The Effect of Leadership Style on Employee Retention at Ayodya Resort Bali with Non-Physical Work Environment as Moderating Variable

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ABSTRACT

This study aims to analyze the effect of leadership style, work environment on employee retention with non-physical work environment as a moderating variable. The research design used is associative. The research was conducted at Ayodya Resort Bali. The population of this study was 501 employees with 84 employees as samples. The sample selection technique is proportional stratified. The data collection method used is Observation, Interview, Questionnaire and analyzed by Moderated Regression Analysis (MRA). The results show that leadership style has a positive and significant effect on employee retention, the better the leadership style applied by the company, the employee's desire to remain in the company will also increase. The non-physical work environment strengthens the influence of leadership style on employee retention, the better the leadership style supported by a good non-physical work environment, the employee's desire to remain in the company will increase. Companies must always pay attention to the relationship between employees and the relationship between employees and superiors so that they continue to run well and harmoniously.

Keywords: Employee Retention, leadership style, Non-physical work environment.

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I. INTRODUCTION

According to the TripAdvisor Traveler's Choice Award (2021), Bali is the number one tourist destination in the world. The progress of tourism in Bali will certainly never be separated from accommodation, because this accommodation service is one of the attractions for tourists to enjoy their vacation. Competition between accommodations is common, and employee professionalism is the main thing in winning the competition.

Companies that win the competition are companies that have skilled, professional, and loyal employees. However, not all accommodation companies can retain their employees (Fahim, 2019). Every employee in the organization certainly has different wants, needs and goals, for that they need to be nurtured so that their respective goals can be integrated with the company's goals (Yuniarti & Suprianto, 2020). The causative factor can be due to individual factors but can also be due to the influence of the work environment and leadership style of the company. Due to the intense competition between accommodations, of course the quality of employees will continue to be improved by superiors, and often the leadership style and work environment will affect employee retention.

Employee retention is a process in which employees are encouraged to remain in the company until the end of the period (Adzka & Perdhana, 2017). Employee retention has the aim of maintaining and or improving the physical, mental

and attitude of employees (Nantsupawat, 2017), so that they remain loyal and work productively to support the achievement of the goals of a company (Aprilia & Mukti, 2018). Employee retention is a policy and practice that organizations use to keep valuable employees out of their jobs (Disa & Djastuti, 2019).

The company is obliged to retain the most valuable, resilient, efficient, and productive employees for the competition. employee retention is a set of activities and processes to maintain high-performing and high-potential employees so that they always contribute according to the standards expected by the organization. Therefore, retaining skilled employees is important for the company to maintain the service quality of the company (Purnamasari & Netra, 2020). As happened in Ayodya Resort Bali, which has a high employee retention. Ayodya Resort Bali's employee retention rate from 2016 to 2021 has a downward trend, influenced by the Covid-19 pandemic situation. It is known that the lowest retention rate is in 2020, which is 75 percent.

Leadership plays an important role in company management (Saiyed, 2019). Leadership is needed by humans because of certain limitations in humans. This is where the need to be led and lead arises (Kia *et al.*, 2019). Leadership is defined in terms of individual characteristics, habits, ways of influencing others, interactions, position in the organization and perceptions of legitimate influence (Aboramadan & Dahleez, 2020). This situation illustrates that leadership is very necessary, if an organization or company has differences

with others, it can be seen from the extent to which its leaders can work effectively (Pawirosumarto *et al.*, 2017). Leadership style can maximize productivity, job satisfaction, and easily adapt to all situations (Saputra & Danim, 2019).

The leadership style applied in Ayodya Resort Bali is a democratic leadership style when the role of all parties is needed and will apply an autocratic leadership style when important matters are the authority and policy of management and the company. Management support and leadership are one of the factors that affect employee retention (Kossivi *et al.*, 2016). Leadership style had a significant positive effect on employee retention (Khalid *et al.*, 2016). Leadership style has a significant effect on employee retention at Zenith bank, Nigeria and the Nigerian banking sector in general (Favour, 2016).

Employee retention rates are also influenced by the work environment (Kundu & Lata, 2017). The work environment is everything outside the organization that has the potential to affect employees at work and ultimately affect organizational performance (Yusliza *et al.*, 2021). The work environment is divided into a physical work environment and a non-physical work environment. The physical work environment is all physical conditions that exist around the workplace that can affect employees (Bibi *et al.*, 2018). Meanwhile, the non-physical work environment is all conditions that occur related to work relationships, both with superiors and coworkers, or subordinates (Lyons & Bandura, 2020). Organizations that are able to provide a non-physical work environment that is in accordance with the level of privacy and voice control of employees, have a very good opportunity to retain employees in the organization (Agarwal, 2016).

Several studies have shown that the work environment is able to moderate or strengthen the influence of leadership style on employee retention. The work environment has a positive and significant effect on employee retention and the physical work environment partially has a positive effect on turnover intention. Turnover intention is closely related to employee retention because high turnover intention results in low employee retention (Worang & Mujiati, 2020). In contrast, Ruby (2017) found that the work environment had a positive but not significant effect on employee retention (Ruby, 2017).

II. LITERATURE REVIEW

Management support and leadership are one of the factors that affect employee retention (Kossivi *et al.*, 2016). Leadership style can maximize productivity, job satisfaction, and easily adapt to all situations (Saputra & Danim, 2019). This situation illustrates that leadership is needed if an organization or companies have differences with others can be seen from the extent to which the leaders can work effectively. There is a significant positive influence of leadership style on employee retention in research in Pakistani banking, this study has shown a very complete study, which proves that there is indeed a significant positive effect on leadership style on retention. Employee (Khalid *et al.*, 2016). Leadership style has a significant effect on employee retention at Zenith bank, Nigeria and the Nigerian banking sector in general (Favour, 2016). There is a significant relationship between leadership and employee

retention in Tanzanian commercial banks (Mwita & Tefurukwa, 2018). Based on the empirical evidence from the studies used, the following hypothesis can be made which is the formulation of the hypothesis:

H1: Leadership style has a significant effect on employee retention.

Organizations that are able to provide a work environment that is in accordance with the level of privacy and voice control of employees, have a very good opportunity to retain employees in the organization (Agarwal, 2016). The work environment has a positive and significant effect on employee retention at primary school level non-permanent teachers in Adimulyo district, the results of the study used are the approach of the non-physical work environment relationship as a moderator of employee retention (Irianto, 2018). The non-physical work environment partially has a significant positive effect on turnover intention (Worang & Mujiati, 2020). Turnover intention is very closely related to employee retention, high turnover intention results in low employee retention, this study is used as an approach to employee retention in terms of turnover intention and can be used as a support for the moderating hypothesis. The influence of the work environment on turnover intention is significantly positive, this research is used to support the non-physical work environment as a moderator of retention, as turnover is closely related to employee retention and can be used simultaneously (Marezza, 2016). Based on the empirical evidence from the studies used, the following hypothesis can be made which is the formulation of the hypothesis:

H2: Work environment moderates the effect of leadership style on employee retention.

Fig. 1. Conceptual Framework.

III. METHODOLOGY

The research design used in this study is associative. The research location was conducted at Ayodya Resort Bali. The object of this research is leadership style, non-physical work environment, and employee retention, permanent employees at Ayodya Resort Bali.

The population in this study is 501 permanent employees who work at Ayodya Resort Bali starting in 2021 in April. The sample used in this study were 84 permanent employees of Ayodya Resort Bali. The number of samples obtained from the Slovin formula. The sample selection technique is proportional stratified. The data collection methods used in this study were observation, interviews, and questionnaires. The data measurement scale used in this study is the Likert scale. The analytical test used in this research is Moderated Regression Analysis (MRA).

IV. RESULTS

MRA is a special application of multiple linear regression, where the regression equation contains elements of interaction (multiplication of two or more independent variables). The regression coefficient analysis test will use the Moderated Regression Analysis (MRA) test. The results of the moderated regression analysis in this study are as follows.

TABLE I: MODERATED REGRESSION ANALYSIS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-10.275	4.745		-2.166	0.033
Leadership Style	0.574	0.215	0.796	2.666	0.009
Work environment	0.879	0.297	0.835	2.958	0.004
X.M	0.116	0.012	0.676	2.304	0.016
R Square: .717					
F. sig: .000					

The value of the coefficient of determination or R Square is 0.717. This value can be interpreted that 71.7 percent of leadership style affects employee retention where the non-physical work environment is a moderator, while 28.3 percent is influenced by other variables. test results sig. F of 0.000 which is smaller than alpha 0.05 ($0.000 < 0.05$). This shows that the leadership style and work environment have a simultaneous or joint effect on employee retention.

A. Leadership Style on Employee Retention

The value of the influence of leadership style (X) on employee retention (Y) is 0.574 with a sig.t value comparison of 0.009 less than the significant value used ($0.001 < 0.05$). This figure shows that leadership style has a positive and significant effect on employee retention. This means that the better the leadership style applied by the company, the employee's desire to remain in the company will also increase. Conversely, the worse the leadership style applied by the company, the employee's desire to remain in the company will decrease. Previous research has proven that leadership style has an effect on employee retention. Management support and leadership are one of the factors that affect employee retention (Kossivi *et al.*, 2016). Leadership style can maximize productivity, job satisfaction, and easily adapt to all situations (Saputra & Danim, 2019). These results also support previous research (Khalid *et al.*, 2016; Favour, 2016; Mwita & Tefurukwa, 2018) which states that the leadership style variable has a positive and significant effect on employee retention.

B. Non-physical Work Environment Moderates Leadership Style on Employee Retention

Based on the results of the analysis, it can be seen that the significant value for the leadership style variable with a non-physical work environment as moderating is 0.016 less than 0.05 ($0.016 < 0.05$) so that the hypothesis is accepted, in other words, the non-physical work environment strengthens the influence of leadership style on employee retention. This means that the better the leadership style supported by a good non-physical work environment, the employee's desire to remain in the company will also increase, on the contrary the worse the leadership style that is applied and not supported by a good non-physical work environment then the desire of employees to remain in the company will also decrease.

Previous research has proven that the non-physical work environment strengthens the influence of leadership style on employee retention. Organizations that are able to provide a work environment that is in accordance with the level of privacy and voice control of employees, have a very good opportunity to retain employees in the organization (Agarwal, 2016). These results also support previous research which state that the work environment is able to moderate the influence of leadership style on employee retention (Worang & Mujiati, 2020; Irianto, 2018; Marezza, 2016).

C. Implication

This study has been able to explain the theoretical model used as the basis for formulating the hypothesis, namely the influence of leadership style on employee retention with a non-physical work environment as a moderating variable. The results of the theoretical model explain that the factors that influence consumer employee retention are the application of leadership styles and are reinforced by a good non-physical work environment. This research raises practical implications for Ayodya Resort Bali and other companies so that they can use this research as input for learning references.

D. Research Limitations

This research has been proposed and carried out according to scientific procedures. However, there are still limitations in this study where the number of respondents is only 84 people and only discusses the behavior of Ayodya Resort Bali employees so that the results of this study cannot be generalized to other companies. There are many other variables that can affect employee retention outside the model described in this study.

V. CONCLUSION

Leadership style has a positive and significant effect on employee retention. This means that the better the leadership style applied by the company, the employee's desire to remain in the company will also increase. The non-physical work environment strengthens the influence of leadership style on employee retention. This means that the better the leadership style supported by a good non-physical work environment, the employee's desire to remain in the company will also increase.

Based on the results of the research, leadership style has a significant positive effect on employee retention, therefore, to improve and maintain employee retention, Ayodya Resort Bali superiors should pay attention to the leadership style that will be applied when dealing with employees, including distinguishing situations where and when to use leadership style. democratic and when to use an autocratic leadership style. In addition, employees will feel happy if their leaders provide opportunities for opinion in decision making, are able to motivate employees, communicate well with employees, have a sense of responsibility towards employees, and are able to control their emotions when carrying out tasks.

Employee retention can also be strengthened by a good non-physical work environment. Therefore, Ayodya Resort Bali should always pay attention to the relationship between employees and the relationship between employees and

superiors so that it continues to run well and harmoniously.

VI. FUTURE RESEARCH

For the next researcher, it is necessary to consider examining other variables, factors, and indicators outside of leadership style and non-physical work environment to determine the effect of employee retention. Such as internal communication variables, work stress, incentives, and others.

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