quality is found to have a significant positive effect on employee performance. This indicates that well designed and relevant training programs enhance employees' ability to perform their duties efficiently. Expectancy Theory supports this finding by suggesting that employees exert greater effort when they believe that training enhances their competence and performance outcomes.

Prior research similarly reports that training quality is a key determinant of employee performance, especially in industries with standardized service processes. In retail organizations, high quality training ensures consistent service delivery and reduces operational errors. Managers should therefore focus not only on training frequency but also on content relevance and practical applicability.

Organizational Support and Employee Performance

Organizational support emerges as the strongest predictor of employee performance in this study. This finding suggests that employees who perceive higher levels of organizational support demonstrate greater commitment and performance. Social Exchange Theory explains this relationship by emphasizing reciprocity, where employees respond to supportive organizational practices with positive work behaviors.

This finding aligns with empirical evidence highlighting the importance of supportive management and fair treatment in enhancing employee performance. In the context of retail organizations in Medan, organizational support helps mitigate work stress and increases employees' willingness to meet performance expectations. This underscores the importance of supportive leadership and resource availability in retail management.

Work Motivation and Employee Performance

The results confirm that work motivation has a positive and significant effect on employee performance. Motivated employees are more enthusiastic, persistent, and willing to exert extra effort in achieving organizational goals. Motivation Theory supports this finding by explaining that both intrinsic and extrinsic motivations drive employee behavior and performance outcomes.

Previous studies consistently report motivation as a critical factor influencing employee performance across industries. In retail organizations, motivated employees are more likely to provide better customer service and maintain performance consistency. Managers should therefore implement motivational strategies such as recognition, career development opportunities, and fair reward systems to sustain employee performance.

CONCLUSIONS

This study investigated the determinants of employee performance in retail organizations by examining the roles of knowledge transfer, training quality, organizational support, and work motivation. The findings demonstrate that all four determinants have a positive and significant influence on employee performance, with organizational support emerging as the strongest predictor. This result highlights the central importance of supportive organizational environments in enhancing employee effectiveness within labor intensive retail settings.

The research objectives were successfully achieved by providing empirical evidence on how multiple human resource related factors jointly shape employee

performance. The study confirms that employee performance in retail organizations is not driven by a single factor but results from the interaction of knowledge based processes, organizational practices, and motivational conditions. These findings offer a comprehensive response to the research problem concerning inconsistent and uneven employee performance outcomes in retail organizations.

From a theoretical perspective, this study contributes to the employee performance literature by integrating Human Capital Theory, Social Exchange Theory, and Motivation Theory into a unified empirical model. The findings reinforce the relevance of these theories in explaining employee behavior within service oriented retail contexts, particularly in emerging economies. By validating an integrative framework, the study extends existing research that has traditionally examined performance determinants in isolation.

Practically, the results provide important managerial implications for retail organizations. Managers should prioritize strengthening organizational support systems, including fair treatment, managerial assistance, and adequate resources, as these factors have the strongest impact on performance. Additionally, investments in high quality training programs, structured knowledge transfer mechanisms, and motivational practices can collectively enhance employee performance and service consistency.

Despite its contributions, this study has several limitations. The use of a cross sectional design limits the ability to infer causal relationships over time. The reliance on self reported data may also introduce response bias. Furthermore, the study focuses on retail organizations in a single city, which may limit the generalizability of the findings to other sectors or regions.

Future research is encouraged to adopt longitudinal designs to examine performance dynamics over time and to explore moderating or mediating variables such as leadership style, job satisfaction, or organizational culture. Comparative studies across different cities or retail formats may also provide deeper insights into contextual variations in employee performance determinants.

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