

# The Power of Culture in Building Trust and Loyalty: A Lesson Learned from COVID-19 Pandemic in Bali's Hotel Industry

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**Abstract:** The COVID-19 pandemic severely impacted Bali's tourism sector, with international tourism declining by 99% in 2021 due to travel restrictions. Despite the dire circumstances, the hotel industry in Bali is recovering quickly. This study examines the effects of COVID-19 on organizational trust and employee loyalty in the tourism industry, focusing on long-term effects and post-pandemic recovery. A survey of 200 employees from three to five-star hotels in Bali assessed the impact on loyalty and the mediating role of organizational trust. Findings indicate that management's pandemic-related actions reduced employee loyalty due to decreased job security and heightened stress. Organizational trust declined during tourism uncertainty, particularly from early 2020 to mid-2022, but showed signs of recovery in 2023 and 2024. Results from expert interviews indicate that trust mitigated the pandemic's impact on employee loyalty, with the cultural values of the Hindu philosophy *Tri Hita Karana* playing a significant role in Balinese society. This study underscores the importance of organizational trust in maintaining employee loyalty post-crisis.

**Keywords:** COVID-19 pandemic; employee loyalty; human resource management; organizational trust; *Tri Hita Karana*

## 1. Introduction

Over time, various crises such as natural disasters, economic downturns, terrorism, cyberattacks, and the recent COVID-19 pandemic—have tested the resilience of hotel companies (Okumus et al., 2005; Liu et al., 2015; Melian-Alzola et al., 2020; Ertas et al., 2021). In 2025, two years after the Indonesian government lifted the pandemic status, the hospitality business in Indonesia is facing another tribulation. Currently, the industry is experiencing significant difficulty because of the economic crisis, both globally and in Indonesia. This

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state also jeopardizes the company's long-term viability, raising the possibility of firm closures and massive layoffs (Nefi, 2025; Anggela, 2025).

In terms of Bali as an international destination, the deterioration of the global and Indonesian economies affects tourists' purchasing power and choices when it comes to accommodation. During the 2025 Eid vacation, numerous tourists visited Bali; however, hotel occupancy rates fell by 10-20 percent from the regular range of 60-70 percent (Detik Travel Team, 2025). According to the investigation's findings, many tourists prefer to stay in unlawful accommodations, such as residences transformed into hotels or villas without operational permits (Putri, 2025). In order to survive, many Bali hotels have been compelled to lower their rates, even implementing price cuts. Of course, this circumstance is not conducive to the climate of the Bali hotel business, and it has the potential to spark a fresh crisis following the COVID-19 Pandemic, in which many hotel staff were laid off.

Of course, any new crises in the hospitality industry should be avoided as much as possible. The scenario in Bali's tourism and hospitality industries during the COVID-19 pandemic is still vividly remembered, where international tourist arrivals declined by 99% in 2021 (51 arrivals) compared to 2020 – (1.069.323 arrivals) (Badan Pusat Statistik, 2021; UNWTO, 2021). According to Bali Province Statistics Indonesia (BPS) 2019 and 2020 data, there were 318,579 workers in Bali's accommodation and Food & Beverage sector. However, the employment decreased by 25,84% in 2020 to 236,257. Balinese people rely heavily on tourism, as evidenced by this drop. The number of hotels in Bali has similarly declined, with 507 units in 2019 and 380 units in 2020. From the above mentioned data, crises like COVID-19 lead to job losses, revenue declines, and negative perceptions in hospitality (Davahli et al., 2020). Employee engagement and loyalty decline due to the mental toll on staff (Sun et al., 2022).

However, an important phenomenon can be gleaned from the state and condition of Bali's hotel industry during the Covid-19 pandemic. The issue is tied to the *Tri Hita Karana* (THK), Hindu philosophy's significant effect on Balinese society, which impacts hotel survival. THK is a life paradigm with three components that promote human balance and harmony with God, others, and the environment. This concept has had a strong influence on Balinese conduct, and in recent years, it has significantly impacted Balinese institutions and worldwide culture (Roth & Sedana, 2015). Based on THK's beliefs, management fosters corporate resilience by ensuring the sustainability of its people and providing their basic needs so that employees can contribute to the organization's resiliency (Yunita et al., 2024).

This study investigates the impact of COVID-19 on organizational trust and employee loyalty in Bali's hospitality business. Then, the result is further

analyzed using the Balinese cultural notion of Tri Hita Karana to explain the findings. The findings of this study will help the Bali hospitality industry develop organizational strategies for dealing with various potential crises that affect employee trust and loyalty.

## **2. Literature Review**

### ***2.1 Impact of COVID-19 on Employees***

The COVID-19 pandemic has disrupted the hospitality sector, presenting challenges in working conditions, health, and economic stability in Turkey and Kuwait, two popular destinations in the world (Açikgöz & Günay, 2020; Diab-Bahman & Al-Enzi, 2020). While a study in Serbia found that the key impacts include job insecurity, health complaints, and organizational changes (Demirović Bajrami et al., 2021).

Job insecurity has been a key concern, amplified by mental health crises affecting employee performance (Rao et al., 2024; Wilson et al., 2020). Health complaints impact productivity and worsen this insecurity. The hospitality sector, already vulnerable, ranks second in occupational hazards, following healthcare (Chinazzi et al., 2020).

Mayer et al. (1995) model of trust (ability, benevolence, integrity) connects with job satisfaction and commitment (Colquitt et al., 2007; Dirks & Ferrin, 2002). Trust's role in employee retention during crises is critical in sectors like hospitality (Yasami et al., 2024). Employee loyalty, driven by job satisfaction, organizational culture, and leadership, is essential during crises (Bacha & Kosa, 2024; Guillon & Cezanne, 2014; Zanabazar & Jigjiddorj, 2021).

While existing research provides a framework for the pandemic's impact on organizational trust and loyalty remains, (Colmekcioglu et al., 2022; Davis et al., 2024; Qin et al., 2022), further studies are needed for Bali. This will add more information on practical methods for rebuilding trust and employee loyalty post-pandemic in Bali.

### ***2.2 Organizational Trust***

Organizational trust has been a key focus in research (Abiodun, 2024; Kähkönen, 2021), emphasizing its critical role in leadership and employee engagement during crises. The studies were conducted in the UK oil and gas industry and Finland non-profit organization. The three-component trust model (Mayer et al., 1995) remains foundational, involving ability, benevolence, and integrity. High levels of organizational trust are critical in boosting morale and commitment during crises. Trust enhances cooperation (Duong et al., 2023), while low trust increases turnover intentions and decreases performance (Bui et al., 2024).

Effective communication, transparency, and fairness foster organizational trust (Y. Lee & Li, 2021). Trustworthy leadership and strong relationships between supervisors and subordinates are essential (Abiodun, 2024). Trust dynamics influence organizational effectiveness both within and between organizations. While research on organizational trust is extensive, gaps remain in its dynamics, particularly in hospitality during and after the pandemic. Factors affecting organizational trust in the COVID-19 setting in Bali must be explored more. This also includes the long-term effects of COVID-19 and strategies for rebuilding trust in post-crisis contexts (Andersson et al., 2024).

### ***2.3 Employee Loyalty***

High turnover rates challenge the hospitality sector, with employee loyalty increasingly shaped by emotional wellbeing and perceived organizational support during crises (Gorgenyi-hegyes & Nathan, 2021). Employee loyalty, defined as emotional attachment, is crucial for retention (Yao et al., 2019). Employee loyalty is influenced by job satisfaction, organizational culture, leadership, and career opportunities (Chaanine, 2025; Hien & Tuan, 2023). Effective communication and transparent decision-making are key to fostering loyalty, especially during crises like COVID-19 (Erickson, 2021). Fair treatment, recognition, and participation in decision-making enhance employee loyalty (Fan et al., 2021; Mumtaz et al., 2022). Engagement initiatives promoting autonomy and skill development contribute to loyalty (Edmondson & Matthews, 2024; LaGree et al., 2024). The COVID-19 pandemic has reshaped employee loyalty in Bali's hospitality sector, with organizational trust playing a critical role. Gaps remain in understanding how to rebuild trust and loyalty post-pandemic.

### ***2.4 Hypothesis Development***

In the Swedish hospitality industry, the COVID-19 pandemic has drastically altered the workplace, leading to job insecurity and emotional distress (Feltmann et al., 2023). These stressors erode employees' emotional attachment, resulting in long-term effects on loyalty and engagement in Chennai's service industry (Kaur et al., 2022). Organizational support is crucial during crises to prevent a decline in employee loyalty. Based on the previous studies, it is hypothesized that the COVID-19 pandemic negatively impacts employee loyalty in Bali.

*H1: COVID-19 pandemic negatively impacts employee loyalty.*

Organizational trust is vital in maintaining a positive workplace, yet the COVID-19 pandemic has disrupted trust dynamics. Employees' perception

of inadequate transparency and support from management contributes to trust decline in Pakistan's Banking Sector (Zainab et al., 2022). Lack of clear communication exacerbates these trust issues in Taiwan's hospitality industry and Finland's service industry (Cheng & Kao, 2022; Vuori, 2023). Research suggests a negative correlation between the pandemic's impact and organizational trust. Hence, it is hypothesized that the COVID-19 pandemic negatively impacts organizational trust in Bali.

*H2: The COVID-19 pandemic negatively impacts organizational trust.*

Organizational trust is well-established as a key factor in employee loyalty in Pakistan's universities and banking sector, as well as in the financial service sector in South Africa (Mubashar et al., 2022; Ndlovu et al., 2021). In the context of the COVID-19 pandemic, trust becomes even more critical for sustaining loyalty in Bali's hotel sector (Aristana et al., 2022). Empirical studies show a strong positive correlation between trust and loyalty in the construction industry in Portugal (Silva et al., 2023). Therefore, it is hypothesized that organizational trust positively influences employee loyalty.

*H3: Organizational trust positively influences employee loyalty.*

Organizational trust is hypothesized to mediate the relationship between the COVID-19 pandemic's impact and employee loyalty. Proactive trust-building efforts can buffer the pandemic's adverse effects on loyalty in the US, Greece, and Italy (Davvetas et al., 2022; Porter et al., 2024). Trust-building initiatives mitigate the adverse impact on loyalty in the US (Glavas & Visentin, 2024; Gong & Sims, 2023). Hence, it is hypothesized that organizational trust mediates the impact of the COVID-19 pandemic on employee loyalty.

*H4: Organizational trust mediates the impact of COVID-19 on employee loyalty.*

Figure 1 presents a research model examining the impact of the COVID-19 pandemic on employee loyalty, highlighting the mediating role of organizational trust in the relationship between the pandemic's effects and employee loyalty during a crisis.

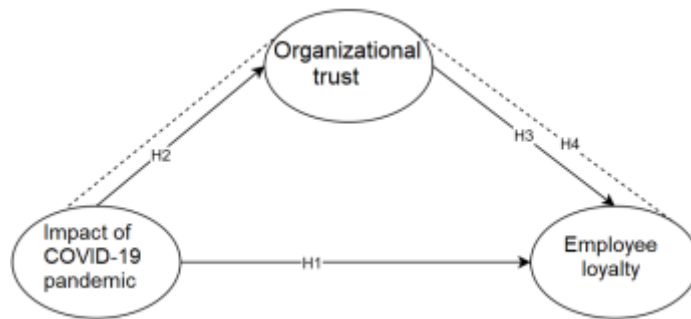


Figure 1. Research model (Source: Authors own elaboration, 2021)

### 3. Methods and Theory

#### 3.1 Method

This research used a mixed-methods approach to examine the impact of the COVID-19 pandemic on organizational trust and employee loyalty during the crisis and recovery. The study involved employees of three-, four-, and five-star hotels in Bali. A purposive sampling method was used, and Google Forms questionnaires were distributed via WhatsApp from February to March 2021. A total of 217 employees responded, and after data cleaning and entry, 200 responses were retained for analysis.

A set of 35 statement items was employed to assess risk-taking behavior, health complaints, job insecurity, and organizational changes (Demirović Bajrami et al., 2021). Job insecurity was measured using 11 items based on two constructs: employment insecurity and job stability (Rundmo & Iversen, 2007). Employee health complaints were assessed using 15 items related to mental and physical health complaints (Størseth, 2006). Workplace risk-taking behavior was assessed using 5 statement items developed by Størseth (2006), while organizational changes were measured with four items based on the work of (Ito & Brotheridge, 2007). The dependent variable, employee loyalty, is measured using previous research (Ineson et al., 2013). Six indicators from Yue et al. (2019) were used to measure organizational trust as a moderating variable.

A structured interview was conducted with Mr. I Ketut Suabawa, the Chairman of the Association of Hospitality Leaders Indonesia (AHLI), and Dr. Agus Made Yoga Iswara, the Chairman of the Indonesian Hotel General Manager Association (IHGMA), both professionals in hospitality management, to provide a reflective analysis of the research findings concerning the current situation in 2025 and to offer an analysis of how Balinese culture and the local work environment influence trust and loyalty within the hospitality sector.

### **3.2 Theory**

This theoretical framework integrates Social Exchange Theory (Blau, 2017; Coyle-Shapiro & Conway, 2005; Cropanzano & Mitchell, 2005), Organizational Trust Theory (Dirks & Ferrin, 2002; Mayer et al., 1995), Mediation Theory (Baron & Kenny, 1986; Preacher & Hayes, 2004), and Crisis Management Theory (Ritchie, 2004; Ulmer et al., 2019) to provide a comprehensive understanding of the relationships among COVID-19, organizational trust, and employee loyalty. By grounding the hypotheses in these established theories, the framework offers a robust basis for exploring how the pandemic has influenced employee dynamics within the hospitality sector and beyond. This approach clarifies the expected relationships among constructs and highlights the importance of trust-building initiatives to foster employee loyalty during crises.

## **4. Results and Discussion**

### **4.1 Respondent Profile**

The sample comprises 200 respondents, including 113 males (56.5%) and 87 females (43.5%). This gender distribution reflects female workers' challenges in the hospitality industry, such as long working hours and male dominance (Mooney, 2020).

Age-wise, most respondents were between 20 and 30 years old (44.5%), followed by those aged 31 to 40 (30%), 41 to 50 (19.5%), and over 50 (6%), indicating a young workforce that may prioritize work-life balance and career development. Regarding education, 40% held a Diploma 4/Bachelor's degree, 38.5% had Diploma 1 to Diploma 3, 20.5% were from Vocational High School/Senior High School/equivalent, and 1% held a Master's degree. Over 50% possessed higher education qualifications, suggesting a link between education and career advancement expectations in hospitality.

Most respondents worked in 5-star hotels (56.5%), followed by 4-star (32.5%) and 3-star hotels (11%). Regarding employment duration, the largest group had been in the industry for three to five years (30.5%), followed by one to three years (29%), five to ten years (14.5%), and less than one year or over ten years (13%). Additionally, 43% of respondents had worked in the hotel sector for over ten years, reflecting trends in employee retention and turnover, especially regarding the pandemic's impact on job security. The complete profiles of the respondents are presented in Table 1.

Table 1. Respondents' profile

No	Characteristic	N	Percentage
Gender			
1	Male	113	56.5
2	Female	87	43.5
Age			
3	20 – 30	89	44.5
4	31 – 40	60	30.0
5	41 – 50	39	19.5
6	> 50	12	6.0
Education			
7	Secondary school	41	20.5
8	1-3 years diploma	77	38.5
9	4 years diploma/Bachelor degree	80	40.0
10	Master's degree	2	1
Hotel star			
11	3	22	9.5
12	4	65	32.5
13	5	113	56.5
Duration of employment			
14	Less than 1 year	26	13
15	More than 1 - 3 years	58	29
16	More than 3 - 5 years	61	30.5
17	More than 5 - 10 years	29	14.5
18	More than 10 years	26	13
Job experience in hospitality			
19	Less than 1 year	10	5
20	More than 1 - 3 years	28	14
21	More than 3 - 5 years	54	27
22	More than 5 - 10 years	22	11
23	More than 10 years	86	43
24	Total respondents	200	100%

Source: Data Processing Results (2021)

#### 4.2 Descriptive Analysis

This research employs four intervals to categorize responses: 1 - 1.75 (low), 1.76 - 2.50 (moderate), 2.51 - 3.25 (high), and 3.26 - 4.00 (very high). The highest average score of 2.56 was recorded for the statement "In my job, I take risks," while the lowest average score of 2.2 was recorded for "My heart beats faster than usual (extra heartbeats)." The overall average score for the impact of the COVID-19 pandemic was 2.33, indicating a moderate range of 1.76 – 2.5.

This study examined the pandemic's impact across four dimensions: job security, health, risk-taking, and organizational change. The pandemic had a moderate influence in terms of health, with physical pain and weariness receiving the highest scores. Hotel employees also voiced concerns about contracting the virus, transmitting it to loved ones, workplace stigma, and threats to personal freedom, contributing to significant anxiety about the industry's future (Wang



et al., 2021). This uncertainty intensifies anxiety and ongoing cost-cutting measures, undermining employee satisfaction, commitment, and loyalty.

These findings highlight hotel organizations' need to address employee concerns regarding job security, health, and organizational changes during the pandemic. Proactive measures to alleviate anxieties and ensure transparent communication about plans can help maintain employee satisfaction, commitment, and loyalty during these challenging times. The descriptive study of the pandemic's impact is presented in Table 2.

Table 2. Impact of the COVID-19 pandemic descriptive analysis (X)

Code	Statement	N	Mean	Remarks
	X1. Job security			
	X1.1 Job security – Own job			
X1.1.1	I frequently consider the possibility of remaining employed by this company and the possibility of hotel closure.	200	2.45	Moderate
X1.1.2	I would have preferred enhanced hotel closure security.	200	2.50	Moderate
X1.1.3	I would have preferred greater security in terms of downsizing.	200	2.38	Moderate
X1.1.4	My current job-related future is uncertain.	200	2.38	Moderate
X1.1.5	Other employees may be forced to leave the company, but my position remains secure.	200	2.39	Moderate
X1.1.6	My employment is secure.	200	2.46	Moderate
X1.1.7	I frequently consider the possibility of remaining employed by this company and the possibility of hotel closure.	200	2.33	Moderate
	X1.2 Job security – Company			
X1.2.1	Several company plants will be closed soon.	200	2.28	Moderate
X1.2.2	The hotel business will be divided into fewer departments than is currently the case.	200	2.45	Moderate
X1.2.3	There will never be any downsizing at my workplace.	200	2.28	Moderate
X1.2.4	Everyone in this organization may be confident in their jobs.	200	2.5	Moderate
	X2. Health			
	X2.1. Health – Physical			
X2.1.1	Headache	200	2.15	Moderate
X2.1.2	Neck pain	200	2.27	Moderate
X2.1.3	Upper back pain	200	2.15	Moderate
X2.1.4	Low back pain	200	2.21	Moderate
X2.1.5	Arm pain	200	2.32	Moderate
X2.1.6	Shoulder pain	200	2.08	Moderate
X2.1.7	Migraine	200	2.14	Moderate
X2.1.8	Leg pain during physical activity.	200	2.14	Moderate
	X2.2. Health – Mental			
X2.2.1	Extra heartbeats	200	2.20	Moderate
X2.2.2	Heat flushes	200	2.32	Moderate

Code	Statement	N	Mean	Remarks
X2.2.3	Sleep problems	200	2.38	Moderate
X2.2.4	Tiredness	200	2.44	Moderate
X2.2.5	Dizziness	200	2.27	Moderate
X2.2.6	Anxiety	200	2.33	Moderate
X2.2.7	Sadness/Depression	200	2.21	Moderate
	X3. Risk-taking			
X3.1	In order to complete the task, I must break the rules.	200	2.34	Moderate
X3.2	I do not have time to go over all of the precautions.	200	2.40	Moderate
X3.3	In order to achieve quick results, I must break the rules.	200	2.39	Moderate
X3.4	In my job, I take risks.	200	2.56	Moderate
X3.5	In order to complete my work, I must take chances.	200	2.33	Moderate
	X4. Organizational change			
X4.1	To me, the efforts taken by the organization to implement the change were reasonable.	200	2.28	Moderate
X4.2	As a result of the change, I felt my position in the organization had reduced.	200	2.27	Moderate
X4.3	The number of personnel in the department is projected to decrease.	200	2.44	Moderate
X4.4	As the department responds to changes, employment duties will likely be dramatically altered.	200	2.44	Moderate
	Total		81.5	
	Mean		2.33	Moderate

Source: Data Processing Result (2021)

The highest average score for employee loyalty was 3.26 for “The job is enjoyable,” “The offered compensation is competitive,” “I enjoy offering excellent customer service,” “I adore meeting new people,” and “My employment provides me with personal fulfillment.” The lowest average score was 2.92 for “I value effective communication with my supervisors.” The overall average score for employee loyalty was 3.13, indicating a high level within the range of 2.60 – 3.25.

Results showed that hotel employees viewed their workplace as a second home and their colleagues as family, with this sense of belonging being most pronounced among those with three to ten years of tenure. Their loyalty stemmed from enjoyment in providing exceptional service, forming interpersonal connections with guests, and satisfaction with their work.

Notably, the primary drivers of employee loyalty were intangible factors, with loyalty strongly correlated with a positive work environment, effective communication, and respect from superiors. While factors like work location, job security, and suitable schedules were highly rated, salary and compensation were seen as less influential in fostering loyalty. These findings emphasize the

job as a critical determinant of employee loyalty and highlight the need for a supportive work culture that promotes satisfaction, effective communication, and mutual respect.

Organizations should prioritize convenient locations, job security, and appropriate work schedules to enhance employee loyalty. Although monetary compensation is important, addressing the intangible aspects of the job is crucial for fostering employee loyalty and commitment. Employee loyalty details are presented in Table 3.

Table 3. Descriptive analysis of employee loyalty (Y)

Code	Statement	N	Mean	Remarks
Personal satisfaction (Y1)				
Y1.1	I value effective communication with my supervisors.	200	2.92	High
Y1.2	I have a high regard for my department head.	200	2.96	High
Y1.3	I value effective communication with my co-workers.	200	3.04	High
Y1.4	I am proud of my hotel; It is my second home, and my colleagues are like family.	200	3.14	High
Y1.5	I value effective communication with my supervisors.	200	3.15	High
Job condition (Y2)				
Y2.1	This hotel provides me with excellent training.	200	2.96	High
Y2.2	My employment provides the opportunity for skill growth.	200	3.14	High
Y2.3	The working hours are convenient for me.	200	3.14	High
Y2.4	The work is varied; each day is unique.	200	3.20	High
Y2.5	I am not worried about my employment.	200	3.20	High
Personal benefit (Y3)				
Y3.1	The benefits provided are satisfactory.	200	3.15	High
Y3.2	The offered compensation is competitive.	200	3.26	Very High
Y3.3	The maternity/Paternity package is satisfactory.	200	3.21	High
Y3.4	The job is enjoyable.	200	3.26	Very High
Service element and location (Y4)				
Y4.1	I enjoy offering excellent customer service.	200	3.26	Very High
Y4.2	I adore meeting new people.	200	3.26	Very High
Y4.3	My employment provides me with personal fulfillment.	200	3.26	Very High
Y4.4	My workplace's location is convenient for me.	200	3.14	High
Career and status (Y5)				
Y5.1	My position is well-regarded in the industry.	200	3.08	High
Y5.2	My profession is well-regarded in society.	200	3.08	High
Y5.3	I have planned a career route and have a good possibility of advancement.	200	2.98	High
Total			65.8	
Mean			3.13	High

Source: Data Processing Result (2021)

The highest average score for organizational trust was 2,90 for: “I know that whenever my organization makes a critical decision during the transition, it will be mindful of people like me.” The lowest average score was 2.67 for “During the transition, I am willing to allow my organization to make decisions for people like me.” The overall average score for organizational trust was 2.78, which is classified as strong within the range of 2.60 to 3.25. These findings show that respondents trust an organization’s decision-making procedures and believe that decisions are made for the benefit of its employees. Organizational trust reflects an employee’s perception of the organization and is defined by a psychological condition of tolerating vulnerability in exchange for favorable expectations (Fulmer & Gelfand, 2012).

However, an unknown future, insufficient working conditions, or job insecurity can all diminish trust (Paliszkievicz et al., 2014). Ambiguity within the organization might undermine faith in its aims and activities. As a result, promoting stability, openness, and employee wellbeing is critical for building and retaining organizational trust. Table 4 presents a descriptive examination of organizational trust.

Table 4. Descriptive analysis of organizational trust (Z)

Code	Statements	N	Mean	Remarks
Z1	I will allow my organization to make decisions for people like me during the change.	200	2.67	High
Z2	Whenever my organization makes a critical decision during the transition, it will be mindful of people like me.	200	2.90	High
Z3	I trust my organization to look after people like me during the transition.	200	2.84	High
Z4	During the transition, my organization can be counted on to meet its promises.	200	2.73	High
Z5	When making change-related choices, I believe my organization considers the perspectives of people like me.	200	2.80	High
Z6	My organization can do what it says it will do during the transition period.	200	2.74	High
Total			16.68	
Mean			2.78	High

Source: Data Processing Result (2021)

#### 4.3 Measurement Model

Convergent Validity, Discriminant Validity, and Composite Reliability tests were conducted to validate the measurement model. Table 5 presents the results of the Convergent Validity test, determined by the loading scores of each indicator within the construct. For confirmatory research, the threshold

for the loading factor is 0.7, while for exploratory research, it is 0.6, and for developmental research, it is 0.5. This study is confirmatory; a loading factor of 0.7 was applied.

Table 5. Convergent validity

Variable	Indicator	Loading factor			Convergent validity
		1 <sup>st</sup> order	2 <sup>nd</sup> order	3 <sup>rd</sup> order	
Employee loyalty (EL)	CS1	0.959	0.867	-	Valid
	CS2	0.972	0.886	-	Valid
	CS3	0.941	0.865	-	Valid
	JC1	0.938	0.862	-	Valid
	JC2	0.851	0.851	-	Valid
	JC3	0.906	0.866	-	Valid
	JC4	0.901	0.942	-	Valid
	JC5	0.928	0.912	-	Valid
	PB1	0.974	0.942	-	Valid
	PB2	0.944	0.885	-	Valid
	PB3	0.958	0.936	-	Valid
	PB4	0.944	0.913	-	Valid
	PS1	0.927	0.907	-	Valid
	PS2	0.904	0.887	-	Valid
	PS3	0.948	0.929	-	Valid
	PS4	0.845	0.863	-	Valid
PS5	0.938	0.918	-	Valid	
Organizational trust (OT)	SL1	0.970	0.947	-	Valid
	SL2	0.970	0.945	-	Valid
	SL3	0.970	0.942	-	Valid
	SL4	0.934	0.904	-	Valid
	Z1	0.870	0.880	-	Valid
Z2	0.880	0.902	-	Valid	
Z3	0.902	0.763	-	Valid	
Z4	0.763	0.747	-	Valid	
Z5	0.747	0.744	-	Valid	

Variable	Indicator	Loading factor			Convergent validity
		1 <sup>st</sup> order	2 <sup>nd</sup> order	3 <sup>rd</sup> order	
Impact of COVID - 19 pandemic (IP)	HE1	0.913	0.911	0.962	Valid
	HE10	0.798	0.807	0.806	Valid
	HE11	0.878	0.925	0.907	Valid
	HE12	0.855	0.911	0.855	Valid
	HE13	0.831	0.911	0.876	Valid
	HE14	0.813	0.872	0.818	Valid
	HE15	0.807	0.878	0.851	Valid
	HE2	0.872	0.879	0.923	Valid
	HE3	0.928	0.926	0.962	Valid
	HE4	0.853	0.863	0.890	Valid
	HE5	0.897	0.885	0.935	Valid
	HE6	0.966	0.953	0.948	Valid
	HE7	0.902	0.926	0.885	Valid
	HE8	0.872	0.909	0.898	Valid
	HE9	0.883	0.877	0.911	Valid
	RT1	0.914	0.797	-	Valid
	RT2	0.821	0.772	-	Valid
	RT3	0.971	0.866	-	Valid
	RT4	0.890	0.831	-	Valid
	RT5	0.923	0.806	-	Valid
	OC1	0.790	0.802	-	Valid
	OC2	0.909	0.813	-	Valid
	OC3	0.950	0.866	-	Valid
	OC4	0.847	0.791	-	Valid
	J1	0.786	0.854	0.828	Valid
	J10	0.812	0.904	0.852	Valid
	J11	0.898	0.903	0.928	Valid
	J12	0.855	0.879	0.891	Valid
	J13	0.897	0.962	0.934	Valid
	J14	0.909	0.952	0.948	Valid
	J15	0.828	0.887	0.877	Valid
	J16	0.841	0.840	0.869	Valid
	J17	0.882	0.938	0.934	Valid
J18	0.849	0.954	0.925	Valid	
J19	0.863	0.923	0.887	Valid	

Source: Data Processing Results (2021)

Discriminant validity assesses how well each latent variable is differentiated from other variables. A model is considered to have strong discriminant validity if the square root of the AVE (Average Variance Extracted) for each construct (shown as the diagonal value) is more significant than its correlations with other constructs (values below the diagonal). Additionally, discriminant validity can be confirmed by comparing HTMT (Heterotrait-Monotrait Ratio) scores across constructs. If the HTMT values between constructs are below 0.9, the indicators of each construct are deemed to have discriminant validity. Table 6 summarizes the results of the discriminant validity tests.

Table 6. Discriminant validity

Variable	√AVE	Correlation coefficient		
		EL	IP	OT
EL	0.902	1.000		
IP	0.854	-0.821 (0.828)	1.000	
OT	0.821	0.686 (0.657)	-0.350 (0.334)	1.000

Source: Data Processing Results (2021)

Table 7 presents the composite reliability of the constructs, assessed using Cronbach’s Alpha and composite reliability coefficients. This table provides key insights into the internal consistency and reliability of the study’s measurement scales.

Table 7. Composite reliability

Variable	Cronbach’s alpha	Composite reliability
Construct variable		
IP	0.989	0.989
OT	0.907	0.925
EL	0.988	0.989
Construct dimension		
COMP	0.940	0.957
CS	0.955	0.971
H1	0.974	0.978
H2	0.961	0.967
HE	0.980	0.982
JC	0.950	0.962
JS	0.976	0.978
OC	0.897	0.929
OWN	0.962	0.969
PB	0.968	0.976
PS	0.950	0.962
RT	0.944	0.958
SEL	0.973	0.980

Note: IP: Impact of COVID-19 Pandemic; OT: Organizational Trust; EL: Employee Loyalty; COMP: Company; CS: Career & Status; H1: Health-Physic; H2: Health-Mental; HE: Health; JC: Job Condition; JS: Job Security; OC: Organizational Change; OWN: Own Job ; PB: Personal Benefit; PS: Personal Satisfaction; RT: Risk Taking; SEL: Service Element & Location

Source: Data Processing Results (2021)

Table 7 provides Cronbach’s Alpha and composite reliability values for each construct, enabling an assessment of their reliability. A composite reliability score of >0.70 suggests acceptable reliability, indicating that the items accurately capture the intended constructs.

Table 8 presents the R-squared values, indicating the strength of exogenous variables in predicting endogenous variables. R-squared values are categorized as strong, moderate, or weak. According to Chin (1998), an R-squared value of

0.67 or higher indicates a strong PLS model, 0.33 to 0.66 indicates a moderate model, and 0.19 to 0.32 indicates a weak model. In this study, the R-squared value for the effect of COVID-19 management actions on employee loyalty is 0.855, suggesting a strong influence. However, the R-squared value for Organizational Trust is 0.122, indicating a weak relationship between COVID-19 Pandemic Management Actions and Organizational Trust, implying that other factors influence employee trust.

Table 8. R-squared model

Endogen variable	R square	R square adjusted
Employee loyalty	0.855	0.853
Organizational trust	0.122	0.118

Source: Data Processing Results (2021)

#### 4.4 Hypothesis Testing

The COVID-19 pandemic has significantly impacted employee loyalty, with a coefficient value of -0.662 and a t-statistic of 34.165 ( $> 1.96$ ), leading to the acceptance of H1. This suggests that crisis conditions diminish employees' emotional ties to their organizations because they may feel less secure and valued during such times. The COVID-19 pandemic significantly impacted employee loyalty, with a coefficient value of -0.662 and a t-statistic of 34.165 ( $> 1.96$ ), leading to the acceptance of H1. This suggests that crisis conditions diminish employees' emotional ties to their organizations, as they feel less secure and valued during such times. Reflecting on the current situation, Bali's hospitality sector has remarkably recovered since 2022, with most hotels reopening and tourist arrivals nearing pre-pandemic levels, signaling resilience and adaptation (Choe & Mahyuni, 2023). This recovery has emphasized the importance of organizations adapting and preparing for future crises, including lessons learned during the epidemic, such as promoting open communication and ensuring employee well-being.

H2 is accepted, indicating that the COVID-19 pandemic is significantly and negatively correlated with organizational trust, with a coefficient of -0.350 and a t-statistic of 6.080 ( $> 1.96$ ). This shows that employee organizational trust erodes as the pandemic's impact grows, compromising the supportive work environment required for morale and participation. To address this, firms must prioritize rebuilding trust through open communication and supportive management practices to create a more trusting workforce.

H3 is accepted, demonstrating that organizational trust significantly and positively affects employee loyalty, with a coefficient of 0.454 and a t-statistic of 19.307 ( $> 1.96$ ). This finding suggests that higher levels of organizational trust



correlate with enhanced employee loyalty. Employees who feel trusted are more likely to reciprocate with greater loyalty and dedication. To foster this, companies must prioritize creating trust through open communication and supportive leadership, especially during times of crisis.

H4 is accepted, indicating that the COVID-19 pandemic negatively impacts employee loyalty (-0.662), but organizational trust partially mitigates this effect. This suggests that while the pandemic directly reduces loyalty, trust can help buffer some adverse impacts. Employees who believe in their organizations are likely to remain loyal even during difficult times. As trust builds, it reduces the uneasiness and disengagement induced by the pandemic’s pressures. The results of the hypothesis testing are summarized in Table 9.

Table 9. Hypothesis testing results

No.	Hypothesis	Result	Conclusion
1.	Impact of COVID-19 pandemic on employee loyalty	Path coefficient = -0.662 T stat = 34.165 p value = 0.000	H1 accepted
2.	Impact of COVID-19 pandemic on organizational trust	Path coefficient = -0.350 T stat = 6.080 p value = 0.000	H2 accepted
3.	Organizational trust in employee loyalty	Path coefficient = 0.454 T stat = 19.307 p value = 0.000	H3 accepted
4.	Organizational trust mediates the indirect impact of the COVID-19 pandemic on employee loyalty	Path coefficient = -0.159 T stat = 6.975 p value = 0.000	H4 accepted

Note: Significance Levels: \*\*: p-value < 0.05; \*\*\*: p-value < 0.01; \*\*\*\*: p-value < 0.001 \*: p-value < 0.1.

Source: Data Processing Results (2021)

The indirect impact test result (0.000 with a T statistic of 6.975, due to a p-value of 0.05 and a T statistic greater than 1.96) shows that organizational trust mediated the effect of the COVID-19 pandemic on employee loyalty. The path coefficient 0.159 suggests a minimal but significant mediating role for organizational trust. While organizational trust plays a mediating role in the relationship between the pandemic and employee loyalty, the overall impact of trust is relatively modest. Reflecting on the current situation, the Bali hospitality industry has learned valuable lessons regarding trust-building, which has proven essential for maintaining employee loyalty during times of uncertainty (Table 10).

Table 10. Indirect impact testing result

Indirect line	Line coeff	T statistics	P values
IP → OT → EL	-0.159	6.975	0.000

Note: IP: Impact of COVID-19 Pandemic; OT: Organizational trust; EL: Employee loyalty.

Source: Data Processing Results (2021)



Photo 1. The Human Resources Staff and the author, Mandapa, a Ritz-Carlton Reserve lobby (May 7, 2021, Photo by author Irene Hanna H. Sihombing)

The study found a significant decrease in employee loyalty as a direct consequence of the pandemic. Traditionally, loyalty has been linked to competitive salaries and benefits, but during the pandemic, organizations struggled to meet these expectations (Gorgenyi-Hegyes et al., 2021). Strategies to enhance loyalty include comprehensive benefits, training programs, and performance appraisals (Tam, 2024). However, cost-cutting measures implemented during the pandemic, such as layoffs and salary reductions, had a negative impact on employee loyalty. Looking at the current situation in 2025, the hospitality industry in Bali has adapted to these challenges by enhancing employee engagement through improved communication and benefits and implementing flexible work arrangements.



Photo 2. The Marketing Department Staff and the author at Sthala, a Tribute Portfolio Hotel lobby (May 7, 2021, Photo by Author Irene Hanna H. Sihombing)

The study also revealed that the pandemic has eroded organizational trust. Employees expressed dissatisfaction with how their organizations responded to the crisis. Trust is influenced by organizational practices such as decision-making and information sharing (H. Lee, 2021). The rapid adjustments required by the pandemic created uncertainty and vulnerability among employees (Kähkönen, 2021). Many employees felt that hotel policies during the pandemic harmed their interests, emphasizing the need for management to prioritize employee welfare. As part of Bali's recovery, hotels have shifted towards more transparent communication and have introduced policies focusing on employee well-being and security, significantly improving trust post-pandemic.

Employee loyalty is an employee's commitment to their employer, influenced by relationships with co-workers, superiors, and guests (Ineson & Berechet, 2011). Factors affecting retention include personal growth opportunities, training, compensation, work-life balance, and a supportive work environment (Kossivi et al., 2016; M. Fernandez & Worasuwan, 2017). Research reveals a positive correlation between organizational trust and employee loyalty. High turnover rates in the hospitality sector imply that

customer loyalty has weakened since the pandemic (Khan et al., 2021). The pandemic disrupted traditional turnover patterns, introducing uncertainty and stress among employees facing pay cuts and increased work pressure. Despite these challenges, many employees view remaining employed as the best option during crises. In the present scenario, Bali organizations focus on retention strategies by offering more flexible work conditions and improving employee benefits, which has helped reduce turnover rates and improve employee loyalty.

The COVID-19 pandemic has directly influenced employee loyalty (Abdullah et al., 2021), but the mediating role of organizational trust is limited. Ongoing uncertainty prompted many employees to seek alternative income sources (Usman et al., 2021). While organizational trust influences employee performance and behavior (Qin & Men, 2023), its role as a mediator in the pandemic's impact on loyalty is relatively minor. The reciprocal relationship between supervisors and the organization fosters an environment where employees feel motivated to engage (Eluwole et al., 2022). This study contributes to understanding the dynamics between organizational trust, employee loyalty, and the unique circumstances of the pandemic, underlining the importance of trust in maintaining loyalty during crises. Currently, the role of organizational trust in mitigating loyalty loss is being reinforced through proactive management strategies, including mental health support and transparent communication in Bali's hospitality sector.

#### *4.5 Structured Interview*

A structured interview was conducted with Mr. I Ketut Suabawa, the Chairman of the Association of Hospitality Leaders Indonesia (AHLI), and Dr. Agus Made Yoga Iswara, the Chairman of the Indonesian Hotel General Manager Association (IHGMA), both professionals in hospitality management, to provide a reflective analysis of the research findings in relation to the current situation in 2025 and to offer an analysis of how Balinese culture and the local work environment influence trust and loyalty within the hospitality sector.

Two primary questions were posed to the speakers in this interview: 1. What loyalty and trust-related lessons has Bali's hospitality sector learned from the COVID-19 pandemic? 2. How are employee loyalty and trust impacted by Balinese culture, namely the Tri Hita Karana concept?

The results of the interviews are summarized in Table 11:

Table 11. Interview Result

	<b>Informant 1</b>	<b>Informant 2</b>
Question 1	<ul style="list-style-type: none"> <li>• Leadership role</li> <li>• Walk the Talk</li> <li>• Communication</li> <li>• Collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Staff as an asset</li> <li>• Give examples</li> <li>• Planning and execution</li> <li>• Togetherness</li> </ul>
Question 2	<ul style="list-style-type: none"> <li>• Shared purpose with the staff</li> <li>• Prioritize community welfare over personal gain</li> <li>• Hotel as a home for all members of the organization</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate the objectives</li> <li>• Wise and fair policy</li> <li>• Create a positive organization that provides safety and security for all staff and guests.</li> </ul>

Source: Data Processing (2025)

Based on the interview with the two experts, Balinese culture plays a crucial role in shaping trust and loyalty within the hospitality industry. When the result is being mapped with The philosophy of ‘Tri Hita Karana’ (Yunita et al., 2024), the following actions have been taken to foster loyalty and trust: Sharing and communicating all goals and plans with the organization is an implicit reflection of the *Parhyangan* (Human-God Harmony) idea. The concept of *Pawongan* (Human-Human Harmony) is reflected in how the leaders maintain good communication with the staff, have precise planning, walk the talk, always give examples, be fair, and always prioritize organizational welfare. Prioritizing relationships and communal support enhance employee commitment and service. Hotels implement the *Palemahan* (Human-Environment Harmony) concept focused on maintaining sacred grounds (*natah*), gardens, and temples, creating a positive organization that provides safety and security for everyone.

In addition, during the interview, the experts also talked about collaboration and togetherness. In Balinese culture, it may have come as the concept of ‘*gotong royong*’ (cooperation) that further strengthens teamwork and dedication, enhancing guest experiences. This deep cultural integration fosters employee loyalty and promotes authentic interactions, distinguishing Bali’s hospitality sector in the global market. During the pandemic recovery, this cultural foundation has become even more important, as hotels in Bali have reinforced their commitment to local cultural values, improving trust and loyalty between management and employees.

The 2021 pandemic research highlighted significant changes in Bali’s hospitality sector. Interviews emphasized the need for resilience and adaptability, with flexible work arrangements becoming essential for talent

retention and employee satisfaction. Mental health support, such as wellness workshops, gained priority. Transparent communication fostered trust, assisting employees in navigating uncertainties. Employees now value job security and support systems, seeing employers as partners in their professional and personal growth. This shift reflects the industry's recognition of employee wellbeing as critical to organizational success, which has been key in rebuilding employee trust post-pandemic.

## 5. Conclusion and Recommendation

The findings indicate that as the severity of the pandemic increases in 2021, employee loyalty declines, mainly due to reduced job security and increased worker stress. Trust within organizations has decreased over this time. The pandemic's impact on employees partially connects to their loyalty, with crises affecting the fundamental trust required to keep employees committed.

Reflecting on the current situation in 2025, it is evident that the hospitality industry in Bali has started to recover by re-establishing trust and enhancing employee engagement through adaptive management practices. According to the experts, the hospitality sector closely adheres to the Tri Hita Karana philosophy, particularly in how it is applied. The implementation of harmony between hotel leaders and staff is reflected in the positive vibes established throughout the service, which affects the guest experience. One feature of Bali's hotel sector that is unique to the island is this. This also helps to speed up the recovery of Bali's hotel business because harmony fosters unity in rebuilding the hotel, which serves as both a place of employment and a home for everyone. The hotel leaders also infused the spirit of "*Tong ngelah karang sawah, karang awake tandurin,*" which translates to "If you do not have rice fields, then the land in yourself (soul) should be planted," in order to boost the staff's excitement. This phrase highlights how crucial it is to grow personally to progress and prosper, enabling employees to become genuine assets for the company. Based on the findings of this study, it is clear that Balinese culture influences how a hotel organization operates. The Tri Hita Karana philosophy can help create trust and loyalty, which can be employed as a successful crisis management method.

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