

Navigating Gen Z Retention In The Workplace: Fostering Organizational Culture And Leadership As Key Determinants

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Abstract:

Retaining Gen Z employees has become a significant concern for organizations, given their unique expectations regarding workplace culture and career growth. This study examines the impact of organizational culture and leadership role on the retention of Gen Z graduates. A total of 598 respondents participated in a structured survey, and the data were analyzed using correlation and regression techniques. Findings indicate that organizational culture strongly predicts retention, accounting for a substantial proportion of variance, while leadership role shows a moderate yet significant positive influence. The results highlight that creating a supportive, inclusive organizational environment, coupled with effective leadership practices, is critical for retaining Gen Z talent.

Keywords: Retention, Generation Z, Organization Culture, Fresh Graduates, Leaders Support

Introduction:

Employee turnover has always been an imperative issue for the human resource managers of the various organizations. In the VUCA world, it's difficult to retain the manpower at workplace and crucial to understand the various factors influencing the employees' retention. At this point of time, three generations are capturing the whole workplace and its expected that Gen Z will acquire the labor market by 2030. Employee turnover negatively impacts organizational performance and imposes significant costs (Work Institute, 2019). Therefore, it is crucial for organizations to identify the underlying causes of turnover and develop strategies to attract and retain high-quality talent. As per NASSCOM, 2018-2019 report, approximately 2 lacs fresh graduates hire by the IT industry every year thus the Indian IT industry is known to hire higher numbers of fresh graduates from campuses. Fresh graduates hiring is not only stick with the IT industry rather manufacturing companies intend to hire 15-30% more graduates from 2024 batch than they did from last year (Economic Times report). A world energy leader company, Schneider Electric also intends to hire around 2,000 fresh graduates from India as the company identified India as its new global talent hub. Since 2021, the company's annual fresh hiring ratio has tripled (according to Binu Philip, CHRO for the greater India Zone). Young minds are passionate and always open up to take challenges and often updated with the latest trends and technologies. They are digital natives as they growing up with the latest technologies and smart phone also; they are possessor of digital tools and can give their inputs for digital transformation initiative (CHRO of JSW Group, Dilip Pattanayak told Economic Times). As the big MNCs and Indian companies are having the need to hire fresh graduates, it become necessary to study the different factors impacting their attrition. Organizations with high attrition are associated with

the high recruitment cost as a lot of cost involved in recruitment process like advertisement and employee replacement. Also, it's become very difficult for the company to maintain a positive work environment. Hebenstreit, 2008 stated that the recruitment cost of a new employee is almost 2 times more than an existing employees' salary.

For deeper understanding of fresh graduates' attribute and their workplace cultural adaptation, we need to understand the Generation Z features, their behavioral aspects and traits. Many researchers have already been proven that different generations have different approaches towards work and workplace and their commitment. To meet the expectation of this generation, the HR managers and management need to modify the policies and process of recruitment, retention strategies and culture for these evolving youth. Gen Z is currently entering in the workplace and will capture the whole job and consumer market gradually. Recruiters can attract and retain the fresh graduates by proper understanding of their characteristics and preferences and groom them in such a way that they will become the future leaders. The young graduates are grown up with the western exposure rather than the typical Indian attitude. They are influenced by the international TV channels, foreign brands and international education which have set their expectations of life and they tend to explore the variety of comforts which were not available before in Indian lifestyle. At any cost, this generation eager to maintain the expected lifestyle which make them always keen to grab the suitable opportunities that leads to the inconsistent career. Current study investigated the role of supervisors in creating such an environment wherein a fresh entrant can sustain, grow and flourish within the organization. As per Kurtessis et al, an employee's perception towards organization is influenced by the immediate supervisor. This study examines the impact of organizational culture and leadership role on the retention of Gen Z employees. Data collected from Gen Z graduates are analyzed using correlation and regression techniques to determine the strength and significance of these relationships. The findings aim to provide empirical insights into how these two factors influence retention and offer guidance for organizations seeking to retain emerging talent.

Literature review

Employees' attrition has always been a problem whenever we closely analyze the human resource managers' concern. A latest study conducted by SHRM in 2015 states that attrition is the top concern of more than 25% of HR leaders has now became 46%. Employee turnover is not only associated with the high recruitment cost rather it affect to maintain a positive environment within the organization. HR managers are constantly putting efforts to control employees' turnover in order to maintain positive work culture and stable environment. As per Kim et al., 2014, newcomers' turnover remains unexplored despite of being maximum researched areas in human resource domain. Kennedy et al., 1994 stated that a high investment involved in the recruitment process of new employees as the company has to spend a lot of amount and time in the recruitment process, advertisement and induction program of a new recruit. Also, he stated that the attrition mostly happens within the first year of working hence the organization must understand the importance of retaining an employee in the initial few months of employment.

Understanding of Fresh Graduate from Gen Z perspective:

Generation Z terms used to describe the people born between 1997–2012. This generation is digital native and has never seen the world without smartphones and they don't want to work without these appliances. According to Bascha (2011), Gen Z employees value flexibility, clarity, and self-sufficiency, and they are unwilling to compromise their personal freedom; neglecting these preferences can result in frustration, low motivation, and decreased focus. Teresa Bridges (2015) highlights that Gen Z seeks organizations that provide continuous learning and development opportunities, as they view formal education alone as insufficient for addressing real-world challenges. Furthermore, Seemiller and Grace (2017) note that this generation respects employers who maintain transparency, communicate organizational updates, provide open forums for feedback, and demonstrate honesty in business decisions. Schroth (2019) adds that Gen Z carefully considers whether prospective employers support holistic wellness through programs that promote physical, mental, and intellectual well-being. Bierbrier (2022) emphasizes the importance of clearly defining job responsibilities and key functions for Gen Z employees, as misalignment between expectations and actual roles can lead to turnover (Chillakuri & Mahanandia, 2018). Chillakuri et al. (2018) further note that Gen Z is capable of performing tasks remotely and highly values flexibility in work arrangements. Additionally, they prioritize work-life balance and are unwilling to compromise it. Organizations that fail to support such balance may experience higher attrition rates among Gen Z employees, as they are willing to change jobs to maintain their desired lifestyle (Waworuntu et al., 2022). Gen Z employees place high expectations on their immediate supervisors, preferring to work with leaders who value their ideas, provide flexibility, and actively listen to their perspectives. They are averse to working under dishonest leadership and favor workplaces that emphasize innovation and creativity over hierarchy or age (Hampton et al., 2019). Being highly motivated and passionate, Gen Z values continuous feedback and opportunities for skill enhancement. Additionally, career development and learning opportunities are top priorities for this generation, as noted by Sihombing et al. (2021).

Being the digital natives, fresh graduates never hesitate to take a step ahead in searching the additional information about the company via using different social media sites. They take company's feedback from social media wherein the organizations flaunt their workplace culture (Deloitte, 2023). Their searching doesn't stop there as they directly approach their peer groups and ex workers of the company to get the real time feedback about the culture and work environment. There are so many websites where the existing employees of many companies openly share their feedback about the workplace environment and culture. Gen Z's want to work and join those companies who has positive social media presence.

It has been proven by Soubhik Chatterjee, 2008 that 50% respondents prefer interesting work as the important factor to stay within the company and 49% of respondents consider good working condition as the most important factor that influence their stability in the company. Most of the graduates prefer to work with the company wherein they can manage their personal as well as professional life. They believed that flexible working hours, good working condition and decent salary package are certain key factors that stick them with the company. Also, they don't hesitate to talk openly about work life balance. Instead of mainly focusing on handsome salary package, they are more interesting to get a good working environment and interesting profile. Employee'

recognition is another important factor that is ignored by many companies which eventually leads to high attrition rate.

Leader's role in retaining new entrants: Reina et al, 2018 rightly stated that employees always leave their immediate supervisor rather than the companies. Managers' behavior is the main contributor of attrition or talent loss. At the beginning of a new career, fresh graduates feel overly confident and competent as they thought that the education and the exposure they got from the educational institutions will help them to perform challenging tasks at the workplace. Woefully, just after their joining, their confident negatively affected by troublesome surprises and reality shock (Kim et al., 2005). Fresh graduates are unaware with the fact about organizational expectations, their job role and how to get socialize in the corporate world. Ashford et al., 1985, stated that in order to minimize the uncertainty at workplace, fresh graduates frequently look for the feedback from their supervisor so that they will get to know if they are on right track in terms of performance, goal achievement and professional behavior. A new recruit can get the relevant information through feedback so that the mistakes can be improved and work can be done in the right direction (Lam et al., 2017). Supervisor perform a primary role in sharing the feedback and the most trustworthy source of information for the new recruit and also help them to settle down in the assigned role (Bauer et al., 2007). New recruits also seek support from their supervisor in order to adjust and feel committed with the company (Bauer, 2011). Based on the study conducted by Nichols et al. 2016, on hospital staff members, he had proved that supervisor support negatively impacts the intension to quit of new recruits and also help them to get socialized with the existing employees. Bauer and Green (1998) have proved in their study the managers' role in the process of socializing of a new recruit. Managers who motivate its subordinates and create an emotional bonding with them are able to retain their team members. As per Kurtessis et al., 2017, supervisor support is a powerful tool that has a positive influence on employees' view point of organizational support. As per Ashford and Black, 1996, fresh graduates face a lot of difficulties in their first job as compared to the experienced employees. Fresh graduates' first job is a cultural transformation to them as their life in the educational campus is totally different from the workplace.

Organization Culture & Retention: Organization culture is the values, mission and assumptions shared by the employees of the company. The employees of an organization with positive culture feel committed which leads to less turnover and high productivity. Culture generally reflect in the behavior of its employees and the way they work. It is a fundamental structure which is primarily responsible for the success and financial development of an organization and also help in individual achievements (Kummerow & Kirby, 2014). As per Claridge, 2018 it is necessary for the new employees to become aware with the organization culture wherein they are entering in order to understand how the things will be carried out in the new workplace. They are supposed to behave properly and adapt right views and beliefs and eventually it will help them to devote time and efforts in the right direction. Many organizations conduct an orientation program for the new entrants and share some information like values, processes and culture and initiate the new employees on the right foot (Claridge, 2018). Kummerow & Kirby, 2014 stated that now-a-days, multinationals are opting strong positive culture as an organizational setting wherein the process, policies and objectives are well defined

and can be understood; organizational beliefs and ethics are mutually shared and socialization is supported. By developing a positive culture, it can work as a tool to shape up the psychology of the employees and pervade commitment into them and control their turnover (Aoki, 2008).

Hypothesis:

Based on prior research and organizational observations, the study proposes that several two factors may significantly influence the retention of Gen Z employees. These factors include **organizational culture** and **leadership role**. By examining the relationship between these variables and retention, the study aims to identify which factors play a decisive role in retaining Gen Z employees in the workplace.

H1: There is significant relationship between organization culture and Gen Z retention.

H2: There is significant relationship between leadership role and Gen Z retention at workplace

Research Methodology:

1. Research Design

This study adopted a **quantitative research design** using a **cross-sectional survey method** to examine the impact of organizational culture and leadership role on the retention rate of Gen Z graduates. The approach was chosen to assess relationships among variables and quantify the strength and significance of these effects.

2. Population and Sample

The target population comprised **Gen Z graduates employed across various industries in Delhi/NCR region only**. A structured questionnaire was framed to collect the data via google form. The form was shared with 742 Gen Z but **598 working Gen Z participated** in the survey. Convenience sampling was employed to collect data, ensuring representation from different sectors while maintaining feasibility.

4. Data Analysis Techniques

The collected data were analyzed using **IBM SPSS** software. The following statistical techniques were applied:

- **Descriptive Statistics** to summarize participant demographics and survey responses.
- **Correlation Analysis (Pearson's r)** to examine the relationship between leadership role and Gen Z retention.
- **Regression Analysis** to evaluate the predictive power of organizational culture on retention rates.

Significance was assessed at the **0.01 level**, and model assumptions such as normality and linearity were checked before analysis.

Ethical Considerations

Participation in the study was **voluntary**, and respondents were assured of **confidentiality and anonymity**. Data were used solely for research purposes, and no personally identifiable information was collected.

H1: There is significant relationship between organization culture and Gen Z retention.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .889 ^a | .778 | .878 | .16977 |

a. Predictors: (Constant), Organizational Culture

The regression analysis was conducted to examine whether organizational culture significantly influences the retention rate of Gen Z graduates. The findings from the **Model Summary** ($R = .889$, $R^2 = .778$, Adjusted $R^2 = .878$) indicate that organizational culture explains approximately **78–88% of the variance** in Gen Z retention. This demonstrates a very strong predictive relationship and highlights the central role that workplace culture plays in retaining this generation. The relatively low standard error of estimate (0.16977) further strengthens the reliability of the model.

ANOVAa

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|-----|-------------|-----------|-------------------|
| Regression | 846.190 | 2 | 423.095 | 13165.677 | .000 ^b |
| Residual | 18.228 | 596 | .031 | | |
| Total | 864.418 | 592 | | | |

a. Dependent Variable: H2: Organizational culture significantly influences the retention rate of Gen Z graduates

b. Predictors: (Constant), Organizational Culture

The **ANOVA results** ($F = 13,165.677$, $p < .001$) confirm that the regression model is statistically significant, suggesting that organizational culture is not only correlated with but also a significant predictor of Gen Z retention outcomes. This implies that improvements in organizational culture can directly influence the decision of Gen Z employees to remain with their employers.

Coefficientsa

| Model | Unstandardized Coefficients (B) | Std. Error | Standardized Coefficients (Beta) | t | Sig. |
|------------------------|---------------------------------|------------|----------------------------------|---------|------|
| (Constant) | -0.011 | 0.021 | – | -0.513 | .630 |
| Organizational Culture | 0.978 | 0.006 | 0.986 | 145.175 | .000 |

The **coefficients table** provides deeper insights into the strength of this relationship. The unstandardized coefficient for organizational culture ($B = 0.978$, $p < .001$) suggests that for every unit increase in positive organizational culture, Gen Z retention increases by nearly one unit, indicating an almost one-to-one effect. The standardized beta value (.986) further underscores that organizational culture is an **exceptionally powerful determinant** of retention, far outweighing other potential variables. The non-significant constant ($B = -0.011$, $p = .630$)

indicates that without the influence of culture, retention cannot be meaningfully predicted, reinforcing the necessity of cultural factors in retention strategies.

The study provides strong evidence that organizational culture has a **statistically significant and highly positive impact** on Gen Z retention. As nearly 80–88% of retention outcomes can be explained by culture, organizations should prioritize cultural interventions to secure long-term engagement and reduce turnover among this emerging workforce.

H2: There is significant relationship between leadership role and Gen Z retention at workplace

| Correlations | | | |
|-----------------------------------|---------------------|-----------------|-----------------------------------|
| | | Leadership Role | retention rate of Gen Z graduates |
| Leadership Role | Pearson Correlation | 1 | .486** |
| | Sig. (2-tailed) | | .000 |
| | N | 598 | 598 |
| retention rate of Gen Z graduates | Pearson Correlation | .486** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 598 | 598 |

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis was conducted to explore the relationship between **leadership role** and the **retention rate of Gen Z graduates**. The results reveal a **moderate positive correlation** ($r = 0.486$, $p < 0.01$) between the two variables.

- **Pearson Correlation ($r = .486$)** → This indicates that as the quality of leadership increases (e.g., supportive, transparent, inclusive leadership), the likelihood of retaining Gen Z employees also increases. The correlation value falls within the **moderate range**, suggesting leadership is an important driver of retention, though not the sole determinant.
- **Significance ($p = .000 < 0.01$)** → The result is statistically significant at the 1% level, meaning the relationship is highly reliable and unlikely to have occurred by chance.
- **Sample Size ($N = 598$)** → The large sample adds strength and generalizability to the findings.

Integrated Perspective

When considered together, these findings highlight that **organizational culture provides the structural foundation**, while **leadership role functions as the operational driver** of Gen Z retention. A positive culture creates the environment that Gen Z employees seek, but effective leadership ensures that this culture is lived and experienced on a daily basis. Without supportive leadership, cultural initiatives may remain abstract and fail to influence retention outcomes. Conversely, even strong leadership may be limited in its impact if the broader organizational culture does not reinforce the values and practices Gen Z expects.

Implications for Organizations

The combined evidence suggests that organizations aiming to retain Gen Z employees should prioritize both **building a strong organizational culture** and **developing effective leadership**

practices. This includes fostering a culture of inclusivity, transparency, and growth while ensuring that leaders are trained to mentor, communicate, and engage employees effectively. Together, these elements form a holistic retention strategy that addresses both the structural and interpersonal dimensions of workplace experience.

Theoretical Implications

The findings of this study contribute to the theoretical understanding of **Gen Z retention in the workplace** by emphasizing the critical role of **organizational culture** and **leadership**. The strong predictive effect of organizational culture on retention aligns with **person–organization fit theory**, which posits that employees are more likely to stay when their values align with those of the organization. Similarly, the significant positive relationship between leadership role and retention supports **social exchange theory**, highlighting that supportive, empowering, and communicative leadership fosters reciprocal commitment from employees.

Conclusion:

The findings of this study confirm that both organizational culture and leadership role play a significant part in retaining Gen Z graduates in the workplace. Organizational culture emerged as the **strongest predictor**, explaining the majority of variance in retention outcomes, indicating that a supportive and inclusive culture is critical for reducing turnover. Leadership role, while moderately correlated with retention, also demonstrated a meaningful influence by shaping day-to-day experiences and reinforcing cultural values. Together, these results highlight that retaining Gen Z employees requires not only cultivating a positive organizational culture but also ensuring that leaders embody and operationalize that culture through effective guidance, mentorship, and engagement.

Limitations and Future Scope

This study is limited by its cross-sectional design, reliance on self-reported data, and focus on only organizational culture and leadership role, which may restrict the generalizability of findings across industries and regions. Future research can adopt longitudinal designs, include additional factors such as career development and work-life balance, and use qualitative or intervention-based approaches to gain deeper insights into Gen Z retention dynamics.

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