

The Impact of Work Environment and Leadership on The Performance of Generation Z Employees

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Abstract. The aim of this study is to determine whether the performance of Generation Z employees in Surabaya is influenced by their work environment and leadership. The subjects selected for this research were Generation Z individuals aged 17 to 29 in Surabaya. The study sampled 150 Generation Z workers from the city. A quantitative approach was employed, utilizing multiple linear regression analysis. The findings indicate that both the work environment and leadership positively impact the performance of Generation Z employees in Surabaya. This research was limited to the population of Surabaya. Given this limitation, future studies are recommended to broaden the sample area and include additional variables to enhance the effectiveness of the results.

Keywords: Workplace Environment; Leadership; Employee Performance

I. INTRODUCTION

In today's corporate world, companies are composed of employees spanning multiple generations. According to Codrington et al. (2004), humanity is divided into five generational groups based on birth years. These five generations are: Baby Boomers, born between 1946 and 1964, Generation X, born between 1965 and 1980, Millennials or Generation Y, born between 1981 and 1994, Generation Z, also known as the i-Generation or i-Net generation, born between 1995 and 2010, Generation Alpha, born from 2011 to 2025. Each of these generations possesses unique traits and characteristics, shaping their identities and influencing how they interact within the workplace.

One of the generations that stands out with distinct characteristics and traits compared to previous ones is Generation Z (Bencsik and Machova, 2016). In their book, Stillman and Stillman (2017) point out that one of the differences between Generation Y, Generation X, and Generation Z is that Generation Z is more adept with advanced technology, has a more open-minded approach, and exhibits a more relaxed attitude towards norms. Additionally, Generation Z places greater value on purpose and work-life balance than previous generations. According to a McKinsey article on Gen Z in the workplace, an astonishing 77% of Gen Z respondents

consider work-life balance crucial when evaluating job opportunities (Francis & Hoefel, 2018). The unique perspectives and diverse backgrounds of Generation Z are poised to shape the future of the workforce. Their presence and contributions will introduce new dynamics, foster innovation, and bring about cultural changes in the workplace.

Currently, Generation Z makes up 30% of the global population and is projected to comprise 27% of the workforce by 2025 (McAllister, 2024). In Indonesia, data from the Central Statistics Agency (BPS, 2020) shows that Generation Z accounts for 27.94% of the population. This cohort is in their prime working years, possessing significant potential to drive economic growth. For business leaders, it is crucial to understand and effectively manage the performance of Generation Z employees to maximize outcomes, maintain productivity, and ensure employee satisfaction.

Employee performance refers to the quality and quantity of work produced by an individual in carrying out their duties, aligned with the responsibilities assigned to them (Mangkunegara, 2007). According to Robbins (2008), performance is the outcome achieved by an employee based on specific criteria applicable to their job. Every company strives to enhance employee performance to meet its established goals. One key strategy to improve performance is by paying attention to the working environment. This is because the work environment can create a binding

connection for employees, influencing their engagement and productivity.

The work environment encompasses everything surrounding employees that can influence how they carry out their assigned tasks (Nitisemito, 2001). According to Sedarmayanti (2009), the work environment is defined as the total tools and materials encountered, the surrounding environment where one works, methods of work, and the organization of work, both individually and in groups. The operational environment within a company significantly impacts its success. In another sense, the work environment includes all physical aspects related to the organizational office or workplace. A positive work environment greatly affects employee productivity. A high-quality work environment acts as a catalyst for enthusiasm, ultimately driving employee performance, efficiency, motivation, and achievement.

Another significant factor influencing employee performance is leadership. Leadership encompasses the ability of an individual to control, guide, and influence the thoughts, feelings, or behaviors of others toward achieving predefined goals (Hutaheean, 2021). Effective leadership within an organization is crucial for attaining company objectives. Effective and efficient leadership materializes when it aligns with established functions and goals. A leader must strive to integrate into the group or organizational situation they lead (Northouse, 2018). The role of leadership in an organization includes setting objectives, organizing, providing direction, motivating, and facilitating communication. Therefore, individuals must possess the characteristics necessary to guide and direct their subordinates.

Based on the phenomenon described, the aim of this research is to explore how leadership and the work environment impact employee performance within the company. This study seeks to provide new insights into implementing leadership styles and creating a comfortable work environment that enables employees to work effectively, efficiently, and sustainably amidst the challenges and dilemmas that arise in a company.

II. RESEARCH METHOD

This research employs quantitative methods with an explanatory approach. The model and hypotheses in this study are outlined as follows:

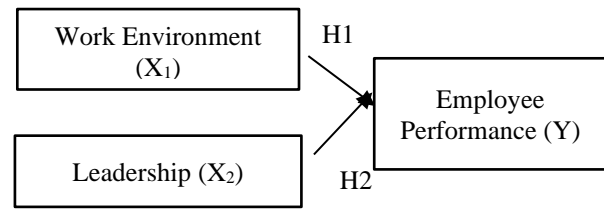


Figure 1. Research Model

Based on the research model depicted above, the research hypotheses include:

- (1) H₁: It is suspected that the work environment (X₁) influences employee performance (Y)
- (2) H₂: It is hypothesized that leadership qualities (X₂) have a profound impact on employee effectiveness (Y).

The regression model can be formulated as follows:

$$KK = \alpha + b_1LK + b_2KP + \epsilon$$

Information:

- α = constant
- b = regression coefficient
- KK = employee performance
- LK = work environment
- KP = leadership
- ϵ = error

The study population comprises all Generation Z employees in the Surabaya City area. Generation Z refers to those born between 1995 and 2010, meaning they are currently aged between 14 and 29 in the year 2024. According to Article 1 Section 26 and Article 68 of the Manpower Act Number 13 of 2003, the minimum working age in Indonesia is 18 years old. Therefore, the research sample includes Generation Z individuals who are employed and aged between 18 and 29 years old, having worked for at least three months in their current positions. The requirement of a minimum of three months of employment is set because, during this probationary period, there is intensive communication between supervisors and employees, allowing the employees to assess their supervisors' leadership and internal communication within the company (Marsden, 2024).

According to Sugiyono (2021), it is mentioned that the appropriate sample size for research ranges from 30 to 500. Therefore, this study set a sample size of 150 respondents. The research utilized a purposive sampling technique, where samples are chosen based on predetermined criteria or considerations. The criteria for sampling in this study include: (1) Generation Z employees in Surabaya City; (2) aged between 18-29 years; and (3) minimum work experience of 3 months.

This study utilized primary data obtained through a survey where questionnaires were distributed to

respondents. The questionnaires were collected using Google Forms. Meanwhile, the data analysis techniques employed in this research included descriptive statistical analysis and inferential statistical analysis. The inferential statistical analysis comprised multiple linear regression analysis, classical assumption testing, and hypothesis testing. IBM SPSS software version 26.0 for Windows was utilized to assist in analyzing the data.

III. RESEARCH RESULT AND DISCUSSION

To conduct hypothesis testing, it is necessary to perform multiple regression model testing. By utilizing the SPSS output, the values of multiple linear regression can be observed in Table 1.

Table 1. The Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	7.622	2.214		3.433	.001
1 LK (X1)	.641	.093	.506	6.876	.000
KP (X2)	.798	.077	.764	10.385	.000

a. Dependent Variable: KK (Y)

Source: Hasil SPSS 21.0 (2020)

Based on the multiple linear regression analysis table, the regression equation obtained is as follows:

$$KK = 7,622 + 0,641 LK + 0,798 KP + \epsilon$$

1. With a constant of 7.622, where the coefficients for work environment (X1) and leadership (X2) remain fixed, the performance of Generation Z employees reaches 7.622.
2. The coefficient for work environment (X1) stands at 0.641. This implies that a one-point increase in the work environment (X1), assuming leadership (X2) remains constant, will enhance the performance of Generation Z employees (Y) by 0.641 units.
3. The coefficient for leadership (X2) is 0.798. This indicates that a one-point increase in leadership (X2), assuming the work environment (X1) remains constant, will boost the performance of Generation Z employees (Y) by 0.798 units.

The Influence of Workplace Atmosphere on Employee Effectiveness

The t-test results indicate that the work environment variable significantly and positively affects the performance of Generation Z employees. This finding is supported and reinforced by prior research conducted by Amelia (2024), which asserts that the work environment has a positive and significant impact on the performance of Generation Z employees in Bekasi. In essence, any enhancement or improvement in the work environment will lead to increased employee performance. Hence, the relationship between the physical work environment and employee performance is intertwined. Reksohadiprodjo (2000) stated that a poor work environment adversely affects workers because they feel disrupted in their tasks, thereby resulting in decreased employee performance.

The Influence of Leadership on Employee Effectiveness

The t-test results indicate that leadership has a positive and significant impact on the performance of Generation Z employees. This finding is supported and reinforced by previous research conducted by Amelia (2024), which concluded that leadership positively and significantly affects the performance of Generation Z employees in Bekasi. These results suggest that effective leadership is crucial in enhancing the performance of Generation Z employees. Leaders who are capable of affiliating with and motivating Generation Z employees are essential to achieving outstanding outcomes (Madden, 2017).

IV. CONCLUSIONS

According to this study, it has been found that the work environment and leadership significantly impact the performance of Generation Z employees in Surabaya. The influence observed is positive, indicating that as the quality of the work environment and leadership improves, so does the performance of these employees. Consequently, these findings provide valuable guidance for companies employing Generation Z, suggesting that creating a comfortable work environment and adopting more transformational and adaptive leadership strategies can enhance the performance and productivity of Generation Z employees. Furthermore, in the context of the current competitive landscape, Generation Z employees should consider the work environment and leadership as key factors influencing their performance. Future research is recommended to expand the sample area and include additional variables to make the findings more comprehensive and effective.

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