

Compensation, Work Discipline, and Employee Loyalty: Evidence from an Indonesian Food and Beverage SME

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ARTICLE INFO

Article history:

Received: April 9th, 2026

Revised: April 10th, 2026

Accepted: April 28th, 2026

Keywords:

Employee Loyalty;
Compensation;
Work Discipline;
Human Resource Management;
Food and Beverage SME.

JEL:

M12; M54; J33; L83

ABSTRACT

This study examines whether compensation and work discipline are associated with employee work loyalty within a small-to-medium-sized enterprise (SME) in Indonesia's food and beverage (F&B) sector. A quantitative cross-sectional survey was administered to all 50 employees of Tsamara Resto, Bekasi, using a saturated sampling (census) design. Data were collected through structured Bahasa Indonesia Likert-scale questionnaires and analyzed using simple and multiple linear regression in IBM SPSS 25. The results indicate that compensation and work discipline are each positively and significantly associated with employee work loyalty, and that the joint model explains 23.0% of adjusted loyalty variance, with work discipline showing a slightly stronger standardized contribution. Rather than claiming broad causal generalization, this study provides contextual empirical evidence consistent with social exchange theory in an Indonesian F&B SME setting. For practitioners, the findings suggest that equitable compensation arrangements and procedurally fair disciplinary governance should be managed in an integrated manner to support employee loyalty. Because the study uses a single-organization cross-sectional design, the findings should be interpreted cautiously and verified through multi-site, longitudinal, or mixed-methods research.

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1. INTRODUCTION

The food and beverage (F&B) industry represents one of the most labor-intensive sectors in developing economies, where operational excellence is fundamentally contingent upon the quality and sustained commitment of its human capital. In service organizations, human resource management (HRM) is best understood as a coordinated set of practices related to employee development, rewards, and retention that shapes commitment and organizational

outcomes (Luna-Arocas et al., 2020; Yao et al., 2019). In the Indonesian F&B sector, escalating market competition and shifting consumer expectations have intensified the demand for disciplined and loyal employees—particularly in the restaurant industry, where service consistency and interpersonal quality directly determine competitive differentiation.

Within this competitive landscape, employee work loyalty emerges as a pivotal determinant of organizational resilience and long-term sustainability.

Employee loyalty contains both attitudinal and behavioral dimensions, including intention to remain, willingness to exert extra effort, sense of belonging, and responsibility toward organizational goals (Tomic et al., 2018; Guillon & Cézanne, 2014; Yao et al., 2019). Firms with stronger employee loyalty tend to benefit from better organizational outcomes and growth prospects, while recent Indonesian evidence also indicates that loyalty is reinforced through relational and satisfaction-based mechanisms in the workplace (Antoncic & Antoncic, 2011; Mulyani et al., 2024).

Two organizational factors are especially relevant to employee loyalty in this study: compensation and work discipline. Compensation and pay satisfaction function as salient signals of organizational support and fairness; when employees perceive rewards as fair and meaningful, attachment to the organization increases and withdrawal tendencies decline (Jung & Yoon, 2015; Luna-Arocas et al., 2020). In contrast, work discipline in the present study is treated operationally as employees' punctuality, responsibility, compliance with rules, and proper use of work equipment. Together, these two factors represent economic and behavioral mechanisms through which organizations can strengthen employee loyalty.

The relationship between these antecedents and loyalty is particularly nuanced within small-to-medium-sized enterprises (SMEs) in the hospitality sector. Tsamara Resto, a family restaurant established on October 30, 2013, and located on Jl. Raya Hankam Kavling 69 Ujung Aspal Kranggan Cibubur Bekasi, provides an instructive empirical context. The restaurant employs 50 workers distributed across diverse operational divisions—including service, kitchen, bartending, security, gardening, and administration—operating under a formal Standard Operating Procedure (SOP) that governs attendance protocols, uniform compliance, and customer service standards. Field observations reveal persistent behavioral deviations: employee tardiness, unauthorized absences, and SOP non-compliance—infractions carrying a 20% salary deduction for late arrivals and forfeiture of daily wages for unexcused absences.

Within this competitive landscape, employee work loyalty emerges as a pivotal determinant of organizational resilience and long-term sustainability. Employee loyalty contains both attitudinal and behavioral dimensions, including intention to remain, willingness to exert extra effort, sense of belonging, and responsibility toward organizational goals (Tomic et al., 2018; Guillon & Cézanne, 2014; Yao et al., 2019). For service businesses, loyalty matters strategically because stable and committed employees help preserve service consistency, internal coordination, and employer reputation in labor-intensive customer-facing operations. Recent

hospitality research further indicates that employee-related outcomes such as loyalty, retention, online reputation, and workforce well-being are increasingly intertwined in competitive service settings (Mulyani et al., 2024; Yao et al., 2024; Saito et al., 2025).

This study pursues three specific objectives: (1) to examine the partial effect of compensation on employee work loyalty at Tsamara Resto; (2) to examine the partial effect of work discipline on employee work loyalty at Tsamara Resto; and (3) to examine the simultaneous effect of both compensation and work discipline on employee work loyalty at Tsamara Resto.

Despite growing scholarly attention to HRM determinants of employee outcomes, existing literature exhibits two structural gaps. First, Indonesian studies have more frequently examined compensation and work discipline as predictors of employee performance rather than employee loyalty (Isvandiari & Fuadah, 2017; Isvandiari & Purwanto, 2017). Second, evidence on the simultaneous effect of compensation and work discipline on loyalty within the Indonesian F&B SME context remains empirically sparse. This matters because recent hospitality research shows that employee-centered HR practices and retention-related outcomes remain consequential for service organizations facing labor volatility and reputational pressure (Ferdian et al., 2025; Yao et al., 2024). This dual gap constitutes the primary motivation for the present investigation.

This study pursues three specific objectives: (1) to examine the partial effect of compensation on employee work loyalty at Tsamara Resto; (2) to examine the partial effect of work discipline on employee work loyalty at Tsamara Resto; and (3) to examine the simultaneous effect of both compensation and work discipline on employee work loyalty at Tsamara Resto. Collectively, these objectives operationalize the conceptual model and are expected to generate targeted managerial guidance for compensation design and disciplinary governance in service SMEs.

2.1 Theoretical Foundations

This study is grounded in social exchange theory, which posits that employment relationships operate as reciprocal exchanges: favorable organizational treatment tends to be returned by employees through stronger attachment and constructive workplace behavior (Cropanzano & Mitchell, 2005). Within this perspective, loyalty is not a static disposition but an emergent orientation shaped by employees' evaluation of rewards, treatment, and day-to-day organizational experiences. Accordingly, compensation adequacy and work discipline are positioned in this study as two organizational stimuli that may trigger reciprocal loyalty responses. The

theoretical framework integrating these antecedents is depicted in Figure 1.

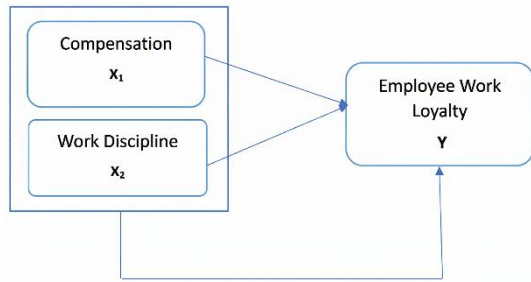


Figure 1. Conceptual Framework

2.2 Employee Work Loyalty

Employee work loyalty constitutes the dependent construct of this study. Prior research conceptualizes employee loyalty through attitudinal and behavioral components such as willingness to remain with the organization, readiness to exert extra effort, support for organizational goals, and a sense of belonging (Tomic et al., 2018; Guillon & Cézanne, 2014; Yao et al., 2019). In the present study, employee loyalty is operationalized through five dimensions: (1) adherence to organizational regulations; (2) sense of responsibility toward the organization; (3) willingness to cooperate; (4) sense of organizational ownership; and (5) quality of interpersonal relationships.

2.3 Compensation and Its Indicators

Compensation is conceptualized in this study as employees' perceived financial returns and employment-related benefits. Contemporary evidence shows that pay satisfaction and reward systems are closely associated with employee commitment, engagement, and retention-related outcomes (Jung & Yoon, 2015; Luna-Arocas et al., 2020). Accordingly, compensation is operationalized through four indicators relevant to the present context: (1) wages and salary; (2) incentives; (3) allowances; and (4) facilities.

2.4 Work Discipline and Its Indicators

Work discipline is defined in this study as employees' behavioral adherence to organizational standards and work procedures. Indonesian evidence has consistently positioned discipline as an important antecedent of work-related outcomes, especially employee performance (Isvandari & Fuadah, 2017; Isvandari & Purwanto, 2017). In the present study, work discipline is operationalized through four indicators: (1) punctuality; (2) high sense of responsibility; (3) proper use of organizational equipment; and (4) compliance with organizational rules.

2.5 Hypotheses

On the basis of social exchange theory and the empirical literature reviewed, the following hypotheses are proposed:

H₁: Compensation has a positive and significant effect on employee work loyalty at Tsamara Resto.

H₂: Work discipline has a positive and significant effect on employee work loyalty at Tsamara Resto.

H₃: Compensation and work discipline simultaneously have a positive and significant effect on employee work loyalty at Tsamara Resto.

3. METHODOLOGY

3.1 Research Design

This study employs a quantitative research design grounded in positivist philosophy, utilizing cross-sectional survey data to test causal hypotheses concerning the effects of compensation and work discipline on employee work loyalty. Quantitative methodology is adopted because the research objective is to evaluate pre-specified hypotheses through statistical inference on numerical data. The research setting is Tsamara Resto, Bekasi. Data collection was conducted between November 2022 and February 2023.

3.2 Population and Sampling

The target population comprised all 50 employees of Tsamara Resto, distributed across nine operational divisions: service (waiters), kitchen, bartending (barista), general maintenance (office boy), warehousing (gudang), gardening (gardener), reception, security, and administrative staff. A saturated sampling (census) technique was applied, enrolling all population members as respondents. The final analytic sample consists of $n = 50$ respondents.

3.3 Measurement Instruments

All constructs were operationalized using multi-item scales adapted for the present study and measured using a five-point Likert scale anchored from 1 (Strongly Disagree) to 5 (Strongly Agree). The complete measurement specification is presented in Table 1.

Table 1. Measurement Instruments

Variable	Definition	Indicators	Items	Source
Employee Work Loyalty	Attitudinal and behavioral commitment to remain and contribute to the organization.	(1) Adherence to regulations; (2) Sense of responsibility; (3) Willingness to cooperate; (4) Sense of organizational ownership; (5) Interpersonal relationships	12	Tomic et al. (2018); Yao et al. (2019); Mulyani et al. (2024)
Compensation	Perceived financial returns	(1) Wages and salary;	11	Jung & Yoon

	and employment-related benefits.	(2) Incentives; (3) Allowances / benefits; (4) Facilities	12	(2015); Luna-Arocas et al. (2020)
Work Discipline	Behavioral adherence to rules, responsibilities, punctuality, and proper use of work resources.	(1) Punctuality; (2) High sense of responsibility; (3) Proper use of organizational equipment; (4) Compliance with organizational rules		Isvandiani & Fuadah (2017); Isvandiani & Purwanto (2017)

Source: Primary data, processed (2023)

All constructs were operationalized using multi-item scales adapted for the present study and measured using a five-point Likert scale anchored from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire was administered in Bahasa Indonesia and contextually adapted from the indicator structures reported in the cited studies and established HRM sources used in the original instrument design. The adaptation emphasized content fit with Tsamara Resto's operational setting rather than formal cross-national scale equivalence. Example items include "Gaji yang saya terima sesuai harapan" for compensation, "Saya datang ke tempat kerja selalu tepat waktu" for work discipline, and "Saya mematuhi peraturan perusahaan" for employee loyalty. The complete measurement specification is presented in Table 1.

Questionnaires were distributed directly to all employees during the fieldwork period with coordination from the restaurant administration. Participation was voluntary, respondents were informed that their answers would be used only for academic purposes, and confidentiality was assured. All 50 questionnaires were usable for analysis, resulting in complete case coverage for the census sample.

Construct validity was assessed using Pearson Product-Moment Correlation (r), whereby each item was correlated with its respective total scale score. An item is deemed valid if r-count exceeds the critical r-table value of 0.279 (df = n - 2 = 48; alpha = 0.05, two-tailed). Internal consistency reliability was evaluated using Cronbach's Alpha, with coefficients above 0.70 interpreted as acceptable and coefficients above 0.80 interpreted as strong.

3.5 Classical Assumption Tests

Construct validity was assessed using Pearson Product-Moment Correlation (r), whereby each item was correlated with its respective total scale score. An item is deemed valid if r-count exceeds the critical r-table value of 0.279 (df = n - 2 = 48; alpha = 0.05, two-tailed). Internal consistency reliability was evaluated using Cronbach's Alpha, with coefficients above 0.70 interpreted as acceptable and coefficients

above 0.80 interpreted as strong. Because the instrument was contextually adapted, these post-administration validity and reliability checks are presented as evidence of internal measurement quality rather than as a full substitute for formal cross-cultural scale validation.

3.6 Analytical Strategy

To test the three hypotheses, simple linear regression (H₁ and H₂) and multiple linear regression (H₃) were employed, supplemented by Pearson bivariate correlation and coefficient of determination (R²). Partial effects (H₁, H₂) were evaluated via t-test (t-table = 2.009; df = 48; α = 0.05). Simultaneous effect (H₃) was evaluated via F-test (F-table = 3.19; N₁ = 2; N₂ = 48). All analyses were conducted using IBM SPSS Statistics Version 25.

For the purposes of regression inference, normality was primarily assessed on model residuals rather than on each composite variable in isolation. The earlier variable-level Kolmogorov-Smirnov values are therefore retained only as descriptive distributional summaries. Multicollinearity was assessed using Tolerance and VIF; the absence of multicollinearity is indicated when Tolerance > 0.10 and VIF < 10.00. Linearity was verified through the Test for Linearity (Deviation from Linearity Sig. > 0.05).

$$\hat{Y} = \beta_0 + \beta_1 X_1 + \varepsilon \quad (H_1: \text{Compensation} \rightarrow \text{Loyalty})$$

$$\hat{Y} = \beta_0 + \beta_2 X_2 + \varepsilon \quad (H_2: \text{Work Discipline} \rightarrow \text{Loyalty})$$

$$\hat{Y} = a + b_1 X_1 + b_2 X_2 + e \quad (H_3: \text{Joint model})$$

4. RESULTS

4.1 Respondent Profile

The sample comprised all 50 employees of Tsamara Resto. By gender, 56% were female (n = 28) and 44% male (n = 22). The age distribution skewed young: 54% were below 25 years (n = 27), 26% were in the 26–35 bracket (n = 13), 16% in the 36–45 bracket (n = 8), and 4% in the 46–55 bracket (n = 2). Educational attainment was dominated by senior secondary graduates (SMA/K: 68%; n = 34), followed by bachelor's degree holders (S1: 26%; n = 13) and diploma holders (6%; n = 3).

4.2 Descriptive Statistics

Table 2 reports central tendency and distributional statistics for all three constructs. Compensation registered the lowest mean (M = 46.32), followed by Work Discipline (M = 49.64) and Employee Work Loyalty (M = 51.68). All skewness and kurtosis values fall within the acceptable ±3.00 range.

Table 2. Descriptive Statistics of Research Variables

Statistic	Compensation	Work Discipline	Employee Loyalty
N (Valid)	50	50	50

Mean	46.320	49.640	51.680
Median	46.800	49.670	51.500
Mode	44	51	49
Skewness	-0.473	-0.019	-0.107
Std. Error of Skewness	0.337	0.337	0.337
Kurtosis	-0.383	-0.196	-0.777
Std. Error of Kurtosis	0.662	0.662	0.662
Sum	2316	2482	2584

Source: Primary data, processed (2023)

4.3 Validity and Reliability

All items across the three constructs exceeded the critical r-table threshold of 0.279, confirming convergent item validity. For Compensation (X1), Pearson correlation coefficients ranged from 0.597 to 0.782 across 11 items. For Work Discipline (X2), values ranged from 0.337 to 0.796 across 12 items. For Employee Work Loyalty (Y), values ranged from 0.503 to 0.782 across 12 items. All Cronbach's Alpha values exceeded 0.800, classifying all three scales in the very strong reliability category. Full results are summarized in Table 3.

Table 3. Validity and Reliability Summary

Variable	N	r-Calc Range	r-table	Validity	Cronbach's α	Reliability Category
Compensation	11	0.597–0.782	0.279	All Valid	0.902	Very Strong
Work Discipline	12	0.337–0.796	0.279	All Valid	0.873	Very Strong
Employee Loyalty	12	0.503–0.782	0.279	All Valid	0.830	Very Strong

Source: Primary data, processed (2023)

4.4 Classical Assumption Diagnostics

Normality. The one-sample Kolmogorov–Smirnov test yielded Asymp. Sig. (2-tailed) values of 0.200, 0.200, and 0.096 for Compensation, Work Discipline, and Employee Loyalty, respectively—all exceeding $\alpha = 0.05$.

Multicollinearity. Both predictors produced Tolerance = 0.945 and VIF = 1.059, confirming the absence of multicollinearity.

Linearity. Deviation from Linearity significance values of 0.252 (Compensation–Loyalty) and 0.704 (Discipline–Loyalty) confirm linear relationships. All classical assumptions are satisfied.

Normality. The original variable-level one-sample Kolmogorov–Smirnov test yielded Asymp. Sig. (2-tailed) values of 0.200, 0.200, and 0.096 for Compensation, Work Discipline, and Employee Loyalty, respectively, indicating no major distributional irregularity at the composite level. More importantly for regression, the standardized residuals of the multiple regression model were approximately normal (K-S D = 0.063, $p = 0.982$; Shapiro-Wilk W = 0.981, $p = 0.603$). Accordingly, the normality assumption was considered satisfied.

4.5 Hypothesis Testing

4.5.1 Effect of Compensation on Employee Work Loyalty

Simple linear regression yielded: $\hat{Y} = 37.450 + 0.307X_1$. The regression coefficient of 0.307 signifies that a one-unit increase in Compensation produces a 0.307-unit increase in Employee Work Loyalty. The t-statistic was 2.957 (Sig. = 0.005 < 0.05), exceeding t-table = 2.009. H_1 is therefore accepted. The coefficient of determination $R^2 = 0.154$ indicates Compensation accounts for 15.4% of loyalty variance; $r = 0.393$ (low correlation).

Table 4. Simple Linear Regression — Compensation → Employee Work Loyalty

Model	B	Std. Error	Beta	t-stat	Sig.
(Constant)	37.450	4.852	—	7.718	0.000
Compensation	0.307	0.104	0.393	2.957	0.005

Model Summary: R = 0.393, R² = 0.154, Adj. R² = 0.136, SE = 4.385

Source: Primary data, processed (2023)

Simple linear regression yielded: $\hat{Y} = 37.450 + 0.307X_1$. The regression coefficient of 0.307 indicates that higher compensation scores are associated with higher employee work loyalty scores. The t-statistic was 2.957 (Sig. = 0.005 < 0.05), exceeding t-table = 2.009. H_1 is therefore supported. The coefficient of determination $R^2 = 0.154$ indicates statistically significant but modest explanatory power; $r = 0.393$ (low correlation).

4.5.2 Effect of Work Discipline on Employee Work Loyalty

Simple linear regression yielded: $\hat{Y} = 33.647 + 0.363X_2$. The regression coefficient of 0.363 indicates a one-unit increase in Work Discipline produces a 0.363-unit increase in loyalty. The t-statistic was 3.120 (Sig. = 0.003 < 0.05). H_2 is therefore accepted. $R^2 = 0.169$; $r = 0.411$ (moderate correlation).

Table 5. Simple Linear Regression — Work Discipline → Employee Work Loyalty

Model	B	Std. Error	Beta	t-stat	Sig.
(Constant)	33.647	5.813	—	5.788	0.000
Work Discipline	0.363	0.116	0.411	3.120	0.003

Model Summary: R = 0.411, R² = 0.169, Adj. R² = 0.151, SE = 4.347

Source: Primary data, processed (2023)

4.5.3 Effect of Compensation and Work Discipline on Employee Work Loyalty

Simple linear regression yielded: $\hat{Y} = 33.647 + 0.363X_2$. The regression coefficient of 0.363 indicates that higher work discipline scores are associated with higher employee work loyalty scores. The t-statistic was 3.120 (Sig. = 0.003 < 0.05). H_2 is therefore supported. $R^2 = 0.169$ suggests statistically significant but still modest explanatory power; $r = 0.411$ (moderate correlation).

Multiple linear regression estimated: $\hat{Y} = 25.529 + 0.245X_1 + 0.298X_2$. Both partial coefficients retain statistical significance in the joint model: $b_1 = 0.245$ (t

= 2.428; Sig. = 0.019) and $b_2 = 0.298$ ($t = 2.612$; Sig. = 0.012). Work Discipline demonstrates a marginally stronger contribution. The F-statistic was 8.312 (Sig. = 0.001), exceeding F-table = 3.19. Adjusted $R^2 = 0.230$, indicating the joint model explains 23.0% of loyalty variance. H_3 is therefore accepted.

Table 6. Multiple Linear Regression — Compensation + Work Discipline → Employee Work Loyalty

Model	B	Std. Err	Beta	t-stat	Sig.	VIF
(Constant)	25.529	6.468	—	3.947	0.000	—
Compensation	0.245	0.101	0.313	2.428	0.019	1.059
Work Discipline	0.298	0.114	0.337	2.612	0.012	1.059

Model Summary: R = 0.511, R² = 0.261, Adj. R² = 0.230, SE = 4.141 | ANOVA: F = 8.312, Sig. = 0.001

Source: Primary data, processed (2023)

Multiple linear regression estimated: $\hat{Y} = 25.529 + 0.245X_1 + 0.298X_2$. Both partial coefficients retained statistical significance in the joint model: $b_1 = 0.245$ ($t = 2.428$; Sig. = 0.019) and $b_2 = 0.298$ ($t = 2.612$; Sig. = 0.012). Work discipline showed a slightly larger standardized contribution. The model was significant overall ($F = 8.312$; Sig. = 0.001), but Adjusted $R^2 = 0.230$ indicates moderate rather than exhaustive explanatory power, suggesting that substantial loyalty variance remains attributable to other factors. H_3 is therefore supported at the level of statistical association.

Table 7. Summary of Hypothesis Testing Results

Predictor(s)	Coef.	t / F	Sig.	R ²	r	Result
Compensation (X1)	0.307	t = 2.95 7	0.00 5	R ² = 0.15 4	0.39 3	H ₁ Accepted
Work Discipline (X2)	0.363	t = 3.12 0	0.00 3	R ² = 0.16 9	0.41 1	H ₂ Accepted
X1 + X2 (joint)	$b_1 = 0.245$; $b_2 = 0.298$	F = 8.31 2	0.00 1	Adj. R ² = 0.23 0	—	H ₃ Accepted

Source: Primary data, processed (2023)

5. DISCUSSION

5.1 Effect of Compensation on Employee Work Loyalty

The first hypothesis is confirmed: compensation exerts a positive and significant partial effect on employee work loyalty at Tsamara Resto. This finding is consistent with social exchange theory, which suggests that favorable organizational treatment is reciprocated through stronger employee attachment and constructive workplace behavior (Cropanzano & Mitchell, 2005). Empirical studies likewise show that fair rewards and pay satisfaction strengthen engagement, commitment, and retention-related outcomes (Jung & Yoon, 2015; Luna-Arocas et al., 2020). When compensation is perceived as equitable and meaningful, employees are more likely to

interpret the employment relationship as fair and worth maintaining, thereby reinforcing loyalty.

Within the Tsamara Resto context, field observations reveal a particular vulnerability in this nexus. Employees subjected to a 20% salary deduction for tardiness and full-day wage forfeiture for unexcused absences—while perceiving these penalties as disproportionate to their actual workload—reported diminished satisfaction with their compensation packages. The relatively modest explanatory power of compensation alone (low correlation, $R^2 = 0.154$) suggests that while compensation is a necessary foundation for loyalty, it is insufficient as a standalone mechanism. The compensation structure at Tsamara Resto, particularly the absence of long-term welfare provisions such as retirement allowances, constitutes a structural gap that depresses the ceiling of loyalty that compensation alone can cultivate.

Empirically, the first hypothesis is supported: compensation is positively and significantly associated with employee work loyalty at Tsamara Resto. This pattern is consistent with social exchange theory, under which favorable treatment may be reciprocated through stronger attachment and constructive workplace behavior (Cropanzano & Mitchell, 2005). It also aligns with hospitality HRM evidence linking pay satisfaction and HR practices with motivation, retention, and other stay-related outcomes (Jung & Yoon, 2015; Luna-Arocas et al., 2020; Ferdian et al., 2025).

Interpretively, the modest explanatory power of compensation alone ($R^2 = 0.154$) suggests that compensation functions as an important but incomplete loyalty mechanism in this SME restaurant setting. The field observation regarding salary deductions for tardiness and the absence of longer-term welfare provisions should therefore be read as contextual managerial observations rather than direct causal proof from the regression model. From a managerial standpoint, these observations imply that compensation fairness, predictability, and longer-horizon benefits may strengthen the loyalty value of compensation more effectively than base pay alone.

The finding that work discipline carries a slightly stronger partial contribution to loyalty than compensation in the simultaneous model suggests that, in this particular SME hospitality context, employees' sense of loyalty is more proximally shaped by how consistently and fairly behavioral norms are communicated and enforced than by compensation magnitude alone. This finding extends prior Indonesian evidence that has predominantly positioned discipline as a predictor of performance, by showing that disciplinary governance is also consequential for the affective and volitional dimensions of the employee-organization relationship (Isvandiari & Fuadah, 2017; Isvandiari & Purwanto, 2017; Yao et al., 2019).

Empirically, work discipline is also positively and significantly associated with employee work loyalty, and its relationship is slightly stronger than compensation ($r = 0.411$ vs. 0.393). This extends earlier Indonesian studies that positioned discipline mainly as a performance antecedent by showing that discipline is also linked to loyalty-related attitudes in a service SME context (Isvandiyari & Fuadah, 2017; Isvandiyari & Purwanto, 2017).

A plausible contextual mechanism is that discipline in a restaurant is experienced collectively and on a daily basis. Punctuality, attendance, task readiness, and compliance with SOPs affect shift coordination, service speed, and coworker reliability almost immediately. In such an interdependent setting, disciplined behavior can reinforce trust, predictability, and a sense of organizational order, all of which may be internalized as loyalty-related attitudes. This interpretation is consistent with recent hospitality scholarship emphasizing that employee-related attitudes, retention, and service-facing outcomes are tightly coupled in labor-intensive operations (Yao et al., 2024; Saito et al., 2025). Managerially, the implication is not stricter punishment alone, but procedurally fair and consistently communicated discipline.

The residual unexplained variance (approximately 77.0%) is consistent with the multidimensional nature of loyalty as discussed in prior studies. Employee loyalty encompasses willingness to stay, attitudinal attachment, support for organizational goals, and behavioral effort, all of which may also be influenced by leadership quality, work climate, and job satisfaction (Tomic et al., 2018; Guillon & Cézanne, 2014; Mulyani et al., 2024; Yao et al., 2019). Future research incorporating additional determinants—such as leadership style, organizational justice, and employee engagement—would substantially strengthen the explanatory framework.

Empirically, compensation and work discipline jointly show a positive and significant association with employee work loyalty. The combined model ($\text{Adj. } R^2 = 0.230$) explains more variance than either predictor separately, but its explanatory reach remains moderate. The result therefore supports a bundled HRM interpretation rather than a claim that the two variables alone determine loyalty. This reading is broadly consistent with hospitality research showing that compensation and HR practices matter for retention, but that their influence coexists with other workplace resources and contextual factors (Luna-Arocas et al., 2020; Ferdian et al., 2025).

Several limitations bound the generalizability of these findings. First, the single-organization, cross-sectional design precludes causal inference and limits external validity. Second, the self-reported survey format introduces the possibility of social desirability bias. Third, the two-predictor model leaves the majority of loyalty variance unexplained. Fourth, the

study's temporal scope does not capture seasonal variation in staffing dynamics characteristic of the F&B industry.

6. CONCLUSIONS

Several limitations bound the generalizability of these findings. First, the single-organization, cross-sectional design precludes causal inference and limits external validity. Second, the self-reported survey format introduces the possibility of social desirability bias. Third, the two-predictor model leaves the majority of loyalty variance unexplained. Fourth, the study's temporal scope does not capture seasonal variation in staffing dynamics characteristic of the F&B industry. In addition, because all focal constructs were measured through a single self-report questionnaire at one point in time, common-method bias cannot be fully ruled out.

Compensation exerts a positive and significant partial effect on employee work loyalty, consistent with the social exchange view that fair and meaningful rewards strengthen employee attachment to the organization (Cropanzano & Mitchell, 2005; Jung & Yoon, 2015; Luna-Arocas et al., 2020). Work discipline likewise exerts a positive and significant partial effect on loyalty, with a marginally stronger contribution than compensation, indicating that employees' internalization of organizational standards also matters for loyalty in this service context.

For practitioners, the findings generate three evidence-based action priorities: (1) Augment the compensation architecture beyond base salary—introduce long-term provisions such as retirement allowances and performance-calibrated incentives; (2) Redesign disciplinary governance around procedural fairness rather than financial penalty alone—transparent, proportionate SOP enforcement cultivates the internalized compliance that loyalty requires; (3) Pursue HRM investment as a bundled, integrated strategy rather than a sequence of isolated fixes, as loyalty dividends are maximized when both compensation improvements and disciplinary governance reforms are implemented concurrently.

Theoretically, this study extends the social exchange perspective to the Indonesian F&B SME context by showing that compensation and work discipline are independent and jointly significant predictors of employee loyalty. Future longitudinal, multi-site, and mixed-methods investigations should incorporate additional antecedents such as leadership style, organizational justice, and job satisfaction to construct a more complete loyalty architecture (Tomic et al., 2018; Mulyani et al., 2024; Yao et al., 2019).

Compensation and work discipline each show a positive and statistically significant association with employee work loyalty, consistent with the social exchange view that fair and meaningful rewards, alongside predictable behavioral governance, can

strengthen employee attachment to the organization (Cropanzano & Mitchell, 2005; Jung & Yoon, 2015; Luna-Arocas et al., 2020). Work discipline likewise exhibits a slightly stronger contribution than compensation in this service context, indicating that employees' internalization of operational standards also matters for loyalty.

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