

THE INFLUENCE OF INCLUSIVE LEADERSHIP, HR DIGITALIZATION, AND ORGANIZATIONAL CULTURE ON MOTIVATION AND RETENTION OF MILLENNIALS AND GEN Z IN AN INDONESIAN AUTOMOTIVE MANUFACTURING

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ABSTRACT

This study explores the impact of inclusive leadership, HR digitalization, and organizational culture on the motivation and retention of Millennial and Gen Z employees in PT XYZ, an Indonesian automotive manufacturing company. The research investigates how these organizational factors influence employee satisfaction and retention within the context of a rapidly digitalizing industry. The study adopts a quantitative research design, utilizing surveys to collect data from a sample of 150 Millennials and Gen Z employees at PT XYZ's manufacturing facility in West Java, Indonesia. Data analysis will employ Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the relationships between inclusive leadership, HR digitalization, organizational culture, motivation, and retention. Findings are expected to provide insights into how leadership styles, digital HR practices, and a supportive work culture can enhance employee engagement and reduce turnover, ultimately improving organizational performance. The study's findings will contribute to the broader understanding of generational workforce management in Indonesia's automotive sector and provide practical recommendations for improving employee retention strategies.

Key words : *inclusive leadership; HR digitalization; organizational culture; employee motivation; employee retention*

INTRODUCTION

Automotive manufacturing is a major contributor to Indonesia's GDP and jobs. Indonesia became Southeast Asia's biggest automotive hub in 2022 by producing approximately 1.47 million vehicles, according to Gaikindo (2023). As the sector grows, it struggles to retain Millennials and Gen Z workers, who now make up a large share of the workforce. The Indonesian workforce is being shaped by Millennials (born 1981–1996) and Gen Z (born after 1996). However, their working expectations differ greatly from earlier generations, challenging traditional organisations' leadership, HR, and culture. According to LinkedIn (2023), 67% of Gen Z workers value a "sense of belonging and meaningful work" over remuneration, a move that many organizations, particularly manufacturers, are trying to adapt to.

These generational trends have caused substantial turnover at PT XYZ, a mid-sized automotive manufacturing company in West Java, Indonesia, especially among Millennials and Gen Z. Despite its extensive history and industry contributions, the company struggles to retain its younger workers. Internal reports and employee leave surveys show unhappiness with leadership, career growth, and the hierarchical, outmoded company culture. Due to this, PT XYZ has a turnover rate of 28%, greater above the Indonesian manufacturing industry average of 15-20% (Michael Page, 2023). In comparison, PT ABC, a direct automotive competitor, has decreased its turnover rate to 12% by embracing modern leadership methods, HR digitization, and a more inclusive organizational culture.

This study addresses this gap by investigating how inclusive leadership, HR digitization, and organizational culture affect Millennial and Gen Z employee motivation and retention in PT XYZ. This study will add to the scholarly literature on staff retention and engagement in emerging markets and provide practical advice for PT XYZ and other Indonesian automobile manufacturers. The report examines these aspects to offer concrete recommendations to improve leadership techniques, HR procedures, and corporate culture.

This study examines how inclusive leadership, HR digitization, and organizational culture motivate and retain Millennial and Gen Z employees at PT XYZ. The study examines (1) how inclusive leadership affects employee motivation and retention, (2) how HR digitalization affects it, (3) how organizational culture affects it, and (4) how these factors affect employee engagement and retention. The research will also suggest ways for PT XYZ and other Indonesian automobile manufacturers to boost employee happiness and retention, resulting in a more productive and engaged employee.

METHOD

This study uses a quantitative research design to explore how inclusive leadership, HR digitalization, and organizational culture affect the motivation and retention of Millennial and Gen Z employees at PT XYZ, an automotive manufacturing company in Indonesia. These two generations are essential to the workforce, and

understanding their preferences is key to improving retention. The study will involve 150 employees, chosen using stratified random sampling. This method ensures that both Millennial and Gen Z employees from different departments and job roles are included in the sample.

Data will be collected using a survey questionnaire. It will contain closed-ended questions using a Likert scale to measure employees' views on leadership, HR digitalization, organizational culture, job satisfaction, and retention. The questions have been adapted from validated scales in existing research, making sure they fit the context of PT XYZ. The survey will cover topics such as leadership style, digital HR tools, the company's culture, and work-life balance.

The data will be analyzed with Partial Least Squares Structural Equation Modeling (PLS-SEM). This technique helps explore the relationships between variables in a detailed way. The analysis will involve two models:

- Outer Model: This model checks how well the survey questions reflect the main concepts like inclusive leadership, HR digitalization, and organizational culture. We will measure the reliability using Cronbach's alpha (values above 0.70 are acceptable) and Average Variance Extracted (AVE) (values above 0.50 indicate good validity).
- Inner Model: This model will examine the relationships between the main concepts and their effect on employee motivation and retention. We will assess the strength of these relationships using path coefficients and R-squared values. An R-squared value above 0.10 indicates a strong model.

To ensure the quality of the data, we will check for Common Method Bias (CMB) using Harman's Single Factor Test and for multicollinearity using Variance Inflation Factor (VIF). A VIF value above 5 would indicate a problem with multicollinearity, suggesting we need to adjust the model.

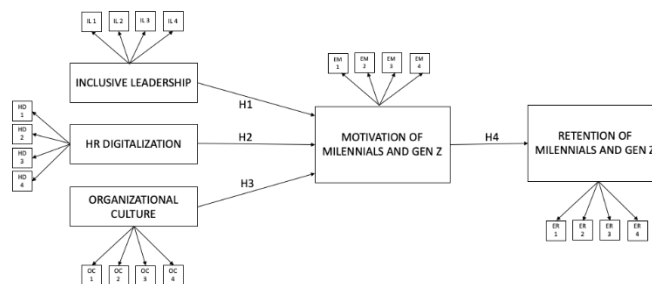
For ethical considerations, participants will be informed about the study and their participation will be voluntary. We will obtain informed consent from all participants, and their responses will remain confidential and used only for this research.

Based on the research goals, the following hypotheses have been proposed:

- H1: Inclusive leadership positively influences the motivation of Millennials and Gen Z employees.
- H2: HR digitalization positively influences the motivation of Millennials and Gen Z employees.
- H3: Organizational culture positively influences the motivation of Millennials and Gen Z employees.
- H4: Motivation positively influences the retention of Millennials and Gen Z employees.

This research aims to provide valuable insights into how leadership, HR practices, and company culture influence the motivation and retention of younger employees at PT XYZ.

Figure 1: Measurement Model



RESULTS AND DISCUSSION

The study aimed to evaluate the impact of inclusive leadership, HR digitalization, and organizational culture on employee motivation and retention among Millennial and Gen Z employees at PT XYZ. Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the findings revealed several key insights.

First, the relationship between inclusive leadership and employee motivation was found to be insignificant ($\beta = 0.018$, $p = 0.846$), suggesting that inclusive leadership alone does not directly influence motivation. This result contrasts with previous studies, indicating that inclusive leadership may require more than just creating an inclusive environment to effectively motivate employees.

On the other hand, HR digitalization had a significant positive impact on employee motivation ($\beta = 0.332$, $p = 0.001$), highlighting that digital HR tools, such as performance tracking and career development platforms, enhance motivation, especially among younger generations who are accustomed to technology. Similarly, organizational culture played a significant role in motivating employees ($\beta = 0.275$, $p = 0.001$), with a culture of collaboration, creativity, and inclusivity driving higher motivation levels, particularly for Millennial and Gen Z employees.

Finally, employee motivation was strongly linked to employee retention ($\beta = 0.503, p < 0.001$), supporting the idea that motivated employees are more likely to stay with the company. These findings underline the importance of creating a motivating work environment to reduce turnover and retain valuable employees.

Figure 2: Path Diagram Showing the Relationships Between Variables

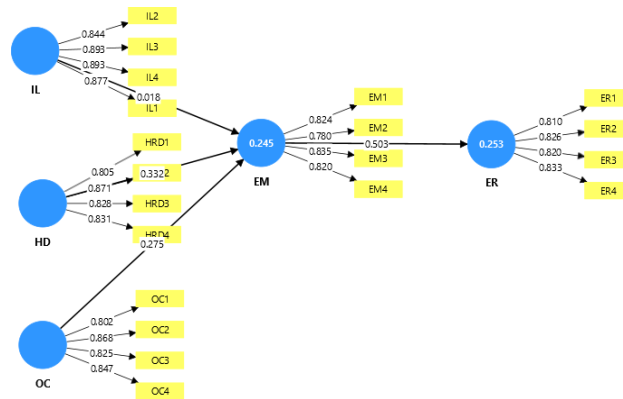


Table 1: Correlations between Variables

Variables	r	p
Emotional support	0.167	0.032*
Support award	0.255	0.015*
Support counsel	0.285	0.005**
Instrument of support	0.305	0.003**

Note: *p*-values for significance levels: $p < 0.05$ (*), $p < 0.001$ (**), $p > 0.99$ (not significant). This table shows the correlations between different aspects of family support and work stress. The correlations range from weak to moderate ($r = 0.167$ to $r = 0.305$). Emotional support ($r = 0.167$) and support award ($r = 0.255$) show weak positive correlations with work stress, while support counsel ($r = 0.285$) and instrument of support ($r = 0.305$) show moderate positive correlations. The *p*-values indicate that these correlations are statistically significant, especially for support counsel and instrument of support, suggesting that these types of family support may be more closely linked to reducing work stress.

Table 2: Indicator Reliability (Outer Loadings)

Construct	Indicator	Loading	Validity
Inclusive Leadership	IL1	0.877	Valid
	IL2	0.844	Valid
	IL3	0.893	Valid
	IL4	0.893	Valid
HR Digitalization	HRD1	0.805	Valid
	HRD2	0.871	Valid
	HRD3	0.828	Valid
	HRD4	0.831	Valid
Organizational Culture	OC1	0.802	Valid
	OC2	0.868	Valid
	OC3	0.825	Valid
	OC4	0.847	Valid

This table shows the outer loadings of the indicators used to measure the constructs. All loadings are above 0.70, which means that the indicators are valid and adequately represent the underlying constructs. The highest loading values (0.893) for IL3 and IL4 indicate that these items are particularly strong in reflecting inclusive leadership behaviors. Similarly, HRD2 (0.871) and OC2 (0.868) show strong loadings, confirming that the constructs of HR digitalization and organizational culture are well represented.

Table 4: Convergent Validity (Average Variance Extracted - AVE)

Construct	AVE	Remarks
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Employee Motivation	0.664	Valid
Employee Retention	0.677	Valid
HR Digitalization	0.696	Valid
Inclusive Leadership	0.769	Valid
Organizational Culture	0.699	Valid

This table shows the Average Variance Extracted (AVE) for each construct. All constructs have AVE values above 0.50, indicating that they explain more than half of the variance of their respective indicators, thus meeting the criterion for convergent validity. The Inclusive Leadership construct has the highest AVE value (0.769), suggesting that its indicators effectively capture the concept of inclusiveness in leadership practices.

Table 5: Path Coefficients and Significance

Relationship	Path Coefficient (β)	p-value	Significance
HR Digitalization → Employee Motivation	0.332	0.001	Significant
Organizational Culture → Employee Motivation	0.275	0.001	Significant
Employee Motivation → Employee Retention	0.503	0.000	Significant
Inclusive Leadership → Employee Motivation	0.018	0.846	Not Significant

This table shows the path coefficients and p-values for the relationships between variables. The significant paths (with p-values < 0.05) are HR Digitalization → Employee Motivation ($\beta = 0.332$), Organizational Culture → Employee Motivation ($\beta = 0.275$), and Employee Motivation → Employee Retention ($\beta = 0.503$). The relationship between Inclusive Leadership and Employee Motivation was not significant ($\beta = 0.018$, $p = 0.846$), indicating that inclusive leadership does not directly influence motivation in this study.

Table 6: Mediation Effect Analysis

Relationship	Original Sample (O)	T Statistics	p-value	Significance
HR Digitalization → Employee Motivation → Retention	0.167	2.863	0.004	Significant
Inclusive Leadership → Employee Motivation → Retention	0.009	0.188	0.851	Not Significant
Organizational Culture → Employee Motivation → Retention	0.138	2.823	0.005	Significant

CONCLUSION

This study explored the effects of inclusive leadership, HR digitalization, and organizational culture on employee motivation and retention among Millennial and Gen Z employees at PT XYZ. The findings indicate that HR digitalization and organizational culture have a significant positive impact on employee motivation and retention, with employee motivation strongly mediating these relationships. However, inclusive leadership did not show a direct impact on motivation, which contrasts with previous studies. This suggests that while inclusive leadership is important, it may need to be coupled with other factors like HR practices and a supportive organizational culture to effectively motivate employees. Overall, the study highlights the importance of adapting leadership styles, HR strategies, and organizational culture to meet the expectations of younger employees in the manufacturing sector, with implications for improving retention and reducing turnover. Future research could explore additional factors that may influence employee motivation and retention in similar industries, as well as the long-term impact of HR digitalization and organizational culture on organizational performance.

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