

# **Investigating the Impact of Leadership Styles on Employee Loyalty and Turnover Intention at PT Bank XYZ, Indonesia**

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## **Abstract**

The Indonesian banking industry had the highest voluntary turnover rate in 2019. This might indicate a low level of employee loyalty in the Indonesian banking industry. Therefore, it was urgent for this research to investigate and explore the impact of leadership styles on employee loyalty and turnover intention in a bank in Indonesia. This research was conducted using a qualitative research method and the data were collected by conducting in-depth semi-structured interviews. Twelve employees and one senior human resource manager working at PT Bank XYZ were interviewed. Then thematic data analysis was used to analyze the data. The interview results indicated that leadership style had a strong impact on employee loyalty and turnover intention at PT Bank XYZ. Transformational and democratic leadership styles are the most suitable leadership styles to enhance employee loyalty and reduce turnover intentions of employees at PT Bank XYZ. Moreover, the interview results showed that there were eight main factors that were equally important that affected employee loyalty and turnover intention of PT Bank XYZ's employees, such as: work-life balance, passion for job, salaries, bonus and benefits, relationship with leader, relationships with team members, leader's appreciation and respect, career path, and personal developments. It can be concluded that leadership style was the most crucial factor that influenced employee loyalty and turnover intention. Meanwhile, transformational, and democratic leadership styles were the most suitable leadership styles to enhance employee loyalty and to reduce the turnover intention of PT Bank XYZ's employees.

## **Keywords**

Employee Loyalty, Leadership Styles, Turnover Intention.

## **1. Introduction**

The banking industry has a vital contributory role in boosting global economic and financial growth through its functions. The efficiency of the banking system is a key determinant of sustainable global economic growth (Ghosh 2017), while an effective banking industry is essential in assisting and facilitating economic growth (Jayakumar et al. 2018). Moreover, a study indicated that banking credits had a positive and significant impact toward economic growth and the economy of the country (Abusharbeh 2017). Meanwhile, economic growth is important to any country in that it leads to a reduction in poverty, a creation of workspaces for employment, improvement in public services and living standards for its people.

With an approximate population of 270 million, Indonesia has the largest economy in Southeast Asia and is ranked 15th largest in terms of global nominal GDP (World Bank 2019). Despite being one of the fastest growing world economies and largest contributor to the ASEAN GDP, Indonesia has a low financial account penetration compared with other ASEAN countries (49%); meanwhile Singapore has 98%, showing a huge gap in financial account penetration in 2017. The development of the financial services sector including the banking industry will raise the financial account penetration in ASEAN countries and will lead to higher economic growth of a country through the enhancement of income equality and aid in poverty reduction (Loo 2019). This demonstrates a need for substantial growth in the banking industry in Indonesia.

### **1.1 Challenges in Indonesian Banking Industry**

Indonesia's banking industry is required to improve the facilitation and provision of banking and financial services through reducing the number of unbanked citizens and to further boost Indonesia's economic growth. Despite this high need, Indonesia's banking industry faces a detrimental issue in its employee loyalty evidenced by a voluntary

turnover rate of 14%, whereas the national cross-industry voluntary turnover rate was capped at 7% in 2019. In 2018, the average cross-industry turnover rate stood at 8%, whereas the banking industry's voluntary rate stood at 12%, both showing a consistent negative trend in voluntary turnover rate (Mercer ASEAN 2019).

Low employee loyalty presents a huge cost for hiring and training new employees in organizations as it creates an unstable working environment for the employees that decreases performance since adjustments are needed to create connections between employees (Nasir and Islam 2017). A high turnover rate presents negative impacts to the organizations as it results in disruptions in operations, work team dynamics, and unit performance (Murali et al. 2017). Anjam and Ali (2016) states that there is a strong relationship between leadership style and employee loyalty. To reduce turnover rate, employees' loyalty could be improved through the adoption of an effective leadership style.

The issue of high employee turnover rate in Indonesia's banking industry presents a serious obstacle towards the economic development of Indonesia, as economic development can be slowed down by facilitation and service provision. High employee turnover rates are closely related to the leadership styles implemented in the organization (Puni et al. 2016). Hence, this research focuses on investigating the impact of leadership styles on employee loyalty and turnover intention in an Indonesian banking company, PT Bank XYZ. Therefore, the research questions for this study are: to what extent does leadership style impact employee loyalty and turnover intention at PT Bank XYZ? What leadership style is the most suitable to be adopted by leaders at PT Bank XYZ to enhance employee loyalty and to reduce turnover intention? What are the factors that affect employee loyalty and turnover intention at PT Bank XYZ?

## **1.2 Objectives**

Based on above explanation, the objectives of this research include exploring the impact of leadership style on employee loyalty and turnover intention at PT Bank XYZ; investigating the most suitable leadership style to enhance employee loyalty and to reduce turnover intention at PT Bank XYZ; and determining the factors that affect employee loyalty and turnover intention at PT Bank XYZ.

## **2. Literature Review**

### **2.1 Leadership and Leadership Styles**

The area of leadership is the most researched topic in human resource management literature from time to time in continuous search for clear understanding to further create contribution toward performance improvement. However, there is still a research gap in this area. According to Northouse (2018), leadership is "a process whereby an individual influences a group of individuals to achieve a common goal".

According to Allport (1937), style refers to a distinctive set of behaviors and characteristics that leads to a specific method of acting. Hence, leadership style refers to the set of behaviors and characteristics of a leader in influencing his or her followers into meeting certain goals or objectives. Theories surrounding leadership styles have been developed since the 1930s in the search for further understanding of optimal leadership styles. Currently, there are five most identified prominent leadership styles which include democratic, autocratic, transactional, transformational, and laissez-faire Leadership Styles. Autocratic, democratic, and laissez-faire leadership styles were first developed by Kurt Lewin et al. in 1939, and transactional and transformational leadership styles were added by Bernard Bass in 1998 (Lewin et al. 1939; Bass 1998). These five leadership styles will be explained further to provide an in-depth understanding of the area of leadership.

Autocratic leadership commonly known as authoritarian leadership refers to the leadership style that highly limits decision making solely to the leaders and uses power vested to force followers to meet objectives and goals in a specific way (Khajeh 2018). Socialization and communication between leaders and followers under Autocratic leadership are highly restricted and most conversation under this leadership style is one-sided (Khajeh 2018). Meanwhile, for democratic leadership, which is also known as shared or participative leadership, decisions are made in a decentralized way involving both leaders and employees under this leadership (Farooqui and Nagendra 2016). According to Thoha and Avandana (2020), democratic leadership is "*a leadership style where the leader allows their employees to have a high degree of authority in doing their jobs. Democratic leaders like to involve others in the decision-making process, they also listen to employee's opinions and provide directions to solve existing problems*".

Contrary to the autocratic leadership style, laissez-faire leaders delegate full authority and freedom to employees. Under this leadership, appropriate levels of training and support are given to followers in the beginning but little to no

guidance and supervision are given by leaders throughout the job unless demanded by employees (Skogstad et al. 2014). Furthermore, transactional leadership refers to the leadership that highlights the exchange of targets and rewards between leaders and employees (Afshari and Gibson 2016). Employees under transactional leadership are motivated to put their maximum effort into their job to achieve a variety of positive rewards and outcomes (Bass 1985). However, transformational leadership enables the elevation and broadening of interest and motivation of employees to meet organizational goals and objectives when applied correctly (Dias-Saenz 2011).

In 1998, Bass created four components of transformational leadership (the 4 Is), idealized influence, inspirational motivation, individual consideration, and intellectual stimulation. Idealized influence and inspirational motivation are the charismatic components of the transformational leadership style. Idealized influence refers to the quality of a leader that acts as role models for their followers through their behaviors; leaders are respected, trusted, and admired by their followers. Second, inspirational motivation is when leaders motivate and inspire their followers, and they demonstrate commitments toward the same vision and goals. Individual consideration refers to the nature of the leader that takes the role as mentor or coach to help followers to reach their full potential by paying attention to everyone's needs for growth and achievements. Lastly, intellectual stimulation refers to the influence created by the leaders which motivates followers to be innovative and creative in solving problems by encouraging followers to find innovative approaches toward problems, and individuals are not criticized when they make mistakes (Bass and Riggio 2006).

## **2.2 Leadership Style, Employee Loyalty, and Turnover Intention**

Loyal employees are considered a highly valued organizational asset, as having loyal employees has a direct and considerable influence on organizational performance, productivity, cost reduction, and profitability which leads to overall organizational success (Murali et al. 2017). Although there is no perfect leadership style, the adoption of an appropriate and effective leadership style can lead to employee loyalty. Implementing an effective leadership style in an organization can help leaders and employees to build mutually positive relationships and allows leaders to lead employees towards meeting organizational goals efficiently (Leavy 2016). Employee turnover is a growing concern in organizations and has attracted the attention of many scholars. Employee turnover refers to the termination of a working relationship between an organization and an employee that can be voluntary or involuntary to find alternative jobs (Ngo-Henha 2017). This research will focus on voluntary turnover as the major problem that lies in Indonesian banking companies (Mercer ASEAN 2019).

Employee loyalty is a huge challenge to the Indonesian banking industry due to the complex and dynamic nature of the industry that involves continuous change and rigorous competition as it might prohibit the growth of the industry. Employee loyalty and turnover intentions are closely related; hence employee loyalty can be marked by the turnover rate in the organization. Previous studies have shown a positive and strong correlation between a high turnover rate, a marker of employee loyalty, and leadership style (Anjam and Ali 2016).

The Indonesian banking industry requires a dedicated team based on loyal employees to together combat the current and existing challenges that the industry faces including the accentuating market and credit risk, low financial account penetration, increasingly fierce market competition, high demands in cultural and technological shifts, customer retention and regulatory compliance (PwC 2020). A high turnover rate in the banking industry will not only present ineffective cost in talent acquisition and job training but also present work stress in teams and the overall job environment, further prohibiting growth. The previously mentioned problems could be mitigated by taking corrective actions in the leadership style adopted in the companies.

## **2.3 Leader-Member Exchange Theory**

To determine the most suitable leadership style to enhance employee loyalty and to reduce turnover intention in PT Bank XYZ, the quality of the 'leader-member exchange' relationships between leaders and employees at PT Bank XYZ was investigated. Leader-member exchange theory was first developed by Fred Dansereau, George Graen, and William Haga in 1975 (Graen and Bien 1995). Leader-member exchange theory views leadership as a process and it focuses on the dyadic relationships between leaders and employees in the organizations (Northouse 2018). Dyadic relationships refer to the exchange process between two people, in this context leadership-member exchange. Leaders build high-quality relationships with employees and receive various positive organizational outcomes in return (Lidend et al. 2016). To assess and determine whether PT Bank XYZ has high-quality relationships or low-quality relationships of leader-member exchange, leader-member exchange 7 (also referred to as LMX 7) was utilized. LMX 7 is the recommended tool of LMX by the founder of the theory, George Graen in his article which discusses 25 years

of LMX development (Graen and Bien 1995). Hence, this research investigates the leadership style implemented and the quality of leader-member exchange relationships in PT Bank XYZ, either it has a high-quality leader-member exchange relationships or low-quality leader-member exchange relationships.

There have been abundant previous studies in understanding leadership style in the banking industry. As an example, the results of research performed in 2016 with 170 employees working in Ghanaian banking companies showed that autocratic leadership style was proven to be closely linked to high employee turnover and counterproductive work behaviors, while democratic leadership style is proven to have a negative link with high employee turnover and counterproductive work behaviors. Laissez-faire leadership style is linked with counterproductive work behaviors although it is negatively linked with high employee turnover intention (Puni et al. 2016).

Moreover, most of the research focuses on leadership and leadership styles and relate them to organizational performance and were conducted using quantitative methods (Osborne and Hammoud 2017; Rahman and Nas 2013; Gulluce, et.al. 2016; Farooqui and Nagendra 2016; Khajeh 2018). Meanwhile, this research investigates the leadership, leadership styles, employee loyalty, turnover intention, and the leader-member exchange relationships by applying a qualitative method in a banking company in Indonesia to fill the research gap.

Based on the discussions above, Figure 1 was developed to determine the conceptual framework for this research. It is used to identify the relations between the five leadership styles, quality of leader-member exchange relationships, employee loyalty, and turnover intention of employees working in Indonesian banking company PT. Bank XYZ.

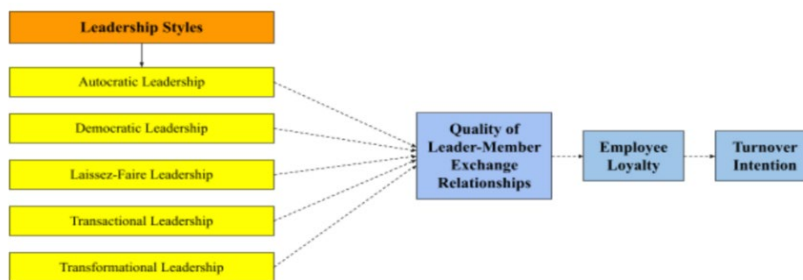


Figure 1. Conceptual framework

### 3. Research Methodology

#### 3.1 Theory Elaboration

As this research aims to find the most suitable leadership style that can enhance employee loyalty and reduce turnover intention by exploring and investigating to get insights from the conceptual framework, theory elaboration approach was implemented in this research. Theory elaboration is “the process of executing and conceptualizing empirical research using a preliminary model and a pre-existing conceptual framework as a foundation to develop new theoretical insights or to advance a theory by structuring, specifying, and contrasting” in a qualitative manner (Fisher and Aguinis 2017).

Structuring specific relations was implemented in this research due to the leadership, loyalty, and turnover intention phenomena. This research implemented structuring specific relations which is one of the theory elaboration tactics to improve or to advance a theory by investigating and finding out the relations between the constructs of this research: leadership, leadership styles, loyalty, and turnover intention.

Lastly, for the research context of the theory elaboration, this research’s research context is a new context. A new research context is a fruitful opportunity for theory elaboration as it investigates the existing theory in the organization and considers how the theory could be adjusted to result in a new context.

The design of this research is Modified from Thoha and Avandana (2020), where the research was started by conducting literature review to determine the research questions through an iterative process. Then the primary and

secondary data in terms of interviews and company's documents were collected and analysed using thematic analysis and document analysis to determine the findings that then used to draw the discussion and conclusion of this research.

### 3.2 Research Approach and Strategy

A deductive approach was used in this research as this study intends to elaborate the theories through the elaboration of the conceptual framework. The deductive approach is used for research that implements the theory elaboration approach as it is recommended in the guidelines of the theory elaboration approach (Fisher and Aguinis 2017).

This research utilises a case study, as this research is focusing on a particular banking company in Indonesia, PT Bank XYZ. A case study refers to "a single case study in a real-life context in which findings are being obtained through analysing one particular case in a qualitative manner" (Creswell and Creswell 2017). The data collecting process occurred for a period from the 15th of April 2021 to the 25th of June 2021; it is a cross-sectional time horizon.

This research applied non-probability sampling in which the samples of this research are not being selected randomly. Sekaran and Bougie (2016) stated that there are two types of sampling design, purposive sampling, and convenience sampling. The unit of analysis for this research consisted of twelve employees and one Senior Human Resource Manager (Table 1) working at PT Bank XYZ. There are two levels of respondents in this research to explore different opinions from various levels of respondents. The aim is for 'triangulation' in the research process.

Table 1: Unit of analysis

Interviewee List (X)	Age (Years Old)	Division	Position
Interviewee 1	24	Mobile Banking	Project Specialist
Interviewee 2	24	Business Project	Project Specialist
Interviewee 3	25	Commercial Banking	Business Development
Interviewee 4	23	Risk Management	Project Specialist
Interviewee 5	25	Consumer Banking	Transformation Specialist
Interviewee 6	26	Mortgage Channel	Project Specialist
Interviewee 7	24	Branchless Banking Business Development	Consumer Acquisition
Interviewee 8	24	Special Assets	Loan Workout
Interviewee 9	22	Transformational Phase	Project Specialist
Interviewee 10	24	Small Medium Enterprises Banking	Project Specialist
Interviewee 11	28	Business Strategy and Management Office	Head
Interviewee 12	25	Sales and Distribution	Sales Alignment
Interviewee 13	35	Human Resource Strategy	Senior Manager

### 4. Data Collection and Data Analysis

The primary data was collected using an in-depth, semi-structured interview with open-ended questions to explore the research phenomena. It is an effective method to conduct research to gather information and answer the complex issues. The secondary data was obtained through the literature review of this study which includes theories, articles, and reports. For this research, the company's documents were also examined. The interviews were recorded, and the transcripts of the interviews were developed and then coded and analysed using thematic data analysis.

Braun and Clarke (2006) define thematic analysis as a method being used for qualitative research and widely used across answering research questions. There are three stages of thematic data analysis in qualitative research which include data reduction, data display (coding mapping), and conclusion verification or drawing. Data reduction is the process of selecting, coding, and categorizing the collected data. Moreover, data analysis refers to how the data is going to be interpreted. Lastly, data display is the display of the data which has been reduced and categorized to draw conclusions of the research (Sekaran and Bougie 2016).

### 5. Results and Discussion

Figures 2 and 3 are the coding mappings of the interview results with PT Bank XYZ's employees. Meanwhile, Figure 4 is the coding mapping of the interview results with HRS Senior Manager of PT Bank XYZ

#### 5.1 Interview Results with Employees

Figure 2 shows the interview results of twelve employees working at PT Bank XYZ. It showed that eleven employees are led under a combination of transformational and democratic leadership styles, and only one employee is being led

under a combination of laissez faire and autocratic leadership styles. However, there is an employee who previously had an autocratic leader and another employee who previously had a laissez-faire leader.

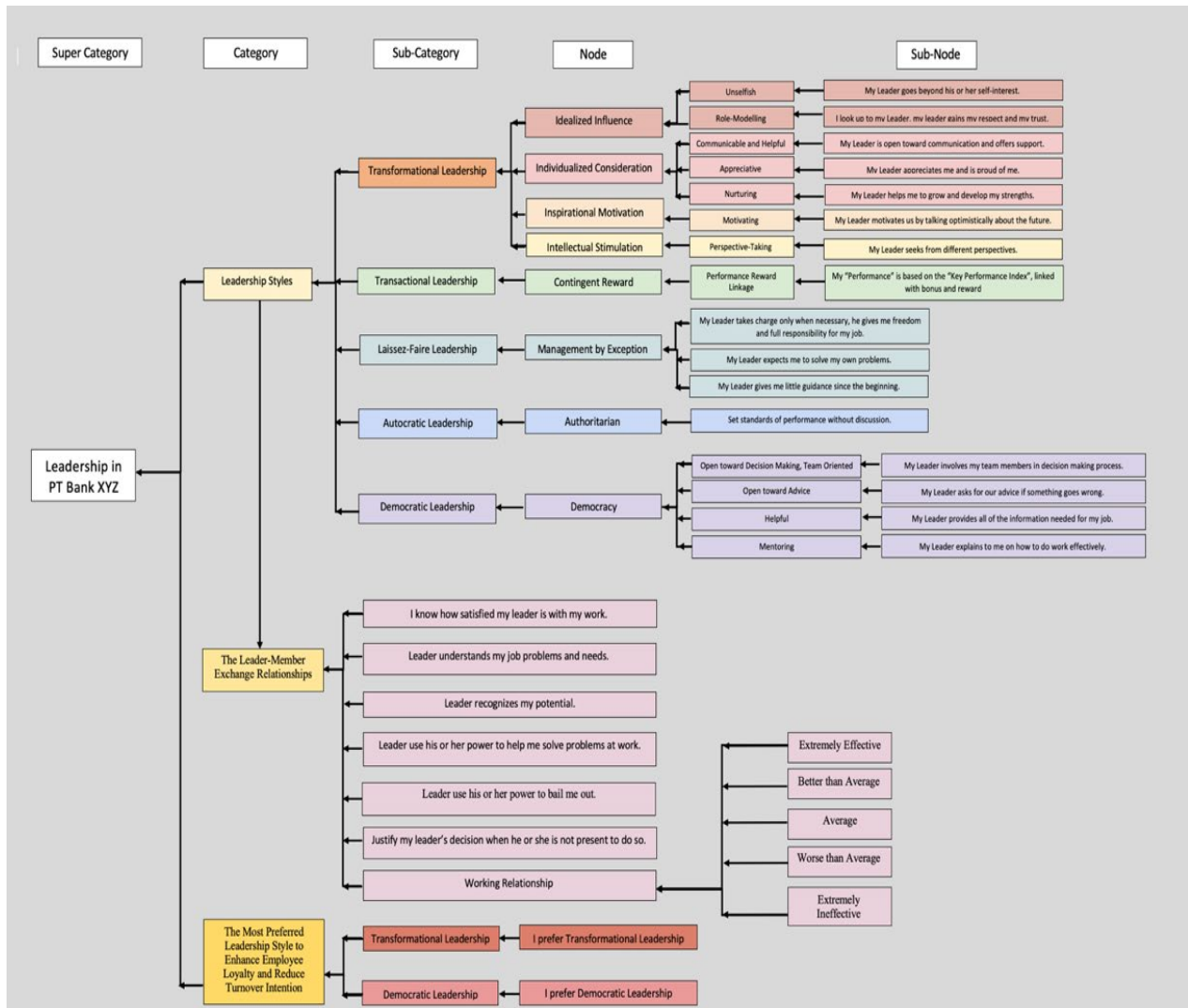


Figure 2: Coding mapping of interview results with PT Bank XYZ’s employees on leadership styles

The leader-member exchange relationships at PT Bank XYZ were able to be identified through the interview results of the twelve interviewees. There were seven questions in LMX 7 and all questions were able to be investigated through the interview. The results can be seen in Table 2.

The results reflected that to have an effective level of working relationship, leaders must implement transformational and democratic leadership. Moreover, transformational, and democratic leaders also have a high quality of leader-member exchange relationships in PT Bank XYZ. Laissez-faire and autocratic leadership led to fewer effective levels of working relationship and lower quality of leader-member exchange relationships in PT Bank XYZ.

The interview results showed that employees working in PT Bank XYZ preferred transformational leadership and democratic leadership. They wanted their ideas, inputs, and opinions to be listened to by their leaders and to grow personally. Transformational leadership is a complete leadership style as they listen to their employees’ ideas, input, and opinions and nurture and mentor their employees to grow personally. Democratic leaders do not nurture and

mentor their employees. All twelve interviewees preferred transformational leadership, and six employees preferred both transformational and democratic leadership.

#### Employees' Statements on Transformational Leadership and Democratic Leadership

*//Of course, my answer is transformational leadership because I want to grow personally, experience professional growth. and democratic as well because decision making skills are also important//.*

*//I prefer democratic leadership because I am a type of opinionated person as I have told you before and I like the feeling when I am being appreciated in a way that my leader listens to my input and opinions, and when my leader includes me in the decision-making process//.*

Table 2: Leadership Style and The Leader-Member Exchange Relationships

Leader-Member Exchange 7	The Leader-Member Exchange Relationships	
	Transactional Leadership (Key Performance Index)	
	Transformational and Democratic Leadership	Laissez-Faire and Autocratic Leadership
1. Know how satisfied your leader is with his or her work.	X	
2. Leader understands his or her job problems and needs.	X	X
3. Leader recognizes his or her potential.	X	
4. Leader uses his or her power to help him or her solve problems at work.	X	X
5. Leader uses his or her power to bail him or her out.	X	X
6. Justify his or her leader's decision when he or she is not present to do so.	X	X
Level	Extremely Ineffective > Worse than Average > Average > Better than Average > Extremely Effective	
7. Working Relationship	Better than Average > Extremely Effective	Average
Results	Very Low > Low > Moderate > High > Very High	
The Quality of Leader-Member Exchange Relationships	High > Very High	Moderate > High

### 5.1.1 Impact of Leadership Style on Employee Loyalty and Turnover Intention

Figure 3 shows that all twelve interviewees stated that leadership style had a high impact and maximum impact on employee loyalty and turnover intention. However, leadership style was not the only factor that affected employee loyalty and turnover intention; the other factors will be discussed in the next section. Here is one of the employees' statements:

*//Of course, leadership style has the maximum impact on employee loyalty and turnover intention. If you give me a scale from 1-10, I will give a complete ten for the impact of leadership style on employee loyalty and turnover intention. Leadership style is particularly important toward our loyalty and turnover intention//.*

The interview results indicated that nine out of twelve employees were not loyal toward PT Bank XYZ, as if there are better opportunities, they will leave PT Bank XYZ. There are also several reasons such as wanting to be an entrepreneur in the future, not being enthusiastic about their job, and wanting to have a higher education level.

The interview results showed that there are four main reasons that led employees to have turnover intention and leave PT Bank XYZ: job passion, good offers, job stress, and bad relationships with their leaders.

This research also found factors that affected employee loyalty and turnover intention of employees working in PT Bank XYZ: *work-life balance, passion for job, salaries, bonus, and benefits, relationship with leader, relationships with team members, leader's appreciation and respect, career path, and personal development.* However, most of the employees stated that the main three factors that affected employee loyalty and turnover intention were: salaries, bonuses, and benefits; relationships with leader and team members and communities; and their passion for the job (Figure 3).

### 5.2 Interview Results with Human Resource Manager

Figure 4 shows the interview results with the Human Resource Strategy (HRS) Senior Manager of PT Bank XYZ and the research identified that PT Bank XYZ implemented all these five leadership styles: transformational leadership, transactional leadership, laissez-faire leadership, autocratic leadership, and democratic leadership. The HRS Senior Manager stated that all leadership styles were being implemented in the company for different purposes and different job levels at PT Bank XYZ. He stated that each leadership style was needed in the company and had its own strengths and weaknesses. Moreover, each leadership style was effective for different job levels in the company.



The HRS Senior Manager also explained that there were three main programs to enhance employee loyalty and to reduce turnover intention at PT Bank XYZ: providing scholarships program to their employees; providing development and training programs to fulfil their personal development; and create retention program to make them stay at PT Bank XYZ. There are two types of retention program as mentioned by the HRS Senior Manager:

*//There are two types of retention programs in this company. The first retention program is giving bonuses before they receive offers from other companies. The second one happens after there are offers from other companies, countering the offer of the first one//*

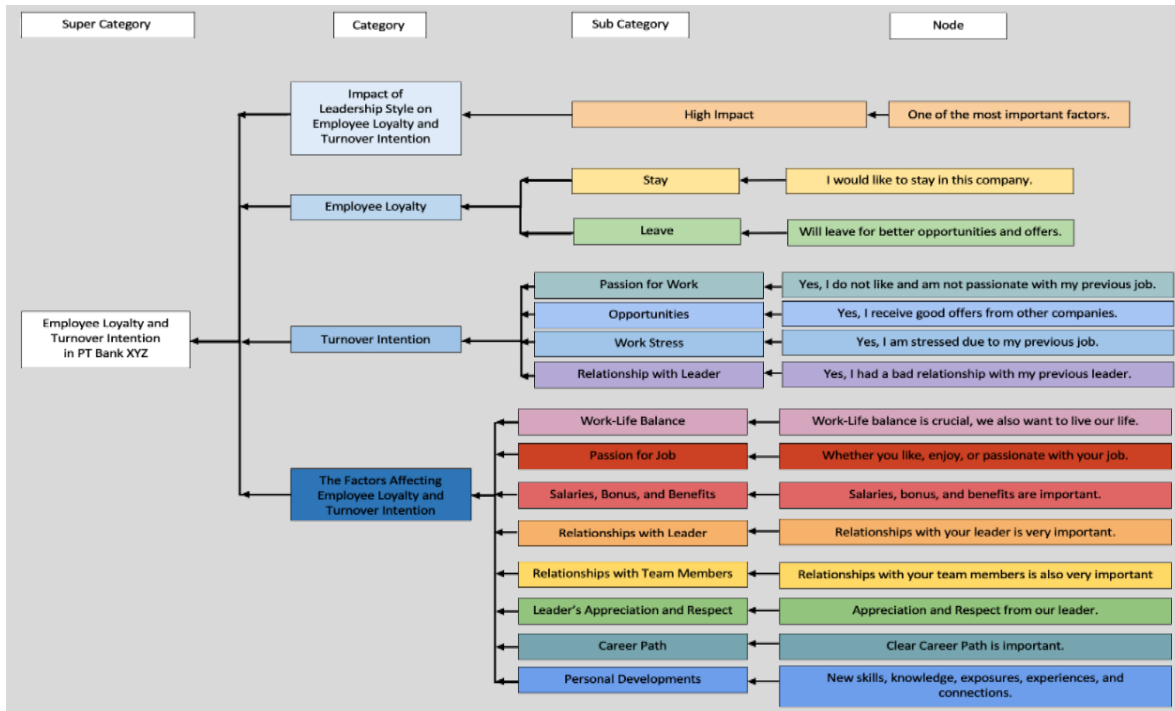


Figure 3: Coding mapping of interview results with PT Bank XYZ's employees on employee loyalty and turnover intention

According to the HRS Senior Manager, there are two types of factors that could lead toward turnover intention: push and pull factors. He mentioned that push factors are internal and pull factors are external. Push factors are toward the company's issues such as bad leadership, bad company culture, unclear career path, lack of room for personal development of employees, low work-life balance, and other internal issues from the company itself. Pull factors are more toward external stimuli such as better offers and opportunities from other companies such as higher salaries, benefits, and bonus, and being promised a higher level of position in another company.

To sum up, the interview results obtained from interviewing twelve interviewees showed that there are eight main factors that affected their loyalty and turnover intention, while the HRS Senior Manager mentioned three main factors that affected employees' loyalty and their intention to leave PT Bank XYZ: salaries, benefits, and bonuses; interaction between employees; and the leadership in the company.

## 5.3 Data Analysis and Discussion

### 5.3.1 Discussion on Core Findings

The statements of the HRS Senior Manager at PT Bank XYZ regarding democratic leadership are somewhat aligned with the theories in the literature review. Numerous studies indicated that democratic leadership style leads to positive impacts. The Senior Human Resource Manager stated that both transformational and democratic leadership are the most effective leadership styles for the company. Derecskei (2016) stated that the democratic leadership style brings motivation, positive impacts, and good employee morale to the organizational performance. Scandura and Graen (1984) stated that the high quality of leader-member exchange between leaders and subordinates leads employee



loyalty to be highly increased. Employees led under Transformational and Democratic leadership styles have high-quality of leader-member exchange relationships. Cote (2017) statement is in line with this research as having good relationships with leaders and with team members or subordinates are the key factors that enhance employee loyalty and reduce turnover intention. These are two out of the eight factors that affected employee loyalty and turnover intention at PT Bank XYZ.

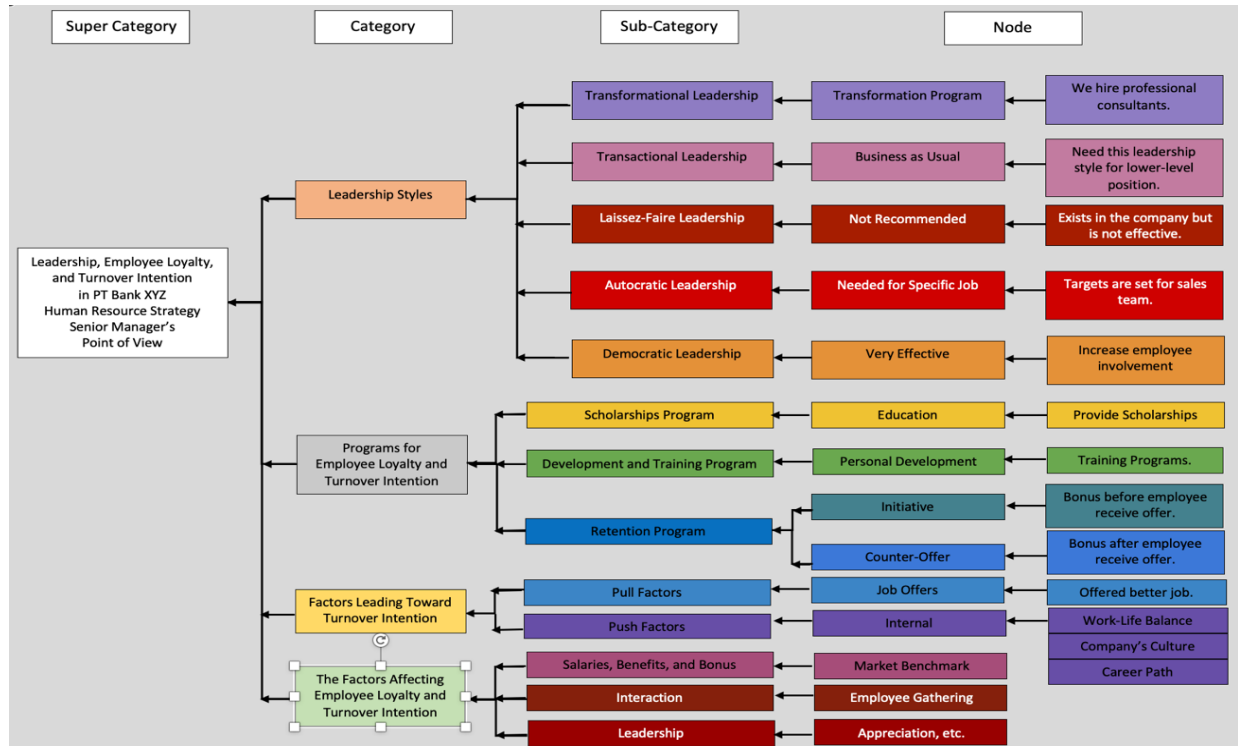


Figure 4: Coding mapping of interview results with HRS Senior Manager of PT Bank XYZ

Anjam and Ali (2016) stated that their research indicated that leadership style had a positive and strong link with employee loyalty and turnover intention. Leadership style has a strong impact on employee loyalty and turnover intention in PT Bank XYZ. Numerous studies indicated that transformational leadership enhances employee loyalty and lower turnover intention (Pradhan and Jena 2019; Ntega and Awuor 2018; Donkor, Appienti, and Achiaah 2021). These are the factors that contributed toward employee loyalty in the literature review: motivation, leadership, job security, commitment, bonding, motivation, and career development (Mehta et al. 2010); good working environment, strong teamwork, and high levels of enhanced supervisor support (Khuong and Tien 2013); compensation and rewards lead to employee loyalty (Hassan et al. 2013). All the factors listed above are included in the eight main factors at PT Bank XYZ: work-life balance, passion for job, salaries, bonus, and benefits, relationships with leaders and team members, leader's appreciation and respect, career path, and personal development.

Figure 5 is the final framework of this research that was developed based on the findings of this research. The final framework shows that transformational and democratic leadership styles are the most suitable to enhance the quality of leader-member exchange relationships that lead toward the enhancement of employee loyalty and reduction of turnover intention of the employee working in PT Bank XYZ. However, leadership style is not the singular factor that affected employee loyalty and turnover intention. The findings of this research show that there are a total of eight factors that affected employee loyalty and turnover intention besides leadership style. The eight factors are work-life balance, passion for job, salaries, bonus, and benefits, relationships with team members, relationships with leader, career path, and personal development.

This research use theory elaboration as the researchers want to make theoretical advancements of the existing theory. Structuring specific relations was implemented as the researchers aimed to extend and improve the existing theory of leadership style, employee loyalty, and turnover intention which were insufficient. The existing theory was not

sufficient as previous research only investigated which leadership style was going to enhance employee loyalty and reduce turnover intention. This research extended and improved the existing theory as this research not only sought which leadership style was the most suitable to enhance employee loyalty and reduce turnover intention; this research also investigated how leadership style impacted upon loyalty and turnover intention through the leader-member exchange relationships at PT Bank XYZ. This research also investigated how each leadership style affected the quality of leader-member exchange relationships that led toward the enhancement of employee loyalty and the reduction of turnover intention at PT Bank XYZ.

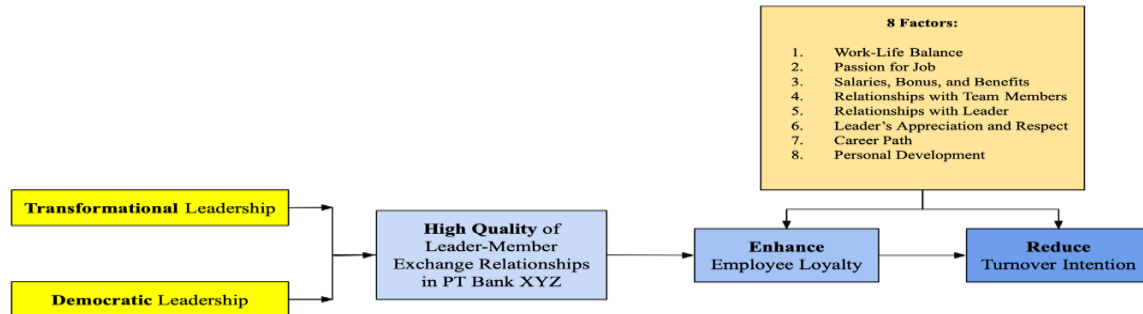


Figure 5: Final framework

All twelve employees working at PT Bank XYZ stated that they previously had intention to leave. Nine out of twelve employees would leave their job for better opportunities. There are push factors and pull factors that lead toward turnover intention of employees at PT Bank XYZ. Push factors are the factors that are related to internal issues such as bad leaders, underpayment, and issues with the community. Meanwhile, the pull factors are external factors related to better opportunities from other companies. The HRS Senior Manager also stated that all leadership styles were needed for different working levels in the company. The transactional leadership style was the most suitable for the lower working levels, whereas the transformational leadership style was the most suitable for the higher working levels.

## 6. Conclusion and Recommendation

Leadership style has a strong impact on employee loyalty and turnover intention. The transformational leadership and democratic leadership style were the most suitable leadership styles to enhance employee loyalty and turnover intention of employees working at PT Bank XYZ including the quality of the leader-member exchange relationships. The factors that affected employee loyalty and turnover intention in PT Bank XYZ included: work-life balance, passion for job, salaries, bonus, and benefits, relationship with leader, relationships with team members, leader's appreciation and respect, career path, and personal development.

Laissez-faire leadership style and autocratic leadership style had their own pros and cons from the employees' and senior human resource manager's points of view. Autocratic leadership style was most suitable for the sales team. For transactional leadership style, it existed at PT Bank XYZ as there was a system called the 'Key Performance Index' to track employee's performance and to reward them based on their performance, contingent rewards as mentioned by Bass (1998).

For the managerial implications, the findings of this research were not only beneficial for the specific banking industry in Indonesia, but it could also be beneficial for the financial services sector such as: investments companies, real estate firms, and insurance companies. Meanwhile, since this research was being conducted during the COVID-19 pandemic, the interviews were conducted through WhatsApp online calls. Therefore, the facial expressions of the interviewees could not be observed during the interview process. Besides that, the researchers could not visit PT Bank XYZ because of the COVID-19 pandemic, while the researchers had limited connections in the company. These are the limitation of this research. This research would get higher validity and reliability if the researchers could get access to the managers of the interviewees for triangulation purposes. The interview with the HRS Senior Manager and the exploration of the company's documents served as the triangulation for this research.

More units of analysis and connections in the company to get more detailed and comprehensive results to maximize the findings are recommended for future research. Moreover, conducting research in other banking companies in Indonesia will provide richer findings and comparison. Besides that, future researchers could also use a single quantitative method, or even mixed methods of qualitative and quantitative research methods together to gain richer, more accurate and valid insights on the data and findings.

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## **Biography**

**Edward Gunawan** is an Alumni from Binus International University located in South Jakarta majoring in International Business. After graduated from Binus International University in 2021, he is currently striving to build his empire by creating his own business and strengthen his family-owned business in the textile industry sector.

**Nurianna Thoha** is an Associate Professor in Human Resource Management, Leadership, and Organizational Behavior. She got a Doctoral Degree in Business Administration from Curtin University, Australia, and her MBA Degree from the University of Oregon, USA. Her 35-year career has been spent with education institutions and consulting companies, including 4 years worked at Australia Awards as the HRD National Manager. She has done some research and wrote papers on HRM practices in Indonesia, leadership, and the Qualitative Research Method, which were presented at international conferences and published in peer review journals. In July of 2016 and 2017, she was invited to teach as a visiting Professor for the Hanyang University International Summer Program in Seoul, South Korea. Since 2014 until now she works as a faculty member of the International Business Program, Bina Nusantara University.