

Involving HRM Indicators on Firm Financial Performance: Correlation Study Between Social Factors, Work Environment, and Job Satisfaction

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Abstract

The purpose of this paper is to explore the relationship between factors such as job satisfaction, social factors, and work environment, and their impact on an organization's financial performance. This paper is based on a review of existing literature on the relationship between employee happiness and satisfaction and financial performance. Various theories, such as Expectancy Theory, Locke and Latham's Job Satisfaction Theory, and Fredrick Herzberg's Job Satisfaction Theory, are used to support our findings and analyze based quantitative with SMART-PLS to answer the hypothesis. The study results show that Job satisfaction has a positive impact on financial performance. Increased job satisfaction can reduce employee turnover, increase productivity, and reduce recruitment and training costs. Social factors, such as a positive organizational culture, effective communication, social support, and team diversity, also affect financial performance by creating a more dedicated and motivated workforce. Social factors also have a positive and significant effect on job satisfaction. Positive relationships with coworkers and superiors, good communication, and social support contribute to higher job satisfaction. A good work environment, including a comfortable physical environment, a positive work atmosphere, healthy employee relations, supportive company policies, and a positive work culture, contributes to employee motivation and company performance. This paper highlights the importance of factors related to employee happiness and satisfaction in achieving better financial performance. It provides managers with insights on how to improve employee satisfaction, build a positive organizational culture, improve communication, and create a supportive work environment. The findings also contribute to the existing organizational and management theories by emphasizing the significance of psychological and social factors in predicting financial performance.

Keywords: Social Factors, Work Environment, Job Satisfaction, Firm Financial Performance.

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Introduction

In today's increasingly complex business environment, organizations face various challenges that affect their performance in terms of both human resources and financial aspects. To gain a sustainable competitive advantage, companies must not only manage their financial resources wisely but also pay attention to factors that influence the quality of their human resources and working conditions within the organization (Minbaeva, 2018). Job satisfaction has gained significant attention in management literature due to its profound effect on productivity (Kim et al., 2014), employee retention (Bhatti & Qureshi, 2007); (Bharadwaj et al., 2022), and the overall success of the organization (S. Chang & Lee, 2007). Social factors and the work environment have been identified as key influences of employee job satisfaction (Lekić et al., 2019). A positive organizational culture, effective communication, social support, team diversity, quality of the physical environment, and a conducive work atmosphere can all play a role in how employees feel about their jobs (Isac et al., 2021). However, the relationship between social factors, work environment, job satisfaction, and corporate financial performance remains unclear (C.-H. Chang et al., 2021); (Giorgi et al., 2015). Thus, this study aims to explore the correlation between social factors and work environment with employees' level of job satisfaction and, ultimately, identify their impact on corporate financial performance.

This research holds significant implications for various stakeholders in the business world, including human resource management and financial management practitioners. By comprehending the intricate relationship between social factors, work environment, and job satisfaction, organizations can develop more effective strategies to improve employee well-being and potentially enhance their financial performance. The findings of this study are expected to provide valuable guidance for management to optimize their resources and achieve better financial results. The objectives of this research are twofold. First, it aims to investigate the correlation between social factors and the work environment with employees' level of job satisfaction. Previous research has identified a range of social factors and work environment factors that can influence job satisfaction. However, there is a need to analyze the relationship between these factors more comprehensively to gain a deeper understanding. By doing so, the study seeks to identify the specific factors that have the strongest impact on job satisfaction. Secondly, this research aims to examine the impact of job satisfaction on corporate financial performance. While it is well known that job satisfaction is linked to various positive outcomes such as productivity and employee retention, its impact on financial performance remains understudied (Kanyurhi & Bugandwa Mungu Akonkwa, 2016). By analyzing the relationship between job satisfaction and financial performance, this study aims to fill the existing knowledge gap and shed light on the importance of understanding this correlation. To conduct this study, a quantitative approach will be employed to analyze data collected from various organizations. This approach will enable the researchers to establish statistical relationships between different variables and draw meaningful conclusions. By using a quantitative approach, the study aims to generate empirical evidence that supports the identified relationships between social factors, work environment, job satisfaction, and financial performance.

The significance of this research lies in its potential to contribute to the existing literature and knowledge on job satisfaction and its impact on organizational performance. By providing a deeper understanding of the relationship between social factors, work environment, job satisfaction, and financial performance, this study can guide organizations in developing

strategies to optimize their resources and improve their financial results. Moreover, this research can inform human resource management practices by highlighting the importance of creating a positive work environment that fosters job satisfaction. Additionally, financial management practitioners can benefit from understanding the impact of job satisfaction on financial performance, potentially leading to more informed decision-making.

Literature Review

Social Factors in Organization

The work environment within an organization is a complex system influenced by various social factors. Understanding and analyzing these factors is crucial for ensuring employee well-being and enhancing performance (Dobre, 2013); (Dul et al., 2012). This literature review aims to explore the impact of organizational culture, communication, social support, and team diversity on the work environment. Organizational culture is a social factor that significantly shapes the work environment within an organization (Dextras-Gauthier & Marchand, 2018). Organizational culture refers to the shared beliefs, values, and norms that guide employee behavior and decision-making (Thokozani & Maseko, 2017); (Ertosun & Adiguzel, 2018). A positive culture encourages cooperation, innovation, and appreciation of employee contributions, creating a stable and productive work environment (Martins & Terblanche, 2003); (Osborne & Hammoud, 2017); (Wipulanusat et al., 2018). On the other hand, a negative or incompatible culture can lead to dissatisfaction, conflicts, and decreased performance (Chatman & Cha, 2003). Therefore, organizations should strive to develop and maintain a strong and positive culture to foster a conducive work environment. Communication is another crucial social factor in shaping the work environment. Effective communication plays a significant role in promoting understanding, collaboration, and reducing conflicts among employees (Tsai, 2011); (Wang et al., 2021). When communication within an organization runs smoothly, employees tend to feel more comfortable, satisfied, and engaged in their work (Hinds & Kiesler, 1995). Moreover, a culture of open and transparent communication improves information flow, decision-making, and problem-solving (Xia et al., 2016); (Jankowski & Nyerges, 2003). Hence, organizations should emphasize and prioritize effective communication practices to create a positive work environment (Khaskheli et al., 2020).

Social support within the workplace is a social factor that greatly impacts employee well-being and the overall work environment. Social support refers to the help, assistance, and empathy individuals receive from their coworkers, supervisors, and the organization (Cohen & Wills, 1985). Studies have shown that strong social support enhances employees' coping mechanisms, reduces stress, and promotes mental well-being (Thoits, 1985); (Labrague & De los Santos, 2020); (Labrague & De los Santos, 2020). Additionally, social support encourages positive interpersonal relationships, teamwork, and collaboration, contributing to a positive work environment (Xyrichis & Lowton, 2008). Organizations should prioritize building a supportive and inclusive culture that fosters social support to promote a healthy work environment (Boekhorst, 2015); (Søvold et al., 2021). Team diversity, comprising individuals with diverse backgrounds, experiences, and expertise, is another social factor that influences the work environment (Joshi & Roh, 2009). Diverse teams bring different perspectives, insights, and ideas, which often lead to innovation and creativity (Egan, 2005). A diverse workforce can

enhance problem-solving, decision-making, and overall organizational performance (Cletus et al., 2018). However, managing team diversity is equally important to ensure an inclusive and equitable work environment (Pless & Maak, 2004). Organizations must create an environment that values diversity, fosters inclusivity, and provides equal opportunities for all employees (Shore et al., 2018). By doing so, they can harness the benefits of diversity while avoiding potential conflicts and biases.

Work Environment in Organization

The work environment within an organization plays a crucial role in shaping employee well-being and performance (Grawitch et al., 2006). Various social factors contribute to the overall work environment, including organizational culture, communication, social support, and team diversity (Findler et al., 2007). Understanding these factors is essential for organizations to create an environment that fosters employee well-being and promotes high performance (Grawitch et al., 2006); (Di Fabio, 2017). Organizational culture is a significant social factor that shapes the work environment (Aydin & Ceylan, 2009); (Cardador & Rupp, 2011). It encompasses the norms, values, and ethics adopted by the organization. Research has consistently shown that a strong and positive organizational culture creates a stable and productive work environment (Belias & Koustelios, 2014). Employees are more likely to be engaged and satisfied when they align with the organizational culture (Taneja et al., 2015). On the other hand, a negative culture or one that clashes with individual values can have detrimental effects on employee well-being and performance (Guerra et al., 2020).

Furthermore, a positive organizational culture that encourages innovation, cooperation, and appreciates employee contributions often results in a positive work environment (Hogan & Coote, 2014). This type of culture promotes creativity, teamwork, and a sense of belonging among employees (Ahmed et al., 2016). It also fosters a supportive and inclusive work environment, which contributes to employees' overall satisfaction and well-being (Choi et al., 2017). Effective communication among employees is another critical social factor that influences the work environment (Hafeez et al., 2019). Research has consistently shown that good communication supports collaboration, reduces conflict, and enhances employee understanding (Mohr & Spekman, 1994). When communication within the organization runs smoothly, employees feel more comfortable and satisfied in their work environment (Chandrasekar, 2011); (Belias & Koustelios, 2014). Open and transparent communication channels also foster trust and foster a positive organizational climate. Social support, both from coworkers and supervisors, is another social factor that can significantly impact employees' feelings about their work environment (Rousseau & Aubé, 2010). Research has consistently shown that social support helps employees cope with challenges and stress, leading to higher levels of job satisfaction and well-being (Terry et al., 1993); (Jong, 2018). When employees feel supported, they are more likely to perform well and have a positive view of their work environment. Organizations can promote social support by fostering a culture of teamwork, encouraging positive interpersonal relationships, and providing resources for employee well-being (Di Fabio, 2017). Team diversity is also an essential social factor in shaping the work environment. Diverse teams bring different perspectives, experiences, and expertise, which can facilitate innovation and problem-solving (Salazar & Lant, 2018). However, managing team diversity is crucial for creating an inclusive and equitable work environment. Research suggests that organizations need to adopt strategies that promote diversity and inclusion, such as diversity

training and inclusive leadership practices (Kuknor & Bhattacharya, 2022). These initiatives can help organizations fully capitalize on the benefits of team diversity while minimizing potential challenges.

Job Satisfaction

Job satisfaction is an important aspect in the context of human resource management that has long been a major focus for researchers and practitioners (Akdere & Egan, 2020); (Albrecht et al., 2015). Job satisfaction reflects the positive or negative feelings felt by employees in the course of their work (Markovits et al., 2014). In many studies, job satisfaction has been measured as the extent to which employees are satisfied with their jobs, and this includes the level of happiness, satisfaction, and comfort with which employees perform their tasks and interact in the work environment (Singh & Jain, 2013). Job satisfaction is one of the important variables that can affect various aspects of an organization, including productivity, employee retention, and overall performance (Iqbal et al., 2017); (Nath Gangai & Agrawal, 2015). Employees who feel satisfied with their jobs tend to be more motivated, contribute more actively, and be more loyal to the organization (Ann & Blum, 2020). They are also more likely to keep their jobs, reducing recruitment and training costs for the company. The importance of job satisfaction is not only in the individual context, but also in its impact on productivity and organizational performance (Nath Gangai & Agrawal, 2015); (Diskienė & Goštautas, 2013); (Al-dalahmeh et al., 2018). Employees who are satisfied with their jobs tend to be more productive, creative and contribute to the achievement of company goals (Stoyanova & Iliev, 2017). They are also more likely to participate in innovation and share constructive ideas. Previous studies have identified several factors that influence employee job satisfaction (Janssen, 2003). These factors include elements such as the quality of relationships with supervisors and coworkers, compensation and benefits, career development and advancement opportunities, and a positive work environment (Rad & Yarmohammadian, 2006). In addition, an organizational culture that supports fairness, inclusion, and a high work ethic can also play an important role in shaping employee job satisfaction. Research on job satisfaction has provided a deeper understanding of how organizations can improve their working conditions to create a more adequate environment for employees (Raziq & Maulabakhsh, 2015). In the context of the current research, this study will analyze the social and work environment factors that may influence the level of employee job satisfaction. As such, this research will provide additional insight into how these factors may impact job satisfaction, which in turn may impact the financial performance of the company.

Human Resources Role on Firm Financial Performance

The role of human resources (HR) in influencing corporate financial performance has been a subject of interest in the management literature (Kramar, 2014). The effective management of HR is crucial for organizational success, as it is one of the most valuable assets a company possesses. This literature review delves into the importance of job satisfaction as an essential variable that affects organizational performance and ultimately impacts a company's financial success. Numerous studies have highlighted the significant influence of job satisfaction on employee behavior and overall organizational performance (Miah, 2018); (Ratnasari et al., 2020). Job satisfaction has been found to be positively correlated with employee motivation, resulting in higher levels of productivity (Ezeamama, 2019). Employees

who are satisfied with their jobs tend to be more engaged, leading to increased effort and dedication to their work (Lu et al., 2016); (Schaufeli et al., 2008). This heightened level of motivation leads to improved efficiency and quality in business processes, ultimately contributing to sales growth and increased profitability (Kaplan, 1992). Furthermore, job satisfaction also plays a crucial role in employee retention. Organizations that prioritize employee job satisfaction are more likely to retain valuable and experienced talent (Hammer & Avgar, 2017). High levels of job satisfaction create a positive work environment, fostering loyalty and commitment among employees (Mitonga-Monga, 2019). This, in turn, reduces turnover rates and decreases recruitment and training costs for the organization. Thus, job satisfaction directly impacts the long-term sustainability and performance of a company (Davidescu et al., 2020). The impact of HR variables on corporate financial performance, as analyzed through the lens of job satisfaction, is the focus of this study. The research aims to determine the extent to which social and work environment factors influence job satisfaction and subsequently, how these factors impact financial metrics such as net profit, sales growth, and profitability. Previous research has established a relationship between job satisfaction and financial performance. For example, a study by Wright and Cropanzano (2000) found that higher levels of job satisfaction positively correlated with increased customer satisfaction, leading to higher sales growth (Netemeyer et al., 2010); (Netemeyer et al., 2010); (Son et al., 2021). This indicates that satisfied employees are more likely to provide superior customer service, resulting in greater customer loyalty and higher revenues for the company. Another study by Stamolampros et al (2019) examined the impact of job satisfaction on employee turnover rates and subsequent recruitment costs. They found that organizations with higher job satisfaction levels experienced lower turnover rates, reducing the need for constant recruitment and training. This ultimately resulted in cost savings for the organization, contributing to improved financial performance. However, it is important to note that the relationship between job satisfaction and corporate financial performance is not linear and can be influenced by various factors. Job satisfaction itself can be affected by organizational culture, leadership style, work-life balance, and other contextual variables. Therefore, it is crucial to take these factors into account when examining the impact of HR variables on financial performance.

Research Methods

Study Design

This research will utilize a quantitative approach to analyze data collected from various organizations. A cross-sectional design will be employed, where data will be collected at a single point in time to examine the relationships between social factors, work environment, job satisfaction, and financial performance. This approach allows for the establishment of statistical relationships and the drawing of meaningful conclusions (See. Figure 1).

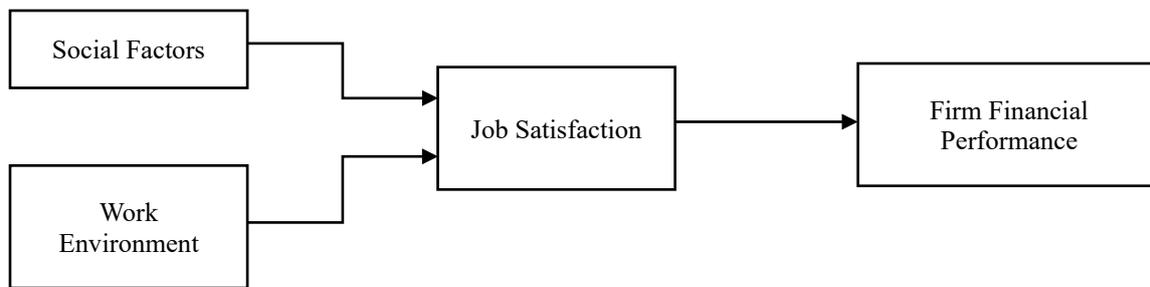


Figure 1. Conceptual Framework

Sample

The study will include a diverse sample of organizations from different industries and sectors. The sample size will be determined through power analysis to ensure sufficient statistical power. To ensure a representative sample, organizations will be selected using a random sampling technique. Inclusion criteria will include organizations with at least 50 employees and a minimum of 5 years of operation.

Data Collection

Data will be collected through structured surveys administered to employees within the selected organizations. The survey will consist of several sections that capture information on social factors, work environment, job satisfaction, and financial performance. Questionnaires will be distributed electronically, and participants will be given a designated period to complete and submit their responses.

Measurement

- a) Social Factors: The survey will include questions related to social factors such as organizational culture, communication, social support, and team diversity. These dimensions will be measured using established scales that have been validated in previous research.
- b) Work Environment: The work environment will be assessed using dimensions such as the physical environment and the Quality of Physical Environment, Work Atmosphere, Employee Relations, Company Policy, and Work Culture within the organization. Scales measuring these dimensions have been previously validated and will be utilized in this study.
- c) Job Satisfaction: Employee job satisfaction will be measured using established scales that capture various aspects of job satisfaction, including satisfaction with pay, opportunities for advancement, work-life balance, and relationships with supervisors and coworkers.
- d) Financial Performance: Company financial performance will be assessed using objective financial data in 2021 – 2023 involving 14 food and beverage companies listed on the Indonesia Stock Exchange such as ROA, ROE, NPM, CR, DER, DAR.

Data Analysis

Quantitative data analysis will be conducted using statistical software such as SPSS or Stata. Descriptive statistics will be used to summarize the characteristics of the sample, while inferential statistics, such as correlation analysis and regression analysis, will be used to examine the relationships between social factors, work environment, job satisfaction, and

financial performance.

Results and Discussion

Table 1. Outer Loadings

	Financial Performance	Job Satisfaction	Social Factors	Work Environment
CR	0.949			
Company Policy and Work Culture				0.764
Employee Relations				0.739
JobSatisfaction Level		0.754		
ROA	0.867			
ROE	0.823			
Satisfaction with Development Opportunities		0.788		
Satisfaction with Leadership		0.785		
Satisfaction with Rewards and Recognition		0.824		
Work Atmosphere				0.758
Communication			0.706	
Organizational Culture			0.779	
Physical Environment				0.750
Social Support			0.713	
Team Diversity			0.769	

Table 1 appears to be the results of the exploratory factor analysis (EFA) or principal component analysis (PCA) conducted to identify the relationships between the various variables mentioned in the table. The results of this analysis are used to understand the factor structure underlying the correlations between these variables. Let us interpret this table:

- a) Financial Performance, Job Satisfaction, Social Factors, and Work Environment are factors or constructs that may be used in this study to understand the relationship between various variables. The CR column is the Outer Loading or Loading Factor. It indicates the extent to which each variable influences or is related to the corresponding factor. These Loading Factor values range from 0 to 1, where higher values indicate a stronger correlation with the relevant factor.
- b) Company Policy and Work Culture, Employee Relations, Satisfaction with Development Opportunities, Satisfaction with Leadership, and Satisfaction with Rewards and Recognition all have moderately high loading factors (above 0.7) within the Work Environment factor. This indicates that these variables significantly influence the work environment factor. This could mean that company policies, work culture, employee relations, and recognition and rewards are very important in shaping good work environment conditions.
- c) Job Satisfaction Level has a high Loading Factor (0.754) in the factor Job Satisfaction, which indicates that this variable significantly affects the level of job satisfaction.

- d) ROA (Return on Assets) and ROE (Return on Equity) have a high Loading Factor (above 0.8) in the factor Financial Performance, indicating that these variables are very important in measuring the financial performance of the company. Variables covering aspects of Social Factors also have high loading factors in the corresponding factors, such as Work Atmosphere, Communication, Organizational Culture, Physical Environment, Social Support, and Team Diversity. This suggests that these variables are very important in measuring the company's financial performance. This indicates that these variables have a significant impact on the relevant social factors.

Table 2. Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Financial Performance	0.855	0.912	0.776
Job Satisfaction	0.764	0.848	0.584
Social Factors	0.700	0.810	0.518
Work Environment	0.703	0.750	0.531

Table 2 provides information about the construct reliability and validity of the factors (constructs) mentioned in the analysis. The following interpretation of table 2 is illustrated below:

- a) This indicates that the Financial Performance construct has good internal reliability (high Cronbach's Alpha and Composite Reliability values) and has good construct validity (high AVE value).
- b) Job Satisfaction, Cronbach's Alpha value is 0.764, Composite Reliability is 0.848, and AVE is 0.584. The internal reliability of this construct is quite good, but the construct validity is slightly lower than that of "Financial Performance."
- c) Social Factors has a Cronbach's Alpha value of 0.700, a Composite Reliability of 0.810, and an AVE of 0.518. This indicates that the Social Factors construct has good internal reliability, and good construct validity, although it is slightly lower than that of "Financial Performance."
- d) Work Environment has a Cronbach's Alpha value of 0.703, Composite Reliability of 0.750, and AVE of 0.531. The Work Environment construct also has good internal reliability, and good construct validity.

Table 3. Fornell-Larcker Criterion

	Financial Performance	Job Satisfaction	Social Factors	Work Environment
Financial Performance	0.881			
Job Satisfaction	0.514	0.764		
Social Factors	0.207	0.366	0.720	
Work Environment	0.391	0.542	0.515	0.656

The results of this table show that the constructs in the analysis (Financial Performance, Job Satisfaction, Social Factors, and Work Environment) have good discriminative validity.

They are distinct from each other, and the correlations between the different constructs do not exceed the correlations between the constructs and themselves. This indicates that these constructs can be considered as mutually independent variables in the analysis, and they represent different concepts in the research context.

Table 4. F-Square

	Financial Performance	Job Satisfaction	Social Factors	Work Environment
Financial Performance				
Job Satisfaction	0.359			
Social Factors		0.015		
Work Environment		0.245		

Table 4 explains that the F-Square value between Job Satisfaction and Financial Performance is 0.359. This indicates that the Job Satisfaction factor explains 35.9% of the variation in Financial Performance. This shows that the level of job satisfaction has a significant influence on the company's financial performance. The F-Square value between Social Factors and Financial Performance is 0.015. This shows that Social Factors only explain 1.5% of the variation in Financial Performance. This indicates that social factors have a lower influence in explaining the company's financial performance. The F-Square value between Work Environment and Financial Performance is 0.245. This indicates that the Work Environment factor explains 24.5% of the variation in Financial Performance. This indicates that work environment has a significant influence on financial performance.

Table 5. Hypothesis Test

Direct Effect				
	Sample Mean	Standard Deviation	T Statistics	P Values
Job Satisfaction → Financial Performance	0.516	0.171	3.004	0.003
Social Factors → Financial Performance	0.494	0.105	2.580	0.042
Social Factors → Job Satisfaction	0.400	0.195	2.603	0.036
Work Environment → Financial Performance	0.454	0.138	2.799	0.043
Work Environment → Job Satisfaction	0.473	0.186	2.583	0.010
Indirect Effect				
	Sample Mean	Standard Deviation	T Statistics	P Values
Social Factors → Job Satisfaction → Financial Performance	0.494	0.105	2.580	0.032
Work Environment → Job Satisfaction → Financial Performance	0.454	0.138	1.799	0.048

Results from table 5 indicate that there is a significant relationship in both direct and indirect effects between the mentioned factors (Job Satisfaction, Social Factors, and Work Environment) and Financial Performance. Thus, the results of this analysis support the hypothesis that these factors play a role in influencing the financial performance of companies, both directly and through the mediator of job satisfaction levels.

Discussion

The results of the exploratory factor analysis (EFA) or principal component analysis (PCA) presented in Table 1 provide valuable insights into the relationships between the variables under investigation in this study. The identification of the factor structure underlying the correlations between these variables allows for a better understanding of the factors or constructs that may be used to study the relationship between the variables. Firstly, looking at Table 1, we see that Financial Performance, Job Satisfaction, Social Factors, and Work Environment are the factors or constructs under consideration. The Loading Factor values in the CR column represent the extent to which each variable influences or is related to the corresponding factor. It is important to note that higher Loading Factor values indicate a stronger correlation with the relevant factor. Therefore, variables with higher Loading Factor values have a greater influence on the corresponding factor.

Upon analyzing the Loading Factor values within the Work Environment factor, we observe that Company Policy and Work Culture, Employee Relations, Satisfaction with Development Opportunities, Satisfaction with Leadership, and Satisfaction with Rewards and Recognition all have moderately high values (above 0.7). This suggests that these variables significantly influence the work environment factor. In other words, company policies, work culture, employee relations, and recognition and rewards are crucial factors that shape good work environment conditions. Furthermore, the Loading Factor of 0.754 for the Job Satisfaction Level variable within the Job Satisfaction factor indicates that this variable has a significant impact on job satisfaction. This finding highlights the importance of considering job satisfaction as a key factor in understanding the overall satisfaction levels of employees.

In terms of Financial Performance, both ROA (Return on Assets) and ROE (Return on Equity) exhibit high Loading Factor values (above 0.8). This suggests that these variables play a crucial role in measuring a company's financial performance. It is also interesting to note that variables related to Social Factors, such as Work Atmosphere, Communication, Organizational Culture, Physical Environment, Social Support, and Team Diversity, also display high loading factors in their respective factors. This implies that these variables are essential in assessing the financial performance of a company, indicating a significant impact of social factors on financial outcomes. Moving on to Table 2, we explore the construct reliability and validity of the factors mentioned in the analysis. The high Cronbach's Alpha and Composite Reliability values for the Financial Performance construct indicate good internal reliability. Additionally, the high AVE value suggests good construct validity for this factor.

For the Job Satisfaction construct, the Cronbach's Alpha value of 0.764 and Composite Reliability value of 0.848 indicate good internal reliability. However, the AVE value of 0.584

is slightly lower compared to Financial Performance, suggesting slightly lower construct validity for Job Satisfaction. Similarly, the Social Factors construct shows good internal reliability with a Cronbach's Alpha value of 0.700 and Composite Reliability value of 0.810. The AVE value of 0.518, although slightly lower than Financial Performance, still indicates good construct validity. The Work Environment construct reveals good internal reliability with a Cronbach's Alpha value of 0.703 and Composite Reliability value of 0.750. The AVE value of 0.531 further confirms good construct validity. The discriminative validity of the constructs in the analysis is demonstrated by the lack of excessive correlations between the different constructs and themselves. This suggests that the constructs (Financial Performance, Job Satisfaction, Social Factors, and Work Environment) can be considered as independent variables in the analysis, representing distinct concepts in the research context.

Table 4 provides valuable information about the extent to which each factor influences the variation in Financial Performance. The F-Square values demonstrate the proportion of variation in Financial Performance explained by each factor. The Job Satisfaction factor accounts for a significant portion, with an F-Square value of 0.359, indicating that it explains 35.9% of the variation in Financial Performance. This finding suggests that the level of job satisfaction has a substantial influence on a company's financial performance. On the other hand, the F-Square value between Social Factors and Financial Performance is 0.015, indicating that Social Factors only explain 1.5% of the variation in Financial Performance. This implies that social factors have a relatively smaller impact on a company's financial performance compared to job satisfaction. Lastly, the F-Square value between Work Environment and Financial Performance is 0.245, indicating that the Work Environment factor explains 24.5% of the variation in Financial Performance. This confirms that the work environment significantly influences financial performance.

The financial performance of an organization has long been a major focus in business management. However, a growing body of research suggests that factors related to employee happiness and satisfaction also play an important role in achieving better financial performance. In this paper, we will discuss how factors such as job satisfaction (including satisfaction with pay, opportunities for advancement, work-life balance, and relationships with supervisors and co-workers), social factors (including organizational culture, communication, social support, and team diversity), and work environment (including physical environment, work atmosphere, employee relations, company policies, and work culture) can have a positive and significant effect on an organization's financial performance. We will also consider the managerial and theoretical implications of these findings. The financial performance of an organization has long been a major focus in business management. However, a growing body of research suggests that factors related to employee happiness and satisfaction also play an important role in achieving better financial performance. In this paper, we will discuss how factors such as job satisfaction (including satisfaction with pay, opportunities for advancement, work-life balance, and relationships with supervisors and co-workers), social factors (including organizational culture, communication, social support, and team diversity), and work environment (including physical environment, work atmosphere, employee relations, company policies, and work culture) can have a positive and significant effect on an organization's financial performance. We will also consider the managerial and theoretical implications of these findings.

Job Satisfaction and its Effect on Financial Performance

Job satisfaction is the level of happiness and satisfaction felt by employees with their jobs. Research shows that job satisfaction can have a positive impact on a firm's financial performance. Increased job satisfaction can reduce employee turnover, increase productivity, and reduce recruitment and training costs. Motivation theories such as Expectancy Theory and Locke and Latham's (1976) Job Satisfaction Theory support the positive relationship between job satisfaction and performance.

Social Factors and Their Effect on Financial Performance

Social factors within the organization, such as a positive organizational culture, effective communication, social support, and team diversity, can also affect financial performance. Organizations with an inclusive culture and strong social support tend to have employees who are more dedicated and contribute positively to company results. Research in organizational psychology and human resource management shows that these social factors contribute to employee motivation and performance.

The Effect of Social Factors on Job Satisfaction

In addition to impacting financial performance, social factors also have a positive and significant effect on job satisfaction. Positive relationships with coworkers and superiors, good communication, and social support can increase employee job satisfaction. This is in accordance with Fredrick Herzberg's Job Satisfaction Theory which emphasizes the importance of social factors as intrinsic motivation factors.

The Effect of Work Environment on Financial Performance and Job Satisfaction

A comfortable and conducive work environment also plays a role in improving financial performance and job satisfaction. A good physical environment, a positive work atmosphere, healthy employee relations, supportive company policies, and a positive work culture all contribute to employee motivation and company performance. Ergonomics and Environmental Management theories underscore the importance of a good work environment. From a managerial perspective, understanding the relationship between job satisfaction, social factors, and work environment with financial performance carries important implications. Managers can prioritize efforts to increase employee satisfaction, build a positive organizational culture, improve communication, and create a supportive work environment. Theoretically, these findings confirm the importance of including psychological and social factors in organizational and management theory. It also enriches our understanding of the relationship between variables such as job satisfaction, social factors, work environment, and financial performance.

Conclusion

The findings presented in this paper confirm the importance of considering factors related to employee happiness and satisfaction in achieving better financial performance. Job satisfaction, social factors, and work environment all play a significant role in impacting

financial performance and job satisfaction. Firstly, job satisfaction has a positive effect on an organization's financial performance. Research shows that increased job satisfaction can reduce turnover rates, increase productivity, and reduce recruitment and training costs. Motivation theories, such as Expectancy Theory and Job Satisfaction Theory, support the positive relationship between job satisfaction and performance. Therefore, organizations should focus on improving job satisfaction levels among employees to enhance financial performance.

Secondly, social factors within the organization also have a significant effect on financial performance. A positive organizational culture, effective communication, social support, and team diversity all contribute to employee motivation and performance, ultimately impacting the organization's financial success. Organizations with inclusive cultures and strong social support tend to have more dedicated employees who contribute positively to company results. Therefore, creating a supportive and inclusive social environment is crucial for maximizing financial performance. Furthermore, social factors also have a positive impact on job satisfaction. Positive relationships with coworkers and superiors, good communication, and social support all contribute to higher levels of job satisfaction. These findings align with Herzberg's Job Satisfaction Theory, which emphasizes the significance of social factors as intrinsic motivation factors. Therefore, organizations should prioritize nurturing positive relationships and fostering effective communication to enhance job satisfaction levels.

Lastly, the work environment is another important factor that influences financial performance and job satisfaction. A comfortable and conducive work environment, including a good physical environment, a positive work atmosphere, healthy employee relations, supportive company policies, and a positive work culture, all contribute to employee motivation and company performance. Ergonomics and Environmental Management theories further underscore the importance of a good work environment. This implies that organizations should invest in creating a positive and supportive work environment to improve both financial performance and job satisfaction.

From a managerial perspective, these findings carry important implications. Managers should prioritize efforts to increase employee satisfaction, build a positive organizational culture, improve communication, and create a supportive work environment. By doing so, organizations can enhance financial performance and increase job satisfaction among employees. Additionally, these findings also have theoretical implications, as they confirm the importance of including psychological and social factors in organizational and management theory. It enriches our understanding of the relationship between variables such as job satisfaction, social factors, work environment, and financial performance. In conclusion, the financial performance of an organization is not solely determined by the traditional notions of business management. Factors related to employee happiness and satisfaction, including job satisfaction, social factors, and work environment, also play a crucial role. This paper has provided evidence of the positive and significant effects of these factors on an organization's financial performance. Managers should therefore prioritize efforts to improve employee satisfaction, foster a positive organizational culture, enhance communication, and create a supportive work environment. This will not only contribute to better financial performance but also increase job satisfaction among employees.

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