

A Quantitative Study on Leadership and Gen Z's Job Satisfaction: Its Impact on Employee Retention in The Private Sector in Indonesia

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Received: July 10, 2025, Accepted: August 27, 2025, Published: September 4, 2025

Abstract

People born between 1997 and 2012, known as Generation Z, are increasingly dominating the workforce. As private sector companies, particularly in Indonesia, face challenges in retaining this new generation of workers, it is becoming more critical to understand the factors that influence their job satisfaction and retention. Given Gen Z's unique expectations shaped by their familiarity with technology, desire for purpose-driven work, and demand for work-life balance private sector organizations must adopt tailored strategies to engage and retain them effectively. Customizing approaches that address these needs will play a crucial role in luring and keeping Gen Z employees in the private industry. The objectives of this study are to identify the main factors influencing job satisfaction among Gen Z workers in Indonesia's private sector and to investigate the relationship between job satisfaction and employee retention. The study aims to analyze how Gen Z's job satisfaction and their intentions to leave are correlated with company culture, management practices, employee recognition, and the integration of technology within private sector organizations. Data from Gen Z workers in private sector companies in Indonesia were collected using questionnaires as part of a quantitative research approach. The survey assessed various aspects of job satisfaction, including managerial support, career development opportunities, organizational culture, and the use of technology in the workplace. The data were analyzed using structural equation modeling (SEM) to examine the correlations between these factors, and the direct effects on employee retention were evaluated through regression analysis. According to the survey, job satisfaction among Gen Z workers in Indonesia's private sector is significantly influenced by management support, career development opportunities, and organizational culture. Additionally, Gen Z workers highly value the digital environments and technology tools that enhance their productivity. The study found that the relationship between management practices and employee retention is mediated by job satisfaction, indicating that improving job satisfaction can help reduce turnover in this group. The findings highlight the importance of adapting management practices to meet the unique needs of Gen Z workers in Indonesia's private sector. Private sector organizations should focus on fostering a supportive and inclusive work environment, providing clear career advancement opportunities, and leveraging technology to enhance the workplace. By improving job satisfaction, these companies can effectively increase employee retention rates and ensure a more engaged and productive workforce.

Keywords: Generation Z, Leadership, Job Satisfaction, Employee Retention, Private Sector, Indonesia

1. Introduction

People born between 1997 and 2012 are referred to as Generation Z (Gen Z), and they are rapidly becoming a significant part of the workforce. Gen Z differs from previous generations in that they have a unique relationship with technology, place high importance on work-life balance, and seek meaningful, purpose-driven work. For private sector companies, particularly in Indonesia, these traits present both opportunities and challenges as they adapt to draw in, involve, and keep Gen Z workers (D'Acunto et al., 2025).

The importance of retaining Gen Z workers in the private sector is crucial. The private sector plays a significant role in Indonesia's economy and administration. However, the stability and long-term effectiveness of these companies have been questioned due to the high turnover rates among younger workers, particularly those in Generation Z. Previous studies have highlighted the significant impact of factors such as job satisfaction, organizational culture, and management practices on employee retention within the private sector (Presbitero et al., 2025). These findings are particularly relevant to Gen Z workers, who often prioritize career advancement, flexibility, and a culture at work that fosters creativity and aligns with their values. However, there is limited empirical research demonstrating that Gen Z employees

are actively engaged in sustainable practices within the private sector, and much of the discourse surrounding their environmental concerns remains conceptual (Seyfi et al., 2023 in D'Acunto et al., 2025).

Studies on company culture indicate that a supportive and positive environment can significantly enhance job satisfaction and reduce turnover intentions. The importance of corporate culture is especially relevant for Gen Z, who often prioritize the overall work environment and cultural fit more than previous generations. In this context, the organizational manager plays a key role, as they are responsible for determining the quality of employee performance. However, the effectiveness of management execution is influenced by the leader's ability to guide and inspire employees. Leadership is the effort to motivate and persuade others to achieve set goals with passion and integrity (Guslina, 2025). For example, companies that prioritize inclusion, transparency, and opportunities for growth are more likely to engage and retain Gen Z workers in the private sector.

The expectation of Gen Z workers for the integration of technology in the workplace is another crucial factor influencing their job satisfaction. Being raised in the digital age, Gen Z has a good level of tech knowledge and values workplaces that utilize innovation and digital tools to enhance efficiency and productivity. Research shows that Gen Z workers are more likely to remain with companies that offer tech-enabled workspaces and access to cutting-edge equipment. However, retaining younger workers in Indonesia's private sector may prove challenging, as private sector companies have historically lagged in adopting digital transformation compared to other sectors. Nevertheless, other perspectives on Emphasis is placed on both good and negative emotions in job satisfaction. related to one's roles and challenges at work, underscoring the complexity of job satisfaction in the private sector (Ayrancı & Ayrancı, 2015).

Finally, Gen Z's job satisfaction is heavily influenced by the management style within a company. Research indicates that Gen Z workers are more likely to stay with companies where they feel supported by management and where clear opportunities for career growth exist. It is essential to adapt management practices in the private sector to meet Gen Z's expectations, as traditional hierarchical structures can sometimes hinder opportunities for development and innovation. Work preferences, which include the values and motivators influencing employee behavior, play a significant role in shaping how Gen Z interacts with and responds to their work environment in the private sector (Dose 1997 in Lim, 2012).

This study examines the relationships between organizational culture, management practices, recognition, and technology integration to provide practical recommendations for policymakers and HR managers in the private sector. The study aims to fill the gap in existing literature by focusing on the job satisfaction of Generation Z and its impact on employee retention in Indonesia's private sector. The goal is to offer insights on how to enhance employee engagement and reduce turnover in private sector organizations.

2. Literature Review

2.1 Analysis of Leadership Influencing Job Satisfaction and Employee Retention Among Gen Z in the Private Sector In Indonesia

This study examines the interrelationship between organizational culture, management practices, recognition, and technology integration to provide actionable recommendations for policymakers and HR managers in the private sector. The goal of the study is to close the gap in existing literature by focusing on the job satisfaction of Generation Z and its impact on employee retention within Indonesia's private sector.

Nearly 30% of the global population belongs to Generation Z, and by 2025, they are expected to make up 27% of the workforce. For businesses today, understanding Gen Z, the newest generation of working adults, is crucial to meeting their expectations in the workplace (Perilus, 2020). According to the 2022 National Workforce Survey, Millennials and Generation Z account for approximately 68.63% of Indonesia's workforce. It is projected that Generation Z will contribute a significant proportion of the working-age population by 2045. Understanding what Indonesian Gen Z workers seek in their careers is vital for private sector companies aiming to attract them. Gen Z's perspectives on work are influenced by their desire for effective leadership, flexibility, autonomy, and a sense of purpose in their roles. In the private sector, it is essential to understand organizational culture and management styles, including leadership philosophies, to improve retention rates. Previous research indicates that organizational culture, leadership philosophies Opportunities for professional growth, and recognition play a significant role in employee retention and job satisfaction. However, there is limited research that specifically examines how these factors, including leadership, interact with Gen Z employees in private sector organizations (Hanifah, 2023).

Generation Z exhibits a strong desire for quick professional success and is distinguished by optimistic yet realistic career goals (Gaidhani et al., 2019). Due to their desire for varied experiences and exciting work situations, this generation places less value on job stability and is more prone to regularly switch careers (Rodriguez et al., 2019; Zahari & Puteh, 2023). Research shows that a sizable percentage of Gen Z and Millennials intend to switch jobs within the next two years, supporting this trend (Deloitte, 2022). The voluntary leaving of a job after a comparatively short period of time is known as "job-hopping" (Jacobs, 2020), is affected by a complicated interaction between extrinsic and innate factors (Larasati & Aryanto, 2020) in (Tran et al., 2025).

Based on the recent studies in Indonesia, leadership has a significant impact on job satisfaction and employee retention, especially among Generation Z (Gen Z). According to (Sidiq & Poerwita, 2025), Gen Z employees value leadership that is transparent, inclusive, and offers opportunities for career growth, particularly in digital and flexible environments. In Indonesia's collectivist culture, leaders who blend authoritative and participative styles are more likely to align with Gen Z's expectations. Additionally, leadership demonstrating emotional intelligence and aligning organizational goals with personal values contributes positively to job satisfaction, thus fostering higher employee retention. This is especially relevant in the context of rapid digital transformation in Indonesia's private sector.

2.2 Analysis of The Key Factors Influencing Job Satisfaction and Employee Retention Among Gen Z In The Private Sector in Indonesia

2.3 Job Satisfaction and Retention

Many people believe that one important factor influencing employee retention is job satisfaction. Research indicates that factors such as management support, organizational culture, and recognition initiatives are crucial for improving employee satisfaction in the private sector. Additionally, compared to previous generations, Gen Z has a strong preference for work that is purpose-driven and offers a healthy work-life balance. As a result, engagement and retention strategies in the private sector must be tailored to address these specific needs.

To achieve management's goals of having a productive, contented workforce with a low turnover rate, as well as engaged workers who refer job vacancies to others, managers must attend to the basic sociological requirements of their staff. Workers need autonomy,

relatedness, and competence just like everyone else (Ilardi et al., 1993; Van den Broeck et al., 2010). According to Fowler (2014), "One definition of autonomy is the urge to believe that we have choices and control over our behaviour. The yearning to give to something bigger than ourselves and to be cared for is known as relatedness. The need to feel proficient at a task and to develop your skills is what is meant by competence." (Moore et al., 2020).

The goal of this study is to identify the primary factors influencing job satisfaction among Gen Z workers in Indonesia's private sector, with a focus on employee recognition, management practices, organizational culture, and the integration of workplace technology. Existing research suggests that these factors have a major impact on determining job satisfaction and employee retention within the private sector (Presbitero et al., 2025; Yahya et al., 2015). Durst et al. (2018) identified six common management areas to be failures occur on many dairy farms: a lack of communication, a failure to give training, a failure to encourage staff involvement, a failure to provide specific positive feedback, and a failure to set clear goals. These fit very nicely with the fundamental demands of the mind, cited by Ryan & Deci (2000): competency, relatedness, and independence. As seen, these three demands are not entirely independent (Fowler, 2014). These needs interact together to influence how employees feel about their jobs and whether they want to stay (Moore et al., 2020).

Multicultural teams can foster innovation and creativity (Backmann et al., 2020; Jang, 2017), but additionally, they may make conflict and coordination more likely (Stahl & Maznevski, 2021; Tabassi et al., 2019). Studies have shown how important senior management and leadership are in multicultural teams (Presbitero et al., 2025). However, there are still demands for a deeper comprehension of cultural diversity and all of its facets, including the consequences that come with it (Minbaeva et al., 2021; Stahl & Maznevski, 2021). In response, this study focuses on cultural intelligence (CQ) to investigate how cultural diversity might be handled to enhance work engagement and motivate employees to remain in heterogeneous environments (Presbitero et al., 2025).

Employee perceptions of HRM can be measured, and if good HRM practices influence employee engagement, the effects on employees can be determined, including desire to stay and be willingness to recommend, and satisfaction. Therefore, our goals were to ascertain how employees saw HRM's strengths and shortcomings and how these factors affected (1) employee retention, (2) employee happiness, (3) employees' propensity to suggest the farm as a place to work, and (4) staff engagement level (Presbitero et al., 2025).

Strategically speaking, it is critical to place the proper people in key roles since they can influence revenues and contribute to innovation, creativity, and organizational success (Ashton & Morton, 2005). Organizations are now considering human resource management as a way to provide organizational success, rather than the previous human resource perspective that saw personnel as an expense, as a result of the need to retain talent (Bhattacharya, 2015).

This research aims to ascertain whether improving job satisfaction can cause a decrease in the desire to depart the company, and to evaluate the connection between Gen Z workers' job happiness and retention in the private sector. The findings of several studies, which show a strong correlation between job satisfaction and retention rates across various industries, support this hypothesis (Lim, 2012).

This study aims to provide practical recommendations for Indonesian private sector companies to enhance job satisfaction and retention among Gen Z employees. These recommendations will focus on fostering a supportive company culture, implementing innovative management practices, and integrating technology into the workplace to meet the expectations of Generation Z.

2.4 The Relationship Between Job Satisfaction and Employee Retention

In the context of Generation Z (Gen Z) workers in Indonesia's private sector, the connection between employee retention and job satisfaction is highly significant. Key factors influencing this relationship include organizational culture, management practices, employee recognition, and the integration of technology in the workplace.

2.5 Organizational Culture and Job Satisfaction

Job satisfaction in Indonesia's private sector is significantly influenced by organizational culture. Gen Z workers, who value diversity, openness, and a sense of purpose, are more likely to remain with a company that aligns with these values. A recent survey conducted by the Indonesian Bureau of Statistics (BPS) found that private sector employees who reported a positive organizational culture were more likely to stay in their positions for longer periods. This strong connection between organizational culture and job satisfaction led to higher employee retention rates. Additionally, studies conducted on private sector employees in Indonesia show that organizational culture plays a crucial role in boosting employee engagement and reducing turnover intentions.

The term "employee engagement" is particularly pertinent in the context of personnel management. In addition to taking initiative, supporting and reinforcing cultures and values, being alert and focused, and believing they can influence the results, engaged employees willingly work to meet organizational needs (Kahn, 1990 in (Bhattacharya, 2015).

2.6 Management Practices and Job Satisfaction

Enhancing workplace satisfaction requires effective management practices, especially for Gen Z workers who prioritize opportunities for professional growth and constructive feedback. Companies that provide clear career progression paths are more likely to retain employees, particularly Gen Z and other younger workers. In contrast, job dissatisfaction among Gen Z workers in Indonesia's private sector is primarily driven by a lack of managerial support and limited opportunities for career advancement. This highlights the growing need for companies to develop programs and policies that encourage employee retention. Many business owners and managers in the private sector are focusing on retaining key talent for the long term. As a result, several research studies have emerged, exploring employee retention in various organizational contexts. Retaining personnel is crucial for a company's reputation and market image in addition to improving its financial performance, according to certain research (Tarigan et al., 2022). Not only does employee retention improve financial performance, but it also plays a crucial role in shaping an organization's reputation and market image. Its significance goes beyond the immediate goal of maintaining business operations, as it helps ensure long-term success and stability in the private sector (Jhawar et al., 2016). Similarly, since the logistics industry has been known to have problems with staff retention, as seen by high turnover rates, the data is vital (Ndiango et al., 2024).

2.7 Recognition and Job Satisfaction

Contentment or a sense of fulfillment are broad definitions of satisfaction (The Turkish Language Association, 2015), shifting to concerns about one's employment or work in a business setting. Job happiness is a topic of interest that has been examined by numerous academics. Even though certain perspectives on job satisfaction highlight both good and negative feelings, and thus responses, to an individual's

personal roles and problems at work or work-related issues (Ayrancı, 2015). Some academics might rather concentrate on how optimistic an individual is about their work (Ayrancı, 2015). A quick assessment of the literature notes that when it comes to job satisfaction, the individual taken into consideration is typically an employee, a group of employees, or management. A key component of job happiness is receiving credit for efforts and accomplishments. Indeed, 45% of Gen Z study participants said they would be more likely to stick with a company that consistently acknowledged their achievements, and 60% of them said that acknowledgment was one of the main factors affecting their job happiness. This implies that for Gen Z in Indonesia, recognition is crucial for retention as well as serving as an incentive for job happiness.

2.8 Technological Integration and Job Satisfaction

Gen Z values technology since they were raised in the digital age. Workplaces that embrace technology and use digital tools to expedite work procedures are particularly valued by Gen Z employees. Nevertheless, not all Indonesian private sector businesses have completely adopted digital platforms for internal communications and service provision. Improvements in job satisfaction and employee engagement, two factors that are essential for keeping younger workers, may be hampered by this discrepancy in digital use. According to research, when businesses successfully incorporate technology, it can enhance collaboration, boost output, and eventually lower turnover rates among Gen Z employees who are tech-savvy.

Additionally, integrating technology not only improves operational effectiveness but also fits with Gen Z workers' values, which place a high importance on innovation and agility in the workplace. It has been demonstrated that digital platforms like cloud-based communication apps and collaboration tools enhance work-life balance and promote more vibrant team dynamics. Companies that do not embrace these technological innovations run the danger of lagging in luring and keeping top talent from the younger generation, which might have a detrimental effect on their long-term competitiveness in a workforce that is becoming more and more digital.

2.9 Job Satisfaction and Employee Retention

In Indonesia's private sector, worries over staff retention have intensified. A 2020 World Bank study found that younger employees, especially those in Generation Z, are the most likely to leave Indonesia's private sector enterprises, which have a high turnover rate. Nonetheless, the study made clear that work satisfaction and retention are closely related. Turnover rates were significantly lower for private sector businesses that made investments in raising employee satisfaction through improved organizational culture, improved management techniques, recognition, and technology integration. For example, after introducing a new employee appreciation program and boosting the use of digital technologies in day-to-day operations, a private company in Indonesia reported a 15% reduction in staff turnover.

Employee retention is the deliberate practice of motivating staff members to remain with a company for a long time (Krishnamoorthy & Aisha, 2022). Retaining current employees is linked to this strategy because they constitute an organization's most valued workforce. One measure that has proven to be cost-effective in this endeavor is retention programs. Retention is essential for improving organizational knowledge and proficiency (Naalu, 2021). Stronger customer relationships are a result of stable employees, which eventually improves output and job performance. Furthermore, retention builds a positive corporate culture and encourages employee involvement. It has become a crucial component in improving logistics organizations' operational activities (Jhavar et al., 2016. Ndiango et al., 2024). Our study explores the following two assumptions based on the literature review:

Hypothesis 1 (H1). There is a significant association between Leadership and employee retention.

Hypothesis 2 (H2). Job Satisfaction moderates the linkage between Leadership and employee retention.

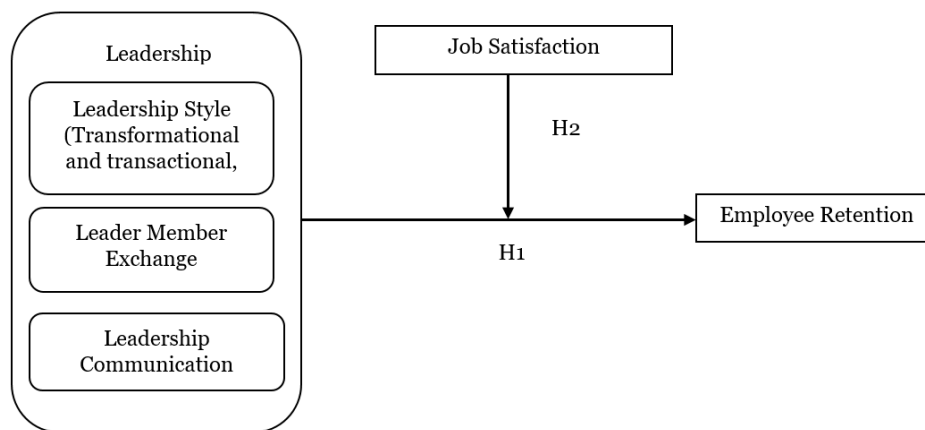


Fig. 1: Conceptual Framework

3. Methods

A survey was carried out to gather information from all Indonesian private sector workers, spanning all ranks and genders, to test the model and investigate the hypotheses. Self-administered questionnaires were utilized to collect data, and a convenience sampling technique was employed. The sample size should be at least 300 because there were only 30 items utilized to measure the variables in this study. All respondents received 450 self-administered questionnaires in total, just to be cautious, and 312 completed questionnaires were collected after incomplete responses were eliminated. Additionally, data analysis and exploration of the established theoretical framework were conducted using structural equation modeling (PLS-SEM). Table 1 provides the demographic information.

Table 1: Demographic characteristics.

Sample Characteristics		Frequency (n = 377)	Percent (%)
Gender	Male	166	53,2
	Female	146	46,8
Job Role	Manager	108	34,6
	Supervisor	107	34,2
	Employee	97	31,2
Education Level	Bachelor's Degree	107	34,2
	Master's Degree	104	33,3
	High School	101	32,5
Years of Employment	1 Year	76	24,3
	2 years	109	34,9
	3 Years	112	35,8
	4 Years	7	2,2
	5 Years	6	5

As can be seen from the demographic data, there are 53.2% more male employees than female employees (46.8%). Regarding education, 32.5% have completed high school, 33.3% have earned a master's degree, and 34.2% have earned a bachelor's degree. Of the 312 samples, managers make up 34.6%, supervisors make up 34.2%, and employees make up the remaining 32.5%. Of the 312 samples, 24.3% had been working for one year, 34.9% for two years, 35.8% for three years, 2.2% for four years, and the remaining 5% for five years. A self-completed questionnaire was used for the survey. The survey's questions are presented in Appendix A, which also offers background information on the relationship between leadership and job satisfaction and employee retention, all of which are topics this study intends to investigate. A three-dimensional architecture that includes transformational leadership, transactional leadership, leader-member exchange, and leadership communication is used to assess leadership. Employee involvement in the branding process, internal communication, and training.

These measurement items are adopted from the studies of Bass (1985); Graen and Uhl-Bien (1995). The dependent variable, Employee Retention, is adapted from the scale developed by Locke (1976). Since the purpose of this study is to explore Retention rates, Employee loyalty, and Turnover intentions, the employee retention scale is measured through the research of Hom and Griffeth (1995), which includes Work-life balance, Opportunities for growth, and Organizational culture. A 5-point Likert scale, ranging from 1 "strongly disagree" to 5 "strongly agree," was chosen to assess the responses.

4. Results And Discussion

The Leadership variable in Smart-PLS was examined as a second-order construct in accordance with the recommendations of Hair Jr. et al., (2014), which implies that the validity and reliability of the construct in the first estimate should be evaluated for the outer model, also referred to as the measurement model. The findings demonstrated that practically all of the outer variables' loadings ought to be higher than the crucial 0.7 criterion in their corresponding latent variables (Carmines, E.G. & Zeller, 1979). In the first step, the factor loading of all items was calculated, and values below 0.7 were excluded from further analysis as they did not meet the specified criteria. The measurement model seems reliable as the findings indicate that the Cronbach's alpha values were greater than the threshold of 0.7. Furthermore, all constructs appear to be internally consistent, as evidenced by the composite reliability index results that were higher than the standard value of 0.7 (Oliva, T.A.; et.al, 1992). It was also evident that all these constructs met the standards for convergent validity, as the values were above 0.5 (Fornell, C. & Larcker, 1981). Table 2 shows that all variables were consistent, as Cronbach's alpha for employee retention was 0.821, Leadership was 0.857, and Job Satisfaction was 0.814. Furthermore, all constructs demonstrated composite reliability indices of more than 0.8; the value for employee retention was 0.930, Leadership was 0.911, and Job Satisfaction was 0.915. Additionally, the AVE values for employee retention were 0.694, Leadership was 0.678, and CSR internal was 0.694.

Table 2: Construct reliability and validity.

Constructs	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Retention	0.821	0.930	0.694
Leadership	0.857	0.911	0.678
Job Satisfaction	0.814	0.915	0.694

4.1 Discriminant Validity

The Fornell–Larcker criterion is based on the assumption that the AVE's square root values must be greater than the correlations' maximum value Hair Jr. et al., (2014) According to Table 3 of discriminant validity, the value of employee retention was 0.870, Leadership was 0.860, and Job Satisfaction was 0.871. Hence, the obtained values fulfilled the stated criteria. Moreover, cross-loading values were greater than 0.710, which indicates that all items had adequate loading with their fundamental construct.

Table 3: Discriminant Validity.

Constructs	Employee Retention	Leadership	Job Satisfaction
Employee Retention	0.870		
Leadership	0.682	0.860	
Job Satisfaction	0.766	0.829	0.871

4.2 Result Analysis

The data analysis was done through variance-based structural equation modeling (PLS-SEM). As an initial step, for the inner model assessment and to check the path coefficient significance level (beta), the 5000 bootstrapping technique was employed. According to the rules proposed by Hair Jr. et al. (2014), the t-values must be greater than the critical t-values. Moreover, these t-values were deployed to discover the proposed hypotheses. In this study, the critical t-value of 1.96 was taken at a 5% significance level. The result of the path

coefficient is given in Table 4 with a t-value greater than 1.96. The results of the variables were within the predefined threshold values except for the moderating effect, i.e., Job Satisfaction.

Table 4: The implications of results.

Constructs Relationship	T Statistics	p Values
Leadership > Employee Retention	3.393	0.027
Leadership > Job Satisfaction	30.694	0.000
Job Satisfaction > Employee Retention	9.307	0.000
Moderating effect 1 > Employee retention	0.410	0.857

Table 5 depicts the significance of the results and the constructs' relationship with each other. For Leadership and Employee Retention, the relationship was significant as the t-value was 3.393 and the p value was 0.027. The t-value obtained for the relationship of Leadership and Job Satisfaction was 30.645, along with the p-value of 0.000, and for Job Satisfaction and Employee Retention, the t-value was 9.307, and the p-value was 0.000; these results also ensured the significance of the relationship between the constructs. The t-value for the moderating effect of employee retention was 0.410 with a p-value of 0.857, as this relationship was insignificant because the p-value was above 0.05. The R2 value of employee retention showed that the proposed model explains 62.3% of the total variance in employee retention (ER) due to Leadership. A comprehensive demonstration of results derived from the conceptual framework is presented in Figure 2.

4.3 Hypotheses Testing

The path coefficient and t-values show the fluctuating level of significance and endorse the proposed hypothesized connotations that are part of our structural model. The values obtained in this study explain that the H2, which relates to the moderation effect of Job Satisfaction between Leadership and employee retention, is not justified, but Job Satisfaction portrays a significant impact on employees' intention to stay within the organization at $p < 0.05$ level. The summary of these hypotheses with results is elaborated in Table 5.

The H1 is supported as the association between Job Satisfaction and employee retention was significant with values of $\beta = 0.116$; t-value = 2.393; $p = 0.017$. The H2 was not supported in the current study ($\beta = 0.009$; t-value = 0.3610; $p = 0.757$) as the t-values and level of significance were not near the critical values. Hence, it depicts that Job Satisfaction had a negative moderating effect between Leadership and employee retention.

Table 5: Hypotheses Testing.

		Beta	T	p	Decision
H1	Leadership has a significant relationship with employee retention.	0.216	3.393	0.027	Supported
H2	Job Satisfaction moderates the impact of Leadership on employee retention.	-0.010	0.410	0.957	Not supported

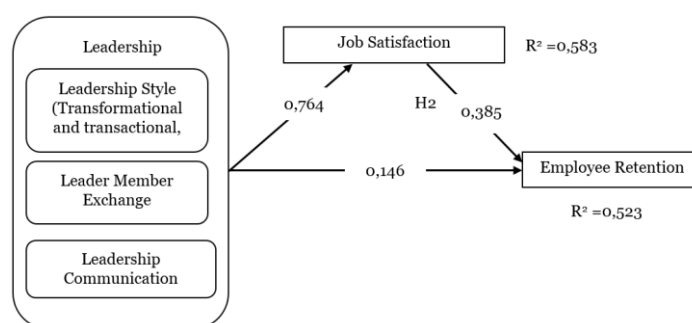


Fig. 2: Results portrayal through the conceptual model. *: level of significance is 0.05

4.4 Goodness of Fit (GoF) Index

Goodness of Fit (GoF) was calculated by following the guidelines of Henseler, Hubona, and Ray (2016) [38] to explore the theoretical framework of the current study. According to researchers Henseler et al. (2016) [38], if the GoF value was equal to 0.1 or below, then it will be considered as GoF small; if it is equal to 0.25, but above 0.1, then it will be GoF medium, but in the case of equal or greater than 0.36 then it will be considered as GoF large. The goodness of fit (GoF) index of 0.626 suggests acceptable model fitness as depicted in Table 6.

Table 6: Goodness of fit (GoF) calculation.

Latent Constructs	Average Variance Extracted (AVE)	R2
Employee retention	0.694	0.633
Leadership	0.678	
Job Satisfaction	0.694	0.631
Average scores	0.688	0.632
AVE x R2		0.413
GoF = $\sqrt{\text{AVE} \times \text{R2}}$		0.659

5. Discussion

Information was gathered from Indonesian private sector businesses. With work satisfaction serving as a moderator, this study looks at how independent factors like leadership affect dependent variables like employee retention. Employee retention is found to be significantly

impacted by leadership, and internal work satisfaction further influences the relationship between these characteristics. The study also backs up the idea that to increase retention, managers, supervisors, and workers in the private sector should place a higher priority on job satisfaction.

Following data collection, this study was carried out utilizing a variety of statistical tools within the Indonesian setting. According to the previously described literature, it is determined that leadership has a significant impact on staff retention by (Ayrancı & Ayrancı, 2015) also (Tran et al., 2025).

As a moderator variable, job satisfaction shows a negative impact. This could be because employees desire to be seen as vital members of the organization and seek attention inside it. Organizations must engage workers with the necessary abilities and provide incentives for excellent work performance to retain potential personnel.

In Indonesia's collectivist culture with strong hierarchical norms, Gen Z's retention behavior is shaped by these cultural values. They tend to appreciate leadership that combines authority with collaboration, valuing social connections and group contributions over individual achievement. Furthermore, hierarchical norms in Indonesian culture influence Gen Z's preference for clear, structured leadership that still allows for open communication. Companies in Indonesia should adapt their leadership styles to balance clear authority with inclusivity and collaboration, which can improve job satisfaction and enhance long-term retention.

Job satisfaction was not found to be a significant determinant of employee retention, and it is important to consider the inferences from this result. Due to the study's emphasis on developing economies, private sector workers are more focused on external rewards than on internal elements like job satisfaction. Workers, especially those in the private sector, could be more focused on career advancement and leadership than job satisfaction. Furthermore, employee retention may be influenced by variables other than work satisfaction. To achieve long-term employee retention and a greater impact on job satisfaction, private sector firms are expected to concentrate on corporate citizenship behavior and employee motivation. Businesses can lower hiring expenses and raise standards by doing this. In the private sector, employee goals also differ based on seniority or job level. For example, supervisors may prioritize rewards, managers may seek recognition, and general employees may value material or income-related factors. The study highlights employee concerns and variations in retention across job roles. There are significant differences in the private sector's emphasis on retention in Indonesia. Our findings suggest that employees with shorter tenures are more responsive to Leadership, and this is in line with (Ayrancı & Ayrancı, 2015) also (Tran et al., 2025).

It is important to consider the influence of local culture when understanding the relationship between job satisfaction and employee retention, especially in the context of Indonesia's collectivist culture. Gen Z in Indonesia tends to value leadership that combines authority with collaboration, reflecting local cultural values. This may explain why the influence of leadership on employee retention appears more significant compared to studies from countries with more individualistic cultures. Additionally, differences in sample characteristics, such as job level and tenure, can influence employees' perceptions of job satisfaction and retention, highlighting the need for a managerial approach that is more sensitive to the specific needs of each group.

Finally, this study also implies that a business's success is based on how much it use open innovation, which is consistent with the results of (Ayrancı & Ayrancı, 2015) also (Tran et al., 2025). A democratic environment for developing an internal culture is offered by leadership, and culture is crucial for boosting the dynamics of open innovation. Overcoming institutional and cultural barriers, especially those about employee motivation, is crucial in the private sector. Open innovation's collaborative nature makes it the perfect way to tackle the societal issues facing the modern, changing world, particularly in the wake of a pandemic. In addition to fostering economic growth and maintaining competitiveness in a market that is changing quickly, private sector companies that embrace open innovation and foster a collaborative culture are better able to address urgent societal concerns.

6. Conclusion

This study concludes that job satisfaction and employee retention among Generation Z in the private sector in Indonesia are significantly influenced by several factors, such as managerial support, career development opportunities, organizational culture, and the use of technology. Supportive management and clear career advancement opportunities were found to increase job satisfaction, which in turn helps reduce employee turnover rates.

Additionally, the study shows that a positive and inclusive organizational culture, along with good integration of technology in the workplace, plays a crucial role in enhancing employee retention among Generation Z. While job satisfaction has a significant impact on retention, the moderating effect of job satisfaction between leadership and employee retention was not found to be significant in this study. Therefore, private sector companies in Indonesia should focus on improving job satisfaction to retain employees and increase productivity, while also considering the unique needs of Generation Z, such as a healthy work-life balance and an innovative work environment.

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