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Generation Z Turnover Intention, Servant Leadership, And Innovative Culture: Evidence From FMCG

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Abstract

Preventing Gen Z employees from leaving has become a serious issue for companies in Indonesia, especially those undergoing a leadership transition from one generation to the next. This study set out to examine how servant leadership and innovative culture relate to turnover intention among Generation Z employees at PT. Reski Laifasto Branch Raha, an FMCG distribution company in Muna Regency, Southeast Sulawesi, which is currently transitioning from its founding management to a second generation. Previous studies on these topics have generally addressed servant leadership and innovative culture separately and within a broader urban context—leaving regional companies undergoing leadership transitions with a weaker empirical foundation; this study aims to address that gap. Data were collected from all 50 Generation Z employees using structured questionnaires and analyzed through PLS-SEM in SmartPLS 4. Outer model testing confirmed valid and reliable constructs (AVE > 0.50; CR > 0.90). Servant leadership was found to reduce turnover intention (β = −0.384, t = 3.170, p = 0.002), and innovative culture showed a stronger pull in the same direction (β = −0.429, t = 3.236, p = 0.001). Together the two variables accounted for 56.7% of the variance in turnover intention (R^2 = 0.567, F = 17.141, p = 0.000), highlights effective retention strategies for Gen Z employees during times of organizational transition.

Keywords:Servant Leadership, Innovative Culture, Turnover Intention, Generation Z

INTRODUCTION

Rapid changes in the business world—including technology, competition, and the composition of the workforce—have made Generation Z (those born between 1995 and 2010) a key focus for various organizations. This group is increasingly dominating the labor market and brings distinct characteristics, preference for workplace flexibility,

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openness to innovation, and high expectations for supportive work environments (Sunaryanto & Idrus, 2025). At the same time, many Indonesian companies are undergoing a transition from founder-led to second-generation management, which alters leadership styles, decision-making structures, and organizational culture in ways that may not align well with Gen Z expectations (Hidayatullah et al., 2025).

Turnover intention — the tendency of employees to voluntarily leave an organization — is one of the most critical human resource challenges of our time. Among Generation Z, this tendency is particularly pronounced: national data indicate that 69% of Gen Z workers in Indonesia plan to resign from their current jobs, with most intending to stay fewer than four years (GoodStats, 2024). High turnover disrupts operational continuity, raises recruitment costs, and signals unresolved organizational problems.

PT. Reski Laifasto Branch Raha, an FMCG distribution company operating in Muna Regency, Southeast Sulawesi, exemplifies these pressures. The company, now in its second decade of a generational leadership transition, has recorded a rising rate of employee resignations over the past two years — predominantly among its Generation Z workforce. Measures such as adjusting incentives have not fully resolved the issue, which suggests a deeper disconnect in terms of leadership and culture.

Two factors stand out as particularly relevant to this context. First, servant leadership — a people-centered leadership approach that prioritizes employee empowerment, emotional support, and individual development (Greenleaf, 1977) — has been shown to reduce turnover intention through mechanisms such as reduced job burnout (Augusta et al., 2025; Resga & Nurhasanah, 2025). Second, innovative culture — an organizational climate that values new ideas, creativity, and adaptability — has been linked to improved employee engagement and retention (Hidayatullah et al., 2025; Kuniawaty et al., 2025).

However, most previous studies have examined these constructs separately and primarily in large-scale urban organizations. No study has yet examined both servant leadership and an innovative culture simultaneously at a regional FMCG company undergoing a leadership transition to the second generation. This study fills that gap. Using PLS-SEM and data from 50 Generation Z employees at the Raha Branch of PT. Reski Laifasto, this study examines whether servant leadership and an innovative culture significantly reduce the intention to change jobs—as well as the extent to which this variance can be collectively explained by both factors.

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OBJECTIVES

This article intends

1. To examine the effect of servant leadership on Generation Z employee turnover intention.
2. To examine the effect of innovative culture on Generation Z employee turnover intention.
3. To provide empirical evidence from a regional FMCG company in leadership transition.
4. To offer practical recommendations for retaining Generation Z employees.

LITERATURE REVIEW

Servant Leadership and Turnover Intention

Servant leadership, first introduced by Greenleaf (1977), positions the leader as a servant who prioritizes the needs of employees over personal ambition. In contemporary management research, the dimensions of this leadership style include empathy, emotional support, empowerment, individual development, psychological safety, openness, ethical behavior, and instrumental support. Empirical evidence consistently shows a relationship between servant leadership and lower employee turnover rates. Augusta et al. (2025) demonstrated full mediation via job burnout, while Resga and Nurhasanah (2025) confirmed a significant negative direct effect in the banking sector.

Natasya and Abadiyah (2023) further found that servant leadership improved organizational climate and job satisfaction, both of which serve as buffers against turnover intention. However, Kristina and Sudibjo (2025) found no direct effect in a school setting, suggesting that context and mediation variables matter — adding theoretical reason to examine this relationship in a new organizational context.

Innovative Culture and Turnover Intention

Innovative culture refers to an organizational environment that encourages openness to new ideas, creative expression, autonomy, and experimentation (Hidayatullah et al., 2025). For Generation Z — a cohort driven by digital fluency, self-actualization, and creative engagement — an innovative workplace culture provides the psychological fit that promotes commitment and reduces departure intentions.

Kuniawaty et al. (2025) found that innovative culture significantly improved talent retention and employee engagement among millennial and Gen Z workers. Yuzalmi et al. (2023) demonstrated that organizational culture had a significant direct effect on turnover

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intention through job satisfaction. Mochammad Ksatria and Renny Husniaty (2025), however, found no indirect cultural effect through work-life balance, indicating that the direct pathway from culture to turnover intent deserves further examination.

Research Gap

The existing literature highlights two notable gaps: (1) servant leadership and innovative culture are rarely studied together as predictors of intention to change jobs; and (2) there has been no empirical research examining this combination in regional FMCG distribution companies in Indonesia that are undergoing intergenerational leadership transitions. This study addresses both of these gaps and aims to provide evidence-based recommendations specifically tailored to organizational transitions outside major urban centers.

RESEARCH METHOD

This study employs a quantitative causal research design to test the hypothesized causal relationship between servant leadership (X1) and innovative culture (X2) as independent variables, and intention to change jobs (Y) as the dependent variable.

The research location is the Raha Branch of PT. Reski Laifasto in Muna Regency, Southeast Sulawesi—selected because it is currently undergoing an intergenerational management transition and has experienced high employee turnover in recent years. Data collection took place in 2026.

The population comprised all 50 Generation Z employees (born 1995–2010) across the company's sales, logistics, and administrative divisions who had completed their initial orientation period. Given the small population size ($n < 100$), a saturated sampling (census) technique was applied, following Sugiyono (2019), making all 50 individuals both the population and the sample.

Data were collected via structured Likert-scale questionnaires (1 = Strongly Disagree to 5 = Strongly Agree), with 10 items per variable including reverse-scored items. Instruments were adapted from validated prior studies. Servant leadership items drew on dimensions of empathy, empowerment, psychological safety, openness, ethical behavior, and support. Innovative culture items covered idea support, recognition, change orientation, autonomy, experimentation, creativity climate, technology use, and implementation. Turnover intention items measured thinking of quitting, job search

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behavior, intention to leave, withdrawal attitude, opportunity-driven departure, and comparative thinking

Analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.1.0.2. PLS-SEM was chosen for its suitability with small samples and its capacity for predictive mapping without strict distributional assumptions (Hair et al., 2022). The outer model was evaluated via convergent validity (outer loading > 0.60; AVE > 0.50) and reliability (Cronbach's Alpha and Composite Reliability > 0.70). Discriminant validity was assessed using Fornell-Larcker criteria and HTMT ratios (< 0.90). The inner model was evaluated through R^2, Q^2, f^2, and VIF. Hypothesis testing used bootstrapping with *t-statistic* > 1.96 and *p-value* < 0.05 as significance thresholds

RESULTS

Descriptive Statistics

Of the 50 respondents, 60% were male and 40% female. The majority (84%) were aged 20–29 years (mean age ≈ 26 years). Most had 1–3 years of tenure (46%), followed by under one year (28%) and over three years (26%). Respondents were distributed across administration (32%), logistics (18%), sales (12%), and other divisions (38%).Mean scores indicate that servant leadership (X1) was perceived at a mo derately high level (M = 3.827), with psychological safety scoring highest (M = 4.034). Innovativel

Table 1. Outer Model: Validity and Reliability Results

Variable	Cronbach's α	CR (rho_a)	CR (rho_c)	AVE	Ket.
Innovative Culture	0.920	0.921	0.936	0.676	Valid
Servant Leadership	0.920	0.926	0.937	0.714	Valid
Turnover Intention	0.865	0.899	0.909	0.716	Valid

Source: SmartPLS 4.0, 2026

Outer loadings ranged from 0.662 to 0.915, all exceeding the minimum threshold of 0.50 (Hair et al., 2021). Discriminant validity was confirmed via Fornell-Larcker criteria

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(√AVE diagonal values > inter-construct correlations) and HTMT ratios (all < 0.90, range: 0.762–0.779). VIF values (2.051) were well below the multicollinearity threshold of 5.0.

Inner Model (Structural Model)

The inner model showed strong predictive performance: R^2 = 0.567 (moderate; Hair et al., 2021), Q^2 = 0.525 (strong predictive relevance), and f^2 values of 0.207 (X1→Y) and 0.166 (X2→Y), both in the medium range.

Hypothesis Testing

Table 2 presents the bootstrapping results for all three hypotheses.

Table 2. Hypothesis Testing Results (Bootstrapping)

H	Path	β	t-stat	p-value	Sig.	Decision
H1	Servant Leadership → Turnover Intention	−0.384	3.170	0.002	p < 0.05	Accepted
H2	Innovative Culture → Turnover Intention	−0.429	3.236	0.001	p < 0.05	Accepted
H3	X1 + X2 → Y (simultaneous)	R^2=0.422	F=17.141	0.000	p < 0.05	Accepted

Source: SmartPLS 4.0, 2026

H1 was supported: servant leadership negatively and significantly affected turnover intention (β = −0.384, t = 3.170, p = 0.002). H2 was supported: innovative culture negatively and significantly affected turnover intention (β = −0.429, t = 3.236, p = 0.001), with a slightly larger effect size. H3 was supported: the two variables jointly explained a

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significant and substantial portion of turnover intention variance (F = 17.141, p = 0.000, R^2 = 0.567).

DISCUSSION

The finding that servant leadership reduces Gen Z turnover intention (H1 accepted) aligns with Augusta et al. (2025) and Resga and Nurhasanah (2025), extending their results to a regional FMCG context. Servant leaders who provide psychological safety and support appear to be able to build sufficient relational commitment to prevent the desire to resign—even in companies undergoing disruptive leadership transitions. The fact that the servant leadership items with the lowest scores relate to consistency of attention (X1_9) and avoidance of command pressure (X1_10) suggests that newly appointed second-generation leaders have not yet fully internalized servant leadership behaviors, making these areas concrete targets for improvement.

The stronger effect of innovative culture (H2; β = −0.429 vs. −0.384) is theoretically meaningful. Generation Z employees — digital natives who value creative agency and meaningful work — are particularly responsive to organizational cultures that welcome new ideas and tolerate experimentation. The finding extends Kuniawaty et al. (2025) and Hidayatullah et al. (2025) to a non-urban, transitional FMCG company, demonstrating that the culture–retention relationship holds beyond metropolitan settings. The relatively low score on the experimentation support item (X2_5, M = 3.548) suggests that while the company has begun building an innovative climate, it has not yet normalized risk-taking — a gap that may be widened by the conservative legacy of first-generation management.

The combined R^2 value of 0.567 (H3 accepted) indicates that servant leadership and an innovative culture together explain 56.7% of the variance in turnover intention—a fairly robust model. The remaining 43.3% reflects the contribution of unmeasured factors, such as compensation, work-life balance, and career development opportunities (Wibowo et al., 2024), which should be included in future research. The finding that both predictors each yielded moderate effect sizes (f^2 = 0.207 and 0.166) reinforces that neither is sufficient on its own—a two-factor retention strategy is necessary.

CONCLUSION

This study shows that servant leadership (β = −0.384, p = 0.002) and an innovative culture (β = −0.429, p = 0.001) each significantly and negatively influence the intention to change jobs among Generation Z employees at the Raha Branch of PT. Reski Laifasto. Together, these two factors account for 56.7% of the variance in the intention to change

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jobs, confirming that a dual-strategy approach—combining people-centered leadership with a culture that supports innovation—is more effective than either factor alone.

For PT. Reski Laifasto and similar regional FMCG companies undergoing intergenerational leadership transitions, the practical implications are clear, second-generation leaders must actively cultivate servant leadership behaviors (particularly consistent attentiveness and participatory decision-making) while simultaneously establishing organizational norms that value experimentation and creative contributions. These two factors, working in tandem, appear to be key to maintaining Generation Z employees' commitment during periods of organizational uncertainty.

This study has limitations due to its single-site research design (n = 50) and cross-sectional data collection, which preclude causal conclusions and limit generalizability. Future research should test this model across various FMCG companies, incorporating mediating variables such as job satisfaction and com

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