



## The Impact of Transformational Leadership on Generation Z Employee Retention and Innovative Behaviour: A Case of Malaysian Hotel Industry

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<http://dx.doi.org/10.18415/ijmmu.v9i4.3667>

### **Abstract**

The current research aims to investigate the influence of transformational leadership on generation Z employee retention and innovative behaviour in star class hotels in Malaysia. Employee retention has become a concern for hospitality leaders and hotels in Malaysia, as the negative perception in the hospitality industry has caused job-hopping and a high turnover rate, which has threatened the growth and the stability of the Malaysian hotel industry. The research applied quantitative approach and collected responses from 178 employees who were currently working in the hotel industry in Malaysia. The data is analyzed using SPSS software, and Pearson's Correlation coefficients are used to examine the relationship between leadership factors that affect Gen Z employee retention and innovative behaviour in star class hotels in Malaysia. The results found that all the dimensions of transformational leadership including Idealized influences, Inspirational motivation, Intellectual stimulation and Individualized considerations significantly influence employee turnover intention and their innovative behaviour. Present study provides understanding for effective leadership and the importance of managers in the hotel industry to better influence and motivate employees to improve retention and enhance innovative behaviour. The study also provides implication and insight for future researchers that wish to conduct studies within these parameters.

**Keywords:** *Employee Retention; Idealized Influence; Inspirational Motivation; Intellectual Stimulation; Individualized Consideration; Innovation Behavior*

### **Introduction**

Every new generation entering the workforce will attract practitioners and academics aiming to understand the new group of people, as members of different generations will have a different mindset regarding attitudes, behaviours, beliefs, and values (Kirchmayer, 2020). Gen Z is an important generation because they are slowly outnumbering millennials in the global population. Therefore, it is important to recognize them to retain them while managing the talents of the Gen Z members (Miller and Lu, 2018). At present, due to the advancement in technology. The nature of jobs has also evolved. It has decreased the need to employ software and electronic management, allowing one employee to overlook the operation and simultaneously take more responsibility, allowing employers to reduce costs (Khatun & Saadat, 2020). However, some jobs remain irreplaceable, especially in hotels, as human contact is vital for its operations.

Malaysia has been experiencing an increase in its tourism sector, with the second-highest number of tourists visiting South East Asia in 2018 generating over MYR 84.1 billion for the economy (Tourism Malaysia, 2018). With the accommodation sector contributing up to 25.7% to the revenue generated. Also, the hotel industry has grown by 5.4% to cater to this increase in demand. As new hotels enter and grow, it correspondingly increases the need for a skilled workforce. Generation Z contributes the most proportion of workers in the hospitality and tourism industry (Goh, 2020). Gen Z comprises those born between 1996 and 2009. Gen Z was born in an era such as the great recession, which allowed them to face many uncertainties (Sladek, S., & Grabinger, A). They are known to be more realistic towards their approach in life. Research shows that in the coming four years, Gen Z will make up 20% of the workforce, accompanied by the retirement of the Baby boomers. The individuals born in this era display an entirely different perspective and characteristics from those in Gen Y, which will create a notable shift in the future work culture and environment. Studies have found that Gen Z is mainly driven by happiness in the workplace and the desire for independence over authority. The evolution of technology brings up Gen Z; they are also often named Generation C (content-centric, community-oriented and computerized), which normally defines them to adapt quickly and use technology in their daily lives (Joseph Coombs, 2013). McCrindle (2014) States that Generation Z is anticipated to become more educated than the other generations. And he also characterized them as materialists, pragmatic and realists. Furthermore, Gen Z prefers interactive learning, engagement-focused, fast-paced and multi-tasking learning environments (McCrindle 2014). Furthermore, this generation favours flexibility at Work, communication via technology, regular feedback over annual reviews and expect to work hard to quickly move up in their careers (Goh, 2018).

Gen Z is a generation that wants their ideas to be heard regardless of their age; thus, the current leadership strategies in the hotel industry consists of policies and standard procedures which does not allow Gen Z to showcase their talent Amanda Slavin (2015). These current strategies have widened and caused a power distance. The gap between top-level management and employees has led to poor employee engagement and dissatisfaction at the workplace, which are some causes to justify the turnover (Dwesini, 2019). Thus, the key focus in the industry has shifted into innovative talent management and strategic recruitment strategies to attract and entice Generation Z to join and retain in the hospitality industry.

Present study investigates the impact of leadership factors on generation Z in Malaysia's hotel industry. Briefly, Gen Z comprises those born between 1996 and 2009. Gen Z was born in an era such as the great recession, which allowed them to face many uncertainties (Sladek, S., & Grabinger, A). As a result, they are more realistic towards their approach in life. Furthermore, Gen Z is a generation that wants their ideas to be heard regardless of their age; thus, the leadership style in the hospitality workplace is very important for them to progress in their careers (Amanda Slavin, 2015). Furthermore, it will focus on identifying the changes and the impacts of strategic leadership on the workplace experience to overcome and face the current problems in the industry. As the hotel industry is a vital contributor to the Malaysian economy, as per static data, the hotel sector has generated around 25.8 million to 13.3% of the national GDP in 2018, according to the Ministry of Finance Malaysia.

Traditionally in the hotel industry, the management typically follows an autocratic style, whereby tasks and duties are told down by the top-level management to the low-level subordinates, on what they are expected to do when it is expected to be done and on how will their work fit with the other individual's Work (Ispas, 2012). Therefore, leadership impacts can cause Gen Z to retain or leave its current organization. However, changes in leadership in an organization that does not suit the style of Gen Z will cause them to have a negative perspective towards a certain style of leadership. Thus, this causes them to be pickier in choosing their future organizations and lead to job-hopping. As a result, this phenomenon leads to a lack of growth and advancement in the industry and the individual's skills that can lead them to withdraw from the organization/industry as the lack of career progress demotivates them. Although some organizations have created a collaborative and attractive workplace culture, still the main motivation for Gen Z is money compared to decent workplace culture.

## ***Problem Statement***

Messmer (2004) says that employee retention is vital for emerging businesses and industries. As economic development and advancement, unhappy employees will seek alternative opportunities. However, replacing lost talent is far more expensive than retaining them due to recruitment costs and company knowledge lost productivity. Therefore, it is critically important to retain top talents within the organization. Employee turnover offset organizational productivity, performance and profitability, leading to a loss in limited intellectual financial resources and competitiveness (Okae, 2018). According to statistics by a research study, the annual Malaysian staff turnover in the hotel industry has reached a staggering 65.7% in 2019 (Murad, 2019). Moreover, in the long run, it causes the industry to remain stagnant as new blood may be unwilling to enter and revitalize the industry with new ideas. This causes hotels to allocate more financial resources for recruitment, training and retention incentives, proving that turnover will be costly for organizations (Murad, 2019).

Gen Z, are the newest workforce entering to the industry and Gen Z's turnover in Star class hotels in Malaysia is increasing. Despite this fact, studies on transformational leadership specific to Gen Z in the hotel sector are limited as the newest generation is entering the workforce (Sakdiyakorn, 2021). Thus, this study is geographically narrowed to the respondents from Malaysian Gen Z's located in Klang Valley. Moreover, many researchers in the hospitality industry, such as restaurants, motels, resorts, and rated hotels, have produced different outcomes. Thus, previous studies are not generalized to every context, especially on 5-star class hotels in Malaysia (Ohunakin, 2019). Therefore, this study aims to find out the impact of transformational leadership on Gen Z employee retention and innovative behaviour to discover new experimental results from a different environment from the present existing research. This study aims to identify which dimension of Transformational leadership style is most effective among Gen Z's in the star class hotels. Moreover, to find out if four dimensions of transformational leadership have an influence on innovation behaviour, which indirectly help retain Gen Z's in the star class hotels. The present study hopes to fortify existing transformational leadership theories and gain new knowledge of the existing literature on how leadership effect could be used as an employee retention strategy to deal with the current existing skill shortage in the hotel industry.

## ***Literature Review***

### **Employee Retention**

Employee retention is described as the efforts made by any organization to support and give incentives to the employee currently working within the organization so that they remain with the same organization in the future (Msengeti, 2015). Furthermore, a study by Johnson. (2000) states that the success of a business can be measured through the terms of employee retention rate (ERR) as the ERR would represent the retention level of their key talents. Okiooga (2012) states that an employee turnover rate would be costly for the organization. Turnovers would cost 50% to 200% of an employee's annual wage through recruitment, selection, introduction and retraining of newly recruited staff.

In the hotel industry, employee retention is one of the most major issues worldwide. Employee retention can be defined as the intentions of employees deciding to stay or leave the company as soon as possible (Mitchell, MacKenzie, Styve & Gover, 2000). It is important to recognize why employees, especially employees from Generation Z, may have the intention to not stay in the same company for a long period. Kimungu. (2010) states that low ERR in the hotel industry would disrupt and interfere with the internalization of standards of the Hotel and would result in lower guest satisfaction through lower quality of service, resulting in the loss of competitiveness of Hotel as they are mainly based on how well they provide quality and personalized service to ensure repeat guest across their brands

The main push factors to the Generation Z leaving the hotel industry would be poor wages and long working hours. Based on previous studies, these two factors mainly affect staff turnover in the hotel

industry (Haldorai et al., 2019). Therefore, generation Z would feel burned out from the long working hours and excessive workload, which leads them to have the intention to quit working. In addition to that, Generation Z sees a lack in career progression in the hotel industry since they cannot receive any promotions or increase their salary. Being able to receive a promotion in their position is considered essential in retaining employees in the hotel industry (Wong et al., 2017). Hence, Generation Z is more motivated and willing to continue working if the hotel industries were to provide better and fair promotions for their employees for them to grow in their careers.

Furthermore, studies have shown that interpersonal tension among co-workers and leaders has caused a relatively high discomfort for employees, which has caused poor socialization and has driven them to pursue alternative or new opportunities (Haldorai,2019). Nei et al. (2015) state that employees who generally experience supportive supervisors and managers reportedly have a low intention of leaving. Thus, this study hypothesizes a positive relationship between leadership and employee retention.

### **Leadership Styles in Hotel Industry**

Leadership is vital for an effectively functioning hotel or any organization. Leadership and its fundamentals are persuading power on human capital to create a competitive advantage to produce resultant outcomes. Leaders/managers must promote employees' motivation to achieve desirable goals (Gemeda, 2020). According to Alzoubi (2020), leadership styles include a display of behavioural actions by the leader to plan and process in achieving organizational goals. According to contingency theory, studies have said that all leaders may not possess the same competencies and skills when facing challenging environments, especially in the hotel industry. In addition to that, he also states that the main two leadership styles used in the hotel industry are transactional and transformational.

Transactional leadership contains the process of leader & follower, which creates and promotes compliance to leader demands through reward and punishment. Transactional leadership is attributed to two main factors. Firstly, rewards such as bonuses as a constructive relationship between the leader and the follower to create agreement through recognition. Secondly is management by exception, where employee performance evaluation is done after a task (Trottier et al., 2008). Finally, transformational leaders are the managers that advise their employees by communicating and anticipating appealing goals, visions, and values through influence and inspiration (Gemeda, 2020).

The proceedings debate the following two styles are most effective within the hospitality industry. Despite some similarities among other generations, Gen Z has differences and conflicts in reasoning at the workplace. A research study shows that Gen Z is ambitious and prefer leaders who recognize their contributions, listen, and help them develop (Davids,2021), thus suggesting that transactional leadership is most effective for this demographic. Therefore, the hypothesis mainly emphasizes how Transformational Leadership could affect employee retention.

### **Transformational Leadership**

In the present Hotel, the industry has gone through significant changes and is countenancing to develop and advance under different circumstances; thus, it requires a type of leadership that helps achieve goals through the generation of new ideas, nurturing development and inspiration. Moreover, to create an exciting and vibrant situation for Gen Z to join (Wanasida, 2020).

Research has stated that transformational leaders pass on their views of thinking, information, ideas, and perspective angles to their followers, enabling continuous improvement and development of the subordinates (Mills,2007). Transformational leadership is unlike the give and take relationship but more of an idealized sense of working together and moral exemplar of working and achieving together as a team. Transformational leaders are driven by gaining respect, trust and admiration from their employees. Studies suggest that Transformational leadership creates positive outcomes like creativity,

innovative behaviour, product development and increased organizational performance. It is explained that transformational leaders can boost performance by creating a sense of company mission by becoming role models (Wanasida, 2020).

Transformational leaders can be described as inspirational charismatic, stimulating their followers' intellect and showing individualized consideration. The leader's inspirational qualities help create a safe and open workplace climate to build up a relationship of trust by the employees. The charisma of the leader creates devotion and respect from the employees. Intellectual stimulation enables the employees to see problems from a new perspective, challenging traditional thinking and growing. Finally, through individualized consideration, transformational leaders focus on the individual worthiness of each employee and their development in the organization (Mills, 2007).

Furthermore, it is also said in the study that these four dimensions, a) idealized influence, b) inspirational motivation, c) intellectual stimulation and d) individualized consideration, have heightened the level of motivation and the intention to stay within an organization (Mills, 2007). However, the studies have not concluded how the significance of each factor would promote employee retention. Thus, this research study was designed to explore the relationship of each dimension of transformational leadership. Moreover, with the present literature, it can be stated that there is a positive relationship between the four dimensions a) idealized influence, b) inspirational motivation, c) intellectual stimulation and d) individualized consideration and employee retention.

### **Idealized Influence**

Idealized influence can be defined as having transformational leaders who portray behaviours that become role models for their employees. Examples of those behaviours would be leaders that show confidence, respect, and selflessness, where through this, the leaders are then to be liked and trusted by their employees (Agyemang, Boateng & Dzandu, 2017). Idealized influences are leaders who put the interest of their fellow employees as a priority instead of their interest. This type of leadership improves their employees' work quality and performance (Tajasom et al., 2015).

Through Idealized influence, leaders help build up enthusiasm about Work through trust. For instance, charismatic leaders coach and help their employees grow, inspiring loyalty and respect because of selflessness acts by the leaders. In addition, charismatic leaders are flexible in understanding; they emphasize having a collective mission and a strong purpose for the employees. These actions will help create an enjoyable working condition and employee's self-esteem, improving employee retention (Mills, 2007).

The bond between employees and gen Z will positively impact retention. This is because Gen Z feels they have someone to look up to in the workplace. Besides, having employers who understand and value you as an employee gives Gen Z the confidence to be part of the team. The strong bond between employers and gen Z will eventually lead gen Z to stay longer in the workplace (Mills, 2007). Hence, the literature suggests that it can be hypothesized that:

H1: There is a positive relationship between Idealized Influence and Employee Retention

### **Inspirational Motivation**

Inspirational Motivation refers to the ability of a leader to articulate a compelling better vision of the company's future for their employees to shift their employee's self-interests to a collective company's interest (Kariuki, 2021). Research has shown that Inspirational Motivation is linked between leadership style and staff retention. For instance, Inspirational Motivation could improve staff retention by raising an employee's level of happiness and excitement (Kariuki, 2021). Some of the Intrinsic Factors of Inspirational Motivation is recognition and delegation. Recognition of subordinates is one of the ways

employees can be motivated to be better in the hospitality industry. Recognition of subordinates is where an organization's employer gives credit to an employee for his or her exemplary performance. Objectively, recognition in the workplace aims to encourage better behaviour, practices and teamwork that result in greater performance (Andriotis, N. 2018). The hotel industry is a very service-orientated organization. Thus, it is crucial for employees, especially the frontline employees, to give a good first impression to guests. This is because they are among the first few to interact with guests (Karatepe and Uludag, 2006). Besides, employees' performance will determine customers' satisfaction towards the Hotel's service in general. Therefore, the Hotel has to be more practical in its employees' performance evaluation to deliver a higher quality of service (Patah, Zain and Abdullah, 2009).

Delegation is also one of the motivating factors that lead to better leadership in the workplace. Delegation is a process that comprises appointing important responsibilities to subordinates. With that, employees under this 'delegation arrangement' will be able to view certain discrete information to carry out the task. These subordinates will also be able to make decisions that are not too huge of a deal without seeking approval from the manager (Yukl and Fu, 1999). One of the importance of delegation is that it satisfies managers' need for achievement. This is by providing a stimulus for motivation and more entrepreneurial behaviour among employees (Mintzberg, 1979). It also helps superiors to be able to focus on their main task with less interruption as some less important tasks are given to the subordinates (Yukl and Fu, 1999).

Lastly, an irrelevant factor is an interpersonal skill; interpersonal skill is also one of the motivating factors that leads to good leadership in the hospitality industry. Interpersonal skills are necessary skills needed when associating with other people daily. Having good interpersonal skills allows one to communicate effectively with others and minimize miscommunication (McConnell, C. R., 2004). Interpersonal skills in the hospitality industry are like 'the oil to the engine'. The foundation of the organization's operation portrays positive outcomes such as assurance, confidence, and enthusiasm for teamwork. Such positive behaviours can lead to better cooperation among peers in the workplace. Although technology can be of great use in the workplace, not in all circumstances. Sometimes relying on e-communication is just not the best. With that, managers would need to help gen Z adapt to various ways of relating in the workplace as gen Z can sometimes be over-dependent on technology to converse (E. Glikson, 2018).

There are some positive effects of inspirational motivation concerning employee retention. When Gen Z employees are compensated with recognition, they tend to be more motivated and achieve more for the company. To gen Z, being recognized and having career growth is much better than materialistic rewards (Lai, 2009). Next, although Gen Z has little workplace experience, they have great ideas that can benefit the company. Managers allow them to lead certain projects with little guidance from the managers themselves. By delegating some important or new task to the subordinates,

Gen Z feels well appreciated and acknowledged by their leaders (Jones, S., Chauhan, P., & Torabian, A., 2019). In short, managers use the talents gen Z have while also recognizing Gen Z in the workplace. This will ultimately be again for employers as they do not need to spend extra money on employees' hiring process as there is a lower turnover rate. Hence, the literature suggests that it can be hypothesized that:

H2: There is a positive relationship between Inspirational Motivation and Employee Retention

### **Intellectual Stimulation**

Intellectual stimulation is a creative way to approach old challenges with new solutions. Studies have stated that Intellectual stimulation drives problem-solving and critical thinking. It improves one's cognitive development at Work by creating stronger feelings of responsibility and a deeper connection to the Work (Anjali, 2015). According to Heylighen (1992), intellectually stimulating Work can trigger

employees' self-actualisation needs. Growth through intellectually stimulating Work in a continuous process will create job satisfaction from a sense of personal accomplishment. Transformational leaders have an impact on intellectually stimulating their followers. Studies state that transformational leaders encourage their followers to become more creative by reframing problems, approaching old problems in new ways, and reframing problems. They encourage their followers to treat and think "out of the box" without fear of negative consequences (Çekmecelioğlu, 2016). The positive impact concerning retention is evident in intellectual stimulation. This is because employees enforce a high team member performance and engagement. Opportunities are given to gen Z to participate in problem-solving, decision-making, and interactive creative activities. This will allow gen Z to be more independent have rational thinking and problem-solving skills. Such opportunities given to gen Z are valuable to them as it promotes recognition and respect. It is an act of encouragement for them to work harder and quickly solve problems. They will be seen and valued as an important part of the organization. Thus, improving the level of intention to stay longer within the organization (Mills, 2007). Hence, the literature suggests that it can be hypothesized that:

H3: There is a positive relationship between Intellectual stimulation and Employee Retention

### **Individualized Consideration**

Individual consideration is when an employer observes and hears out the needs of the employees. Needs can include career progress needs or self-development needs. By listening to the needs of employees, they are indirectly assisting in building the confidence level of employees (Bass, 1985). With that, it supports employees in pursuing their idea for the company while aligning them to the organization's goals (Bass, B. M.,1985). Besides, they delegate tasks for their followers and help them flourish in their careers. They also recognize the differences in characteristics and style their followers have in the way employees work. Bass and Steidlmeire (1999) classified individualized consideration as one of the best authentic transformational leadership compared to pseudo- transformational leadership.

Individual consideration demonstrates a high level of concern for individualized needs and the views of an employee, and it is a way of grooming the next generation through mentorship and coaching helps. In addition, individual consideration allows and promotes an equal workspace where leaders get to know them better and listen and pay attention to their ideas and concerns that reflects and creates interest and incentives for long term retention of the employees as they believe employees' self-needs are being met (Ogola,2017).

There are positive impacts of individualized considerations in regards to retention. Firstly, gen Z will feel more appreciated and valued when their needs are heard. According to Amanda Slavin (2015), Generation Z wants to be heard irrespective of their young age, and they contribute more when their ideas and needs are heard from superiors. With that, it will have a positive impact on retention that leads gen Z to remain in the same organization for a longer period. Hence, the literature suggests that it can be hypothesized that:

H4: There is a positive relationship between Individualized Consideration and Employee Retention

### **Innovative Behavior**

Employee innovative behaviour refers to an employee's intentional introduction of new ideas or ways of implementing tasks; these behaviours are innovations that are carried out individually by the employees. Studies have shown that innovations by individuals begin when there's a decline in ideas, and it is the "intentional creation" of new ideas in groups, work roles and organizations overall (Widodo, 2020). The behaviours are affected by psychological states. The psychological states of an employee will be determined by the work outcome, responsibility, meaningfulness of Work and the knowledge of the work results, which influence the job satisfaction, motivation, performance and turnover intention of

employees thus suggesting supporting literature that innovative behaviour increase the chances for employee retention (Li, 2016). Studies have shown that the four dimensions of transformational leadership are a vital indicator of innovation behaviour (Choi, 2016). It is stated that leaders that empower employees motivate innovative behaviour. Transformational leadership enables knowledge sharing where leaders provide their followers with instructions and feedback to complete Work in an effective way. As a result, the knowledge shared between these parties promotes decision-making practices in reasoning issues and developing new innovations (Choi, 2016). Scholars have found that Transformational leadership creates an innovative culture by promoting innovation initiatives and encouraging them freely discuss and try out innovative ideas (Le, 2021). The four attributes of e transformational leaders are (1) idealized influence, (2) inspirational motivation, (3) intellectual stimulation (4) individualized consideration. These reflect the leaders' intent in meeting the follower's needs to be critically thinking and in intentional creation of ideas through advising, coaching and treating them individually (Le, 2021). Hence, the literature suggests that it can be hypothesized that:

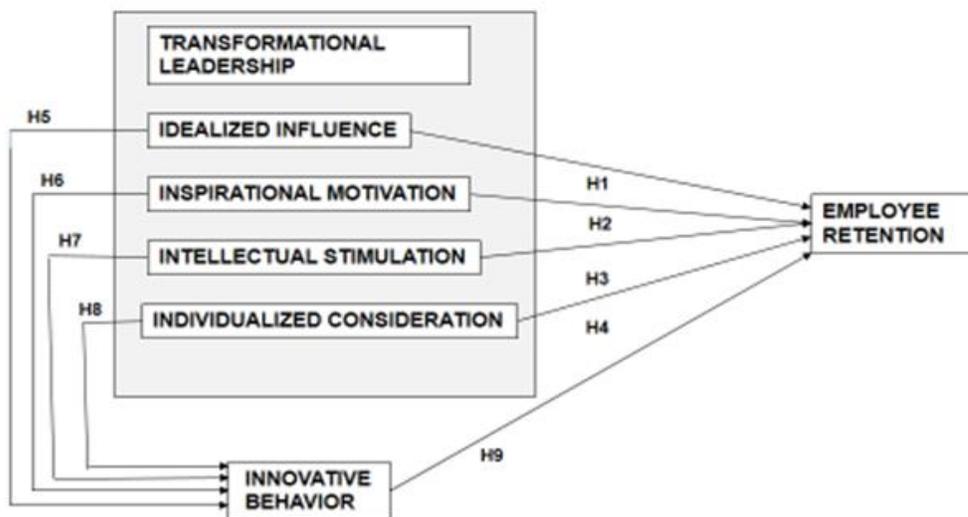
H5: There is a positive relationship between Idealized Influence and Innovative Behaviour

H6: There is a positive relationship between Inspirational Influence and Innovative Behaviour

H7: There is a positive relationship between Intellectual Stimulation and Innovative Behaviour

H8: There is a positive relationship between Individualized Consideration and Innovative Behaviour

H9: There is a positive relationship between employee Innovative Behaviour and Employee Retention



**Figure 1: Conceptual framework**

Through the literature review, there was evidence that leadership has a role in employee retention, specific to transformational leadership, as previous literature concluded that Gen Z's preferred a supportive style of leadership. Therefore, this conceptual framework was adopted in this research study by the following research studies: Ohunakin (2019) & Pieterse (2010). The framework adopted from these main papers has been credited and published by the Journal Of Human Resources In Hospitality & Tourism and the Journal of Organizational Behavior. The limitations of these main papers did not fully capture the dynamic nature of a transformational leader with the four dimensions linking towards a follower's innovation behaviour. While this framework aimed to clarify the relationship between

transformational leadership and innovation behaviour and to interpret that there is an influence of the four dimensions of transformational leadership to innovate an employee.

### ***Methodology***

The research conducted was designed to be a quantitative study using a deductive reasoning approach. Data was collected from the confines of Sunway University and around the state of Selangor. The target population for the study targets the generation Z population in how their manager leadership impacts the retention of employees in the star class hospitality sector. According to Roscoe (1975), the sample size a researcher should ideally collect was stated to be a minimum of "30" and less than "500" according to the sample as a "rule of thumb". Furthermore, the sample size obtained from the data collection period was 178 responses to be used in the study; thus, the number of the responses met within the minimum required sample size according to the rule of thumb'. Nonprobability sampling methods, snowball sampling was chosen as it allows the researchers to sample populations that are easily accessible within a certain location, including the participants' willingness to answer the questionnaire. This sampling method allows for the harder to reach demographic to be surveyed as well as the method uses the networking of participants to increase outreach to potential participants.

### **Instrumentation**

The instrument of choice for data collection used in this research was a questionnaire, which allowed for cross-sectional data collection in this quantitative study. The questionnaire was divided into seven sections where data relating to demography, the four dimensions of transformational leadership, innovation behaviour and employee retention were collected. The choice for choosing the aforementioned data collection method is due to its numerous advantages. Using questionnaires allows for the anonymity of the participants, thus allowing for better response rates (Debois, 2019). Moreover, it allows for the researchers to increase response rates to more probing topics and is a relatively low resource method of data collection that is able to cover a wide demographic of the target population (Cleave, 2021).

The questionnaire in this study was chosen and developed using a 5-point Likert scale for data collection. Rensis Likert developed a rating scale in which scaling responses can be collected and tallied (Jamieson, 2013). The use of a Likert scale allows for the researcher to gauge responses from participants to a certain degree. A larger Likert scale is able to collect more detailed data; however, using a larger scale can risk response bias and reduce in response rate due to the increase in scale the questions presented may seem overly tedious for the participant to respond due to the increase in options (Bishop & Herron, 2015).

### ***Data Analysis***

#### **Reliability and Validity of Data**

The validity and reliability of research determine the research processes rigour and the trust in the results of the research. Validity in quantitative research is the limit to which a concept can be measured (Heale & Twycross 2015). Reliability is the consistency of the measure, in which the conditions can be changed, and the results will have a similar outcome assuming no alteration of the conditions have been made (Middleton, 2021).

Content validity allows for the measurement that is appropriate and representative which is relevant to the concept (Salkind, 2010). Thus, the questionnaire was subjected to literature review before administering to the public, ensuring that the participants could understand the content of the questionnaire. Therefore variables may be evaluated accurately.

## 1. Structural model assessment (SPSS, regression, result of hypothesis- accepted or rejected)

### 1.2 Regression

Model Sig	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficient		
	B	Std.Error	Beta	t	
(Constant)	1.205	.197	-	6.099	<.001
IDEALIZED_INFLUENCE	.076	.060	.087	1.258	.210
INSPIRATIONAL_MOTIVATION	-.003	.67	-0.04	-0.47	.963
INTELLECTUAL_STIMULATION	.172	.059	.232	2.917	.004
INDIVIDUALIZED_CONSIDERATION	.211	.054	.295	3.899	<.001
INNOVATIVE_BEHAVIOUR	.239	.057	.281	4.177	<.001
a. Dependent Variable: EMPLOYEE_RETENTION					

As presented in the Correlations tables, there are significant values greater than 0.05 for all the tested variables. To clarify, it also means that hypotheses 1 to 9 are accepted. In addition, individualised consideration has had the strongest coefficient beta with Employee retention, thus suggesting that Individualized consideration has a higher impact on employee retention for Gen Z's in the hotel industry.

### 1.3 Hypothesis testing

Hypothesis		Sig. (2-tailed)	Correlation coefficient	Testing result
H1: There is a positive relationship between Idealized Influence and Employee Retention	79	<.001	0.487	H1: Accepted
H2: There is a positive relationship between Inspirational Motivation and Employee Retention	79	<.001	0.553	H2: Accepted
H3: There is a positive relationship between Intellectual stimulation and Employee Retention	79	<.001	0.649	H3: Accepted
H4: There is a positive relationship between Individualized Consideration and Employee Retention	79	<.001	0.644	H4: Accepted
H5: There is a positive relationship between Idealized Influence and Innovative Behaviour	79	<.001	0.464	H5: Accepted
H6: There is a positive relationship between Inspirational Motivation and Innovative Behaviour	79	<.001	0.532	H6: Accepted
H7: There is a positive relationship between Intellectual Stimulation and Innovative Behaviour	79	<.001	0.623	H7: Accepted
H8: There is a positive relationship between Individualized Consideration and Innovative Behaviour	79	<.001	0.533	H8: Accepted
H9: There is a positive relationship between Innovative Behaviour and Employee Retention	79	<.001	0.621	H9: Accepted

Idealized influences on employee retention among gen Z have a relationship ( $r=0.487$ ,  $p<0.05$ ). The direction of this relationship is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for idealized influence on employee retention among gen Z of star class hotels in Malaysia.

Inspirational influence on employee retention among gen Z has a relationship ( $r=0.553$ ,  $p<0.05$ ). However, the direction of this relationship is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for inspirational influence on employee retention among gen Z of star class hotels in Malaysia.

Intellectual stimulation on employee retention among gen Z has a relationship ( $r=0.649$ ,  $p<0.5$ ). The direction of this relationship is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for intellectual stimulation on employee retention among gen Z of star class hotels in Malaysia.

Individualized considerations on employee retention among gen Z have a relationship ( $r=0.644$ ,  $p<0.05$ ). The direction of this relationship is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for individualized consideration on employee retention among gen Z of star class hotels in Malaysia.

Idealized influence on innovative behaviour among gen Z has a relationship ( $r=0.464$ ,  $p<0.05$ ). However, the direction of this relationship is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for individualized influence on innovative behaviour among gen Z of star class hotels in Malaysia.

Inspirational motivation on innovative behaviour among gen Z have a relationship ( $r=0.532$ ,  $p<0.05$ ). The direction of this hypothesis is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for individualized influence on innovative behaviour among gen Z of star class hotels in Malaysia.

Intellectual stimulation on innovative behaviour among gen Z has a relationship ( $r=0.623$ ,  $p<0.05$ ). The direction of this hypothesis is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for intellectual stimulation on innovative behaviour among gen Z of star class hotels in Malaysia.

Individualized consideration on innovative behaviour among gen Z has a relationship ( $r=0.533$ ,  $p<0.05$ ). The direction of this hypothesis is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for individualized consideration on innovative behaviour among gen Z of star class hotels in Malaysia.

Innovative behaviour on employee retention among gen Z have a moderate relationship ( $r=0.621$ ,  $p<0.05$ ). The direction of this hypothesis is positive, and it shows that the variables increase together. Therefore, the hypothesis is true for innovative behaviour on employee retention among gen Z of star class hotels in Malaysia.

## **Conclusion**

### **Discussion of Findings**

The aim of this study is to investigate the impact of leadership on employee retention among generation Z of star class hotels industry in Malaysia. This study adopts the majority from Ohunakin (2019) and Pieterse (2010). Although the premise of the study was similar to the adapted study, the findings are more focused on Gen Z individuals in the Malaysian hospitality industry. Furthermore, this

study is conceptualized with each of the four dimensions of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) on Gen Z's innovation behaviour and employee retention.

This study was conducted in Malaysia, as previously mentioned and collected results showed that the majority of respondents state that leadership does impact employee retention; the first hypothesis was that idealized influence of leaders would have an influence on employee retention among gen Z in star class hotels industry in Malaysia, from the results it shows that the relationship is positive in this finding and relates to a study conducted by Kelly (2018) on the examination of mediating effect of job satisfaction in predictive relation between transformational leadership and turnover intention in the united states service industry also showed that idealized influence have also been found to motivate and inspire to in turn increase performance and commitment in their organization's goal thus increasing employee retention.

Next is the inspirational, motivational influence on employee retention among gen Z of star class hotel industry in Malaysia. Motivation is a crucial factor, especially in the hotel industry, as it stimulates energy for an employee to continue committing to the task and their jobs (Mansor, 2017). Pearson's correlation of 0.553 thus shows a positive relationship in this hypothesis, thus stating that a leader's inspirational motivation does play a role in employee retention. This is supported by Hauer, Quan, & Liang (2021) on their study in leadership as an influencing factor in employee retention; the basis of their study is situated in east Asian multinational corporations in the digital age, which can also apply to the current hospitality industry due to the premises being similar, from their results it is also shown that inspirational motivation which is categorized under transformative leadership also plays a role in employee retention in companies.

The intellectual stimulation on employees from their leaders will influence employee retention in gen Z working in star class hotel industry in Malaysia. The results show that Pearson's correlation coefficient is 0.649, which indicates a moderate relationship between the two variables. This is similar to a study conducted by Von, Lo, Ngui & Ayob (2011) in which they conducted a study of similar degree but in public sector organizations in Malaysia; their results also show a Pearson correlation coefficient of 0.616, which is similar to the results concluded from this study.

The next finding is that the individualized consideration on employee retention has positively influenced employee retention with a 0.644, which indicates a moderate relationship between the two variables. A study done by Kwon can also support this. (2019) states that managers' individualized consideration shows a positive perception of employees' working environment and job satisfaction when supervisors display supportive and developmental leadership.

In addition, as discussed in the previous chapters, all the findings through the four dimensions of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) on Gen Z's and employee retention has had a positive relationship at a moderate, summarizing that transformational leadership can have an indirect impact on turnover intention among Gen Z's. Furthermore, according to a study by Younas. (2020) states that coaching, mentoring, and motivational practices are important components to managing talents. For retention, thus it is recommended for a transformational leadership approach when supervising Gen Z's as it covers these talent management dynamics from the perspective of Gen Z's.

Moreover, the finding of the relationship between all the four dimensions of transformational leadership and innovation behaviour has had a positive relationship through their results also shown a Pearson correlation. This provides evidence that a leader practising and exhibiting transformational leadership will be more proficient in generating new ideas and innovation behaviour (Reuvers., 2008). Among the dimensions of transformational leadership, Intellectual stimulation on innovative behaviour among gen Z have a significant relationship had the most significant relationship with Pearson correlation

coefficient of 0.623, and This provides evidence that the increased levels of intellectual stimulations done by leaders are likely to improve the innovation behaviour and the exploratory thinking of Gen Z's (Zhu, 2015). Hurley and Hult also support it. (1998) states that participation in decision-making and learning and development are two main contributors to innovation behaviour. These findings reveal that a supportive organisational culture impacts employee retention and innovation behaviour among Gen Z in the hotel industry. Finally, the results show a positive relationship between innovation behaviour and employee retention with a Pearson correlation coefficient of 0.621, as discussed in the previous chapter.

### **Implications of Findings**

The findings suggest that transformational leadership and innovation behaviour dimensions positively impact the turnover intentions and retention of a Gen Z employee in the hotel industry. In addition, the study revealed that individualized consideration had the highest impact on the participants for their retention within a hotel. Thus, managers should implement an idea of contingent reward so both the employee and the supervisor will want to participate and try to achieve these set goals. Moreover, this would also mean the employee will be interested in receiving performance, mentoring and individual support. And the supervisors will be willing to assist them for better performance (Yang & Konrad, 2011).

The positive relationship between the four dimensions of transformational leaders, innovation behaviour, and employee retention has been established. It will reduce the turnover intention and address the current problem within the hotel industry in Malaysia. Firstly, this outcome suggests that the transformational leadership style should be adopted and practised at all levels, especially in the supervision of newly entering Gen Z employees, as it could improve commitment, inspire and give them a sense of vision. Secondly, the supportive climate displayed by managers will meet the intrinsic need of Gen Z in career growth. It will encourage them to solve problems, innovation, and satisfaction at the workplace. In especially developing countries like Malaysia, where the hotel sector contributes a large portion to the country's GDP, it is vital to encourage and embrace leadership styles that either consciously or unconsciously support employee development for the future sustenance and the growth of the hotel sector.

Moreover, the finding shows that Gen Z's are motivated to progress in self-development. Thus, hotel managers can promote involvement programs across the Hotel (Yang & Konrad, 2011). This can be implemented by letting departments or employees work in teams to make day-to-day operational decisions and implement customer service. These will allow a medium for Gen Z's employees to grow, learn and experience workplace problem-solving. The supervisor can provide feedback and guidance in these situations, thus promoting intellectual stimulation and innovation. This would also give a sense of reassurance for the Gen Z employees that they are progressing within the Hotel (Cleavenger and Munyon, 2013).

Furthermore, Cleavenger and Munyon (2013) state that leaders can be transformational simply by sharing their experiences and talking about Work-related experiences and the Nature of Work. Therefore, leaders can share their past work experiences and coach Gen Z's employees to build up a bond and level of trust. To create an idealized influence over them.

### **Limitation and Recommendation**

There were few limitations faced in this study that need to be acknowledged, firstly due to the time constraint, the collected data were limited to 178 respondents to complete the questionnaire. Next research focused only on star hotels in Malaysia, thus, it may have affected the research findings and research topic can be examined from a border perspective. Another recommendation would be to have a larger sample size focusing on different demographic factors that can influence the perception of Gen Z.

Therefore, researchers can provide additional understanding of how the representative demographics have different views on leadership styles. Moreover, researchers can conduct qualitative research to have an in-depth psychological standpoint regarding employees believe of leadership styles.

### **Conclusion**

In conclusion, the correct research exposed the leadership effect on employee retention and innovative behaviour among Gen Z employees. Transformational leadership, which includes inspirational motivation, intellectual stimulation, and individualized consideration, will impact innovative behaviour and employee retention. Leaders should build a healthy work environment where gen z can comfortably show their talents and positively impact the company. With leaders building competencies both individually and at an organizational level, employees' performance will be pushed to a greater standard, bringing the company to greater heights. Effective leadership helps to ensure a higher employee retention rate among gen z of star class hotels industry in Malaysia. Besides, adequate leadership ensures better workplace performance that benefits both individuals and organizations. Lastly, effective leadership also increases employee loyalty, leading to employee retention as they are happy with their workplace environment. This will subsequently increase employee productivity which will result in increased revenue.

### **Acknowledgment**

We would like to give our appreciation and warmest thanks to our supervisor Dr Kamelia Chaichi who made this study possible. Her advice and guidance throughout this study was vital to carry us through all the stages of writing this project. Thank you for your time and commitment in us. Lastly but not least, I would like to thank all my fellow research members for being able give their continuous support and hard work in the writing and the completion of this study.

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