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Capturing Employee Hearts: The Role of Leadership and Organizational Culture on Loyalty

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Abstract This study aims to analyze the influence of leadership and organizational culture on employee loyalty in the banking and service sectors in South Jakarta. The focus is on how leadership style and organizational culture contribute to employees' emotional attachment and commitment to the organization. Methodology/approach – A quantitative research approach was used, with data collected through questionnaires distributed to employees in the banking and service sectors. Multiple linear regression was employed to test the simultaneous and partial effects of leadership and organizational culture on employee loyalty. Findings – The study found that leadership significantly positively impacts employee loyalty, especially when leaders exhibit a participatory, communicative, and inspirational style. Additionally, a strong organizational culture characterized by shared values of togetherness, openness, and innovation also significantly strengthens employee loyalty. Novelty/value – This research highlights the importance of combining effective leadership with a supportive organizational culture to foster long-term employee loyalty. The study provides valuable insights for organizations seeking to design strategies that enhance employee retention and commitment.

Keywords: Employee loyalty; Leadership; Organizational culture; Service sector

A. INTRODUCTION

Employee loyalty, Leadership, Organizational culture, Banking sector, Service sector, South Jakarta In the modern business world, human resources are a strategic asset that determines organizational success. Employee loyalty is not merely a contractual commitment, but reflects long-term commitment, emotional attachment, and a willingness to contribute optimally. Robbins and Judge (2017) emphasize that employee loyalty can increase productivity, reduce turnover rates, and create sustainable organizational stability. Therefore, understanding the factors that shape loyalty is crucial for management.

One of the dominant factors influencing employee loyalty is organizational culture. Schein (2010) states that organizational culture is a pattern of basic assumptions learned by a group in solving problems of external adaptation and internal integration, which is then taught to new members as the correct way to feel, think, and act. A strong organizational culture can create identity, pride, and emotional attachment that make employees feel like an important part of the organization. In addition to culture, leadership also plays a crucial role in fostering employee loyalty. According to Yukl (2013), leadership is the process of influencing others to understand and agree on what needs to be done and how to do it effectively. A leader who is able to provide clear direction, good communication, and consistent motivation will build positive relationships with employees, which ultimately fosters loyalty.

Effective leadership focuses not only on achieving organizational targets but also on addressing the psychological needs of employees. Bass and Riggio (2006) proposed the concept of transformational leadership, in which leaders inspire employees through vision, provide individual support, and encourage innovation. This model has been proven to increase commitment and loyalty because employees feel valued and treated fairly. Employee loyalty is also closely related to a sense of fairness and involvement in the organization. Greenberg (2011) emphasized that employees' perceptions of organizational fairness, whether in distribution, procedures, or interactions, influence their level of loyalty. If employees feel treated fairly and given the space to participate, their emotional bond with the organization is strengthened.

In the context of Indonesian organizations, employee loyalty has become a crucial issue given the increasingly fierce competition in the workforce. Many companies face the challenge of high turnover, particularly among the younger generation, who tend to seek work environments aligned with their values and lifestyles. Therefore, a combination of adaptive leadership and an organizational culture that aligns with the needs of modern employees is a crucial strategy for maintaining loyalty.

Based on the description above, this study aims to analyze how leadership and organizational culture play a role in building employee loyalty. The focus of the study is directed at how these two factors not only function individually but also synergistically to create an emotional bond that binds employees' hearts to stay and contribute sustainably to the organization. are utilized, as well as how weaknesses and threats are strategically addressed.

B. LITERATURE REVIEW

In human resource management literature, employee loyalty is often viewed as an important indicator of overall organizational health. Loyalty reflects not only an employee's intention to remain with the organization but also their level of dedication and commitment to achieving organizational goals. According to Mowday, Steers, and Porter (1979), organizational loyalty or commitment is a strong belief in the organization's values, a willingness to exert considerable effort on behalf of the organization, and a desire to maintain membership in it. In this context, organizational culture and leadership style are two key forces that shape employees' overall work experience, ultimately influencing their level of loyalty.

These two aspects are inseparable because they complement each other in creating a productive and supportive work environment.

Furthermore, organizational culture not only shapes the way things work, but also reflects the organization's identity. According to Cameron and Quinn (2011), there are four main types of organizational culture: clan, adhocracy, hierarchy, and market. Clan culture, for example, emphasizes a sense of community, participation, and support, which significantly impact employee loyalty because it provides a sense of security and appreciation. On the other hand, a rigid hierarchical culture tends to create distance and limit two-way communication, which can negatively impact loyalty. Therefore, selecting and developing the right culture is crucial, especially in an era of globalization and rapid change, where employees tend to seek a work environment that aligns with their personal and social values.

Leadership, as a complementary factor to organizational culture, has a significant influence on employee perceptions and attitudes. House et al. (2004), in their GLOBE (Global Leadership and Organizational Behavior Effectiveness) study, emphasized that leadership effectiveness is highly dependent on the fit between leadership style and local cultural norms. In countries with high collectivism values like Indonesia, participatory, inclusive, and empathetic leadership styles are more valued than authoritarian ones. Leadership that accommodates local cultural values not only creates respect but also strengthens employees' emotional attachment to the organization. Therefore, culturally intelligent leadership is becoming increasingly relevant in increasing loyalty in multicultural workplaces.

Furthermore, the authentic leadership approach is also gaining attention in modern literature. Avolio and Gardner (2005) explain that authentic leaders act based on personal values, are transparent, possess high self-awareness, and treat followers ethically. Authentic leadership creates relationships based on trust, which is crucial for building long-term loyalty. Employees who perceive their leaders as sincere and possess high integrity tend to be more trusting and motivated, thus increasing loyalty. In an uncertain work environment, the presence of an authentic leader provides emotional stability and a clear sense of direction for employees.

Finally, within the framework of positive organizational psychology, loyalty can also be seen as a result of employee psychological well-being. According to Ryff and Keyes (1995), psychological well-being consists of six dimensions, including positive relationships with others and a meaningful purpose in life. An organizational culture that supports work-life balance, provides space for self-development, and fosters healthy interpersonal relationships tends to foster intrinsic employee loyalty. This is reinforced by Deci and Ryan's (2000) Self-Determination Theory, which states that basic human needs—autonomy, competence, and relatedness—must be met to foster intrinsic motivation. When organizations are able to provide a work environment that meets these needs through a congruent culture and leadership, employee loyalty will develop naturally and sustainably.

Organizational culture is a fundamental factor in human resource management. Schein (2010) defines organizational culture as a set of basic assumptions learned by a group in solving problems of external adaptation and internal integration, which are then taught to new members. Similarly, Robbins and Judge (2017) explain that organizational culture is a system of shared meanings held by organizational members, which distinguishes one organization from another.

Hofstede (1991) introduced a cultural dimension that emphasizes the values of collectivism, power distance, and long-term orientation, which influence employee behavior within an organization. This dimension is relevant in understanding how organizational culture influences loyalty, especially in developing countries like Indonesia. Denison (1990) added that a strong organizational culture has been shown to be positively correlated with organizational effectiveness and employee loyalty. In addition to culture, leadership also has a significant influence on loyalty. Yukl (2013) stated that leadership is the process of influencing others to understand and agree on common goals, and encouraging collective efforts to achieve them. Bass and Riggio (2006) introduced the concept of transformational leadership, in which leaders act as inspirators, motivators, and agents of change capable of increasing employee loyalty.

Transformational leadership theory is supported by Burns (1978), who asserted that transformational leaders not only pursue organizational achievement but also develop the potential of their subordinates. Employees who feel valued will demonstrate higher loyalty. Furthermore, Goleman (2000) emphasized the importance of emotional intelligence in leadership, where a leader's ability to understand and manage employee emotions has been shown to increase their attachment to the organization. Employee loyalty itself can be understood from the perspective of organizational commitment. Meyer and Allen (1997) developed a three-component model of commitment: affective, continuance, and normative. Employee loyalty is more closely related to affective commitment, namely emotional attachment to the organization. Porter et al. (1974) also previously asserted that commitment and loyalty correlate with employees' desire to remain in the organization.

Previous research also shows a relationship between organizational culture and loyalty. Lok and Crawford (2004) found that an organizational culture that supports innovation and participation increases employee satisfaction and loyalty. Deal and Kennedy (1982) stated that a consistent organizational culture provides meaning, direction, and stability in work, thereby strengthening loyalty. Good leadership plays a role in building a healthy culture. Kotter (1996) emphasized that leaders are change agents who shape a new culture to align with the organization's strategy. If leadership is able to instill the organization's values, norms, and vision, employee loyalty will be formed through a sense of belonging and emotional attachment.

Furthermore, organizational justice theory helps explain how loyalty is formed. Greenberg (2011) emphasized that perceptions of justice within an organization, whether distributive, procedural, or interactional, influence employee attitudes and behaviors. When leaders are able to act fairly and the organizational culture supports openness, employee loyalty increases significantly. Research by Podsakoff et al. (1990) showed that transformational leadership influences organizational citizenship behavior (OCB), which is an employee's extra-role behavior as a form of loyalty to the organization. This reinforces the view that leadership influences not only formal performance but also loyalty reflected in voluntary behavior.

In the Asian context, research by Farh, Hackett, and Liang (2007) shows that collectivist cultures significantly influence employee loyalty, with harmonious relationships with leaders being more important than financial factors. This aligns with Hofstede's (1991) findings that societies with highly collectivist cultures emphasize loyalty to the group and the leader. In Indonesia, research by Wibowo (2016) found that participatory leadership and a family-oriented organizational culture can increase employee loyalty. This suggests that the local cultural context plays a significant role in shaping loyalty. Employees who feel part of an organization's "extended family" tend to be more loyal.

Based on the literature review above, it can be concluded that organizational culture and leadership play complementary roles in shaping employee loyalty. A strong organizational culture provides a foundation of values and identity, while effective leadership mobilizes and motivates employees. The two create a synergy that can bind employees' hearts, thus creating sustainable loyalty.

C. RESEARCH METHODOLOGY

This study uses a quantitative approach with a survey method. This approach was chosen because the study aims to measure and analyze the relationships between variables objectively and measurably. The main variables in this study are organizational culture and leadership as independent variables, and employee loyalty as the dependent variable. With this approach, researchers can test hypotheses formulated based on theoretical studies.

The study population was employees in the banking and service sectors in South Jakarta, given the high level of competition in these sectors and the crucial issue of employee loyalty. The sampling technique used purposive sampling, which selects respondents based on specific criteria, such as having at least one year of work experience at the company and

being a permanent employee. The sample size was determined at 100–150 respondents to meet the needs of statistical analysis. The type of data used in this study is primary data, obtained directly from respondents through questionnaires. This primary data is quantitative and collected in numerical form, reflecting respondents' perceptions of organizational culture, leadership, and employee loyalty. Furthermore, to complement the analysis, the researchers also recorded brief observations during the questionnaire distribution process to understand the context and general behavior of respondents. This aimed to enrich data interpretation and identify potential biases.

The research instrument was a structured questionnaire consisting of three main sections. The first section contained questions about respondent characteristics. The second section measured organizational culture using indicators based on the theories of Schein (2010) and Robbins & Judge (2017), such as values, norms, and work practices. The third section measured leadership based on dimensions proposed by Bass and Riggio (2006), namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Employee loyalty was measured using the Meyer and Allen (1997) model, focusing on affective and normative commitment.

The questionnaire used a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). This scale was chosen to facilitate respondents' responses and facilitate data analysis. Before being widely distributed, the instrument was tested for validity and reliability through a pilot test on 30 respondents. Validity was assessed using Pearson correlation, while reliability was assessed using Cronbach's Alpha, with a value of ≥ 0.7 as the criterion for reliability. Data collection techniques included distributing questionnaires in person and online using an online form. The use of these two methods was intended to expand the reach of respondents and increase the response rate. The collected data was then edited, coded, and tabulated to prepare for further analysis.

Data were analyzed using multiple linear regression to examine the simultaneous and partial effects of leadership and organizational culture variables on employee loyalty. Prior to the regression, classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, were conducted to ensure the validity of the regression model. The results of the statistical analysis are expected to provide an empirical overview of the extent to which leadership and organizational culture influence employee loyalty. With this methodology, the research not only provides theoretical contributions but also provides practical recommendations for company management in designing sustainable human resource management strategies. In conducting this research, the researcher ensured that the entire data collection process was conducted in accordance with ethical research principles. Each respondent was provided with information regarding the purpose of the study, the confidentiality of their data, and their right to refuse to answer or discontinue participation at any time without any consequences. Consent to participate was given voluntarily (informed consent), either in writing on a physical questionnaire or through a statement of consent on an online form. The researcher also guaranteed that respondent data would only be used for academic purposes and would not be disseminated in a form that could reveal individual identities.

D. RESULTS AND DISCUSSION

This study involved 130 respondents from the banking and service sectors in South Jakarta. The majority of respondents were aged between 25 and 35 years with an average length of service of 3 to 5 years. The composition of respondents consisted of 55% men and 45% women. This demographic data indicates that respondents were predominantly young, relatively productive people in the early to mid-career phase. The results of validity and reliability tests showed that all questionnaire items were valid with correlation values above 0.3, and reliable with Cronbach's Alpha values greater than 0.7. This proves that the research instrument can be used to consistently measure organizational culture, leadership, and employee loyalty variables.

Descriptive analysis shows that the organizational culture in the companies studied is in the fairly strong category with an average score of 3.8 on a scale of 5. This indicates that the organization's values, norms, and practices are already in place, although there is still room for improvement, particularly in aspects of communication and innovation. For the leadership variable, the average score reached 3.9, indicating that most employees considered the leadership to be working well. The most prominent dimension was inspirational motivation, where leaders are able to provide motivation through the organization's vision and goals. However, the individualized consideration dimension was relatively lower, indicating the need for more attention to the aspect of personal development.

Meanwhile, employee loyalty showed an average score of 3.7. This result indicates that most employees feel quite loyal to the organization, especially in terms of affective commitment. However, there are indications that normative loyalty still needs to be strengthened, as some respondents felt their loyalty was still influenced by external factors, such as financial needs. The results of the multiple linear regression analysis showed that organizational culture and leadership had a significant positive effect on employee loyalty with a significance value of <0.05 . The coefficient of determination (R^2) value of 0.62 indicates that 62% of the variation in employee loyalty can be explained by organizational culture and leadership, while 38% is influenced by other factors outside this study.

A closer look reveals that the affective commitment dimension has the highest score compared to the normative commitment dimension. This indicates that employee loyalty tends to be formed from an emotional attachment to the organization, rather than solely from moral obligations or social norms. This means that many employees feel emotionally comfortable and well-suited to their workplace, although some still don't feel bound by the normative values that drive long-term loyalty. This could be a signal for management to strengthen programs to internalize organizational values so that the normative dimension can improve in balance with the affective dimension.

Partially, leadership has a more dominant influence than organizational culture, with a higher beta value. This means that the leader's role in providing direction, inspiration, and personal attention is more crucial to employee loyalty than the collective values of organizational culture. This finding aligns with research by Bass and Riggio (2006), which emphasized the important role of transformational leadership in building emotional commitment. However, organizational culture remains a crucial foundation for strengthening loyalty. A healthy culture creates a conducive work environment, fosters a sense of belonging, and fosters employee pride in the organization. This finding supports Schein's (2010) theory, which emphasizes culture as a shared value system that shapes the behavior of organizational members.

Furthermore, the regression results show that the beta coefficient for the leadership variable is 0.51, while for organizational culture it is 0.39. This means that increasing positive perceptions of leadership has a greater impact on employee loyalty than increasing perceptions of organizational culture. This strengthens the argument that direct interactions between leaders and employees have a stronger emotional impact than more systemic cultural elements. This condition also indicates that in the context of Indonesian organizations that are still strongly based on collectivism, the role of the leader figure is crucial in fostering loyalty through a strong relational and emotional approach.

The results of this study also demonstrate a synergistic relationship between leadership and organizational culture. Effective leaders are able not only to direct but also to instill and reinforce cultural values. Thus, employee loyalty is formed not only through interpersonal relationships but also through the internalization of organizational values. Overall, the research findings emphasize the need for organizations to integrate adaptive leadership strategies with the development of a strong organizational culture. Leaders should focus more on personal approaches to strengthen the dimension of individualized consideration, while organizations need to continue developing an innovative and communicative culture. The synergy between the two will create sustainable employee loyalty and become a competitive advantage in facing business competition.

The findings of this study align with those of Lok and Crawford (2004), who found that an inclusive and participatory organizational culture fosters higher employee engagement. Similarly, these results confirm the findings of Farh et al. (2007), who stated that in Asian cultures, attachment to leaders is often a key determinant of loyalty. However, this study also provides a new contribution by highlighting the importance of leadership that pays attention to individual employee needs (individualized consideration), a previously under-recognized aspect of Indonesian work culture. This suggests that in facing the new generation of workers, organizations need to adapt more personalized and empathetic leadership strategies.

The practical implications of these findings highlight the importance of leadership training that emphasizes the development of soft skills, particularly emotional intelligence, active listening skills, and personalized employee coaching. Organizations also need to conduct regular cultural evaluations to ensure that adopted values remain relevant to market dynamics and the preferences of younger generations. Employee retention strategies should not rely solely on financial compensation, but also on meaningful work experiences, recognition of individual contributions, and career development opportunities. In this way, organizations will be able to foster loyalty based on intrinsic commitment, not simply contractual ties.

E. CONCLUSION AND SUGGESTIONS

This study concludes that leadership and organizational culture have a significant positive influence on employee loyalty. Leadership is proven to be a dominant factor, especially when leaders are able to inspire, provide clear direction, and pay attention to individual employee needs. Organizational culture also plays a crucial role as a foundation of shared values that creates a conducive work environment, fosters a sense of belonging, and strengthens organizational identity. These findings confirm that employee loyalty is formed through a combination of interpersonal factors from leadership and collective factors from organizational culture.

Research shows that employee loyalty depends not only on financial or contractual factors, but also on emotional attachment and affective commitment to the organization. Therefore, organizations need to ensure that leaders possess transformational leadership skills, such as providing inspirational motivation and personal attention. Furthermore, organizational culture must be consistently managed so that values, norms, and work practices are truly felt by all employees. This way, loyalty can be built naturally and sustainably.

As a practical suggestion, company management is advised to improve leadership quality through leadership training programs, coaching, and mentoring. Leaders are expected to focus not only on achieving targets but also on building strong interpersonal relationships with employees. Furthermore, organizations need to strengthen an innovative, participatory, and communicative work culture so that employees feel valued and a vital part of the organization. By integrating these two aspects, companies will be able to foster high employee loyalty, reduce turnover rates, and increase long-term competitiveness.

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