

# CHAPTER I

## INTRODUCTION

This particular chapter would contain of research background, research problem, research objectives, benefit of research, limitations of research, and thesis systematic structure.

### 1.1 Background

Indonesia ranks 4<sup>th</sup> in the world as the most populous country with nearly around 274 million population (WorldOMeter, 2020), and has an approximately 67.8% labor force participation rate (CEIC, 2020). The majority of the laborers work within the three largest sectors, which are agriculture, industry, and service with 28.64%; 22.45%; and 48.91% employment distribution consecutively (Statista, 2020). Being the third-largest sectors in Indonesia, the industry sector is known to have a promising future, especially the retail industry, whereby it has forecasted to have an annual growth rate of 13.8% by 2024 (Mordor Intelligence, 2020) due to the strong purchasing power and spending behavior possesses by Indonesia's citizens. Furthermore, this growth is accommodated by the latest trend of online shopping as it enables customers to buy necessities through an online platform

instead of physically going to the store leading to an increase in the purchasing power and spending behavior of the citizens.

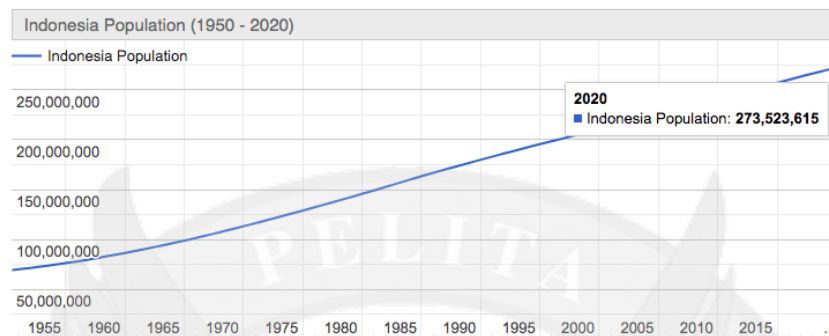


Figure 1.1 Indonesia Population

Source: WorldOMeter, 2020. <https://www.worldometers.info/world-population/indonesia-population/>

However, while there is a high likelihood that the retail industry is growing indefinitely, the industry is categorized as labor-intensive (Matsuki & Nakamura, 2019:1) by which firms need an enormous amount of labor force to provide and fulfill the customers' demands since the number of customers is numerous (Anindita, 2018). Hence, due to lots of work pressure comes from the customers, some employees decide to voluntary resign from the organization since they could no longer bear the pressure (SPNews, 2018). Other than that, employees' job satisfaction might also be related from the lack of emotional and physical support and work engagement from the leaders, managers, and even colleagues (Karanika-Murray et al., 2015:1021). In this current study, retail business is categorized into several types, such as department store, convenience store, supermarket, specialty store, and services. The main task of the retail employees might not seem too hard but is difficult enough to be executed since each employee has to provide and satisfy the needs of the varieties of customers' demands in a short amount of time. Hence, the tasks put the employees with no time left to enjoy doing those as they have to

focus on satisfying and fulfilling the demands. To be able to respond and fulfill the needs accordingly, employees would need some support and assistance from their leaders and colleagues that would help them to be more comfortable to survive longer in the industry. Hence, to retain employees from resigning and increase their job satisfaction, the Retail's leaders must adopt a particular leadership style that will support and encourage its employees during their time of working to help them develop a sense of enjoyment towards their jobs despite all the obstacles that come within.

The leaders and managers of the organization have to engage in a particular leadership style that will promote and prioritize the employees' values and wellbeing to enhance their satisfaction towards their job as they are the driving force for a change (Colquitt et al., 2019:523). Having a good leader who adopts a leadership style that offers unconditional guidance, assistance, and support to and provides a positive working environment for the employees will positively contribute to the increasing improvement of employees' performance, engagement, and satisfaction towards their works (Robbins & Judge, 2017:304). There are several leadership styles a leader can choose to possess, and each comes with its pros and cons and would radiate different impacts and influences toward employee's motivation and outcome. The most famous leadership styles, transformational and transactional leadership, have been adopted by many organizations' leaders. And the relatively new leadership style, participative leadership (Chan, 2019:319), has recently gained more popularity among leaders since if it executes accordingly, it will positively enhance the employees' emotions

and motivations. Hence, participative leadership can increase employees' work engagement and job satisfaction towards their job (Robbins & Judge, 2017:269).

This participative leadership style prioritizes collective interest above individual interest, and, for each decision-making, discussion among colleagues and team-member is absolute (Chan, 2019:319). Therefore, participative leadership tends to focus more on implementing the values of diversity, equity, and inclusion as the leader will always seek for everyone's opinion and approval for each decision made. Besides, both employees' needs and demands would also be taken care of and supported to a degree of their mental wellbeing would be maintained and relatively stable when they are under a participative leadership style. With all these positive improvements arise from participative leadership style, no wonder that employees' commitment, job satisfaction, and performance is increasing as their existence and efforts are started to be more appreciated, needed and respected (Robbins & Judge, 2017:304) by their leaders and colleagues.

As explained previously, the retail industry is labor-intensive in which it sometimes leads to a voluntary resign from the employees themselves (SPNews, 2018). This event occurs because employees no longer feels satisfied with their job and have no desire to work any longer in a particular organization. To increase employees' job satisfaction, it is recommendable for a retails' leader to engage in a participative leadership style to help accommodate the employees' needs and well-being and also to ensure employees' performance to the organization. Thus, this

study will examine the impact participative leadership style will bring on the retail employees' job satisfaction level.

Besides adopting the diversity, equity, and inclusion values during its leadership, the participative leader would also become their employees' role model gradually as they observe, imitate, and implement what they have learned from their leader (Chan, 2019:321). In other words, employees will be more engaged towards their surroundings and tasks and be more active and initiative to approach and seek what to improve to be a better version of themselves. With the increasing motivation of employees' level of work engagement provoked by the participative leadership style, employees would begin to feel welcomed and needed, and eventually, they would find their job become more pleasing and exciting to do. Hence, the second purpose of this study is to identify whether work engagement is the mediator factor between participative leadership and job satisfaction relationship.

Every employee has a different understanding and perception of a participative leadership style. The most prominent factor that might act as a moderator between the participative leadership style and job satisfaction is the level of fun experienced by the employees provided by the leader. Several researchers believed that a fun workplace accommodated by the organization and supported by the leaders would positively affect and enhance employees' work engagement (Chan & Mak, 2016:27) and, as a result, increasing employees' job satisfaction. Consequently, the third purpose of this study is to determine whether the level of

fun experienced by the employees' moderates the impact of participative leadership with the employees' work engagement and job satisfaction.

Hence, this study is conducted in the retail industry since there is only a few to none of information related to the retail industry's job satisfaction level. Furthermore, the subject participated in this study is limited to Bogor, Bekasi, and Depok retail workers since it is projected those cities are considered as established cities (Erawan, 2016) to promote retail products. This study would focus to examine the possibility of participative leadership style in increasing employees' job satisfaction level despite the numerous tasks need to be done and pressures need to be bore by the retail employees. Moreover, this study would also examine the effects the work engagement and fun at the workplace provided by the participative leadership would bring on job satisfaction.

## **1.2 Research Problem**

As explained in the background section, the purpose of this study is to analyze the following problems in the Retail Industry:

- Does the participative leadership positively correlate with employees' job satisfaction?
- Does work engagement mediate the relation between participative leadership and employees' job satisfaction?

- Does the higher level of fun the employees have at work, the more positive the relationship between participative leadership with the work engagement and job satisfaction?
- Does work engagement mediate the interactive effects of participative leadership and fun in the workplace on employees' job satisfaction?

### **1.3 Research Objectives**

The purposes of conducting this research are:

- To find out the positive relationship between participative leadership and employees' job satisfaction.
- To examine the role of work engagement between the relation of participative leadership and employees' job satisfaction.
- To know the correlation between the higher level of fun employees feel at work with the positive relationship between participative leadership with work engagement and job satisfaction.
- To examine the effect of work engagement regarding participative leadership and fun in the workplace on employees' job satisfaction.

#### **1.4 Benefit of research**

- For Future Researchers

This particular study provides a further understanding and explanation of the positive impacts and influences of the participative leadership toward employees' work engagement and workplace fun on job satisfaction in the Retail Industry.

- For Retail Leaders in the Organization

This particular study provides an insightful understanding of why and how a participative leadership style would be able to offer positive impacts on employees' job satisfaction through work engagement and fun at the workplace. And how adopting and implementing this particular leadership style would increase the performance gradually.

#### **1.5 Scope of Research**

The scopes of this particular research are the variables identified and analyzed throughout this study and also the subject of research. The criteria of the research subject are the retail workers in Bogor, Bekasi, and Depok who have experience of working in the industry for at least one year and have an employee-manager tenure for at least one year. Hence, data generated from this research cannot be generalized to all types of industries.



## **1.6 Thesis Systematic Structure**

### **CHAPTER I: INTRODUCTION**

This chapter would consist of the background explanation of this research, the research problem, scope of the study, the purpose of research, the benefit of research, and the thesis systematic structure to provide a brief yet a clear and insightful explanation of what will this paper offer to give to the readers.

### **CHAPTER II: LITERATURE REVIEW**

This chapter will consist of a couple of theoretical backgrounds supported by several scholarly articles to provide a proper explanation of the research model and hypotheses presented in this paper.

### **CHAPTER III: RESEARCH METHOD**

This chapter provides explanations of the analytical methods and techniques and the analytical tools used to conduct, gather, analyze, and examine the data derived from several sources.

### **CHAPTER IV: RESULT AND DISCUSSION**

This chapter will provide the data generated and how does it relate to the study argued in this paper. There will also be a discussion to provide further understanding and analysis of the data.

## CHAPTER V: CONCLUSION AND SUGGESTIONS

This chapter will consist of the summary of the paper and the suggestions for further research that might be needed as some parts are not being covered and analyzed in this particular paper.

