CHAPTER 1

1.1 Introduction

Restaurant industries is considered one of the most crucial business sectors in the current global economy (Cho et al, 2018). Hence, it indicates the fierce competition that is currently ongoing in the restaurant industry in Indonesia. In other words, penetrating the current market is difficult and vice versa, maintaining the position of a company in the market is challenging. Nonetheless, there is a lot of positive benefit that companies could acquire in the restaurant industry area. One includes how restaurants contributes to Indonesia's economy regarding Gross Domestic Product (GDP) in Indonesia (Tarigan et al, 2019). It is stated by a research done in 2015 in which 32.5% of Indonesia's total GDP out of $861.93 billion came from the contribution from the restaurants sectors which is considered a big chunk of rate given compared to contributions for other different business sectors in Indonesia (Tarigan et al, 2019). Thus, restaurant industry in Indonesia plays a huge role to contributing to the economy. Apart from the positive sides that restaurant provides, there is also a huge challenge that is needed to overcome by restaurant owners. They must implement the 3 most important factor: customers' needs, wants, and demand (Hidayat et al, 2019). Hua et al (2018) stated that customers loyalty is acquired of higher satisfaction, because of good service quality which can bring to the stimulation of the superior financial performance. Hence, customer loyalty is deliberately a big component for the company to improve its profitability (Hidayat et al, 2019). A research shown that constructing a substantial relationship between leaders/managers and employees regarding mutual understanding,

empathy, and trust is a necessity in reducing employee turnover rate (Smith, 2018). In a sense, the data shows that leaders should apply a proper leadership style towards employees. For instance, if managers do not spend time and look / hear out to employees' problems and thoughts, it will increase chances of employees leaving the company and will increase employee turnover rate of the company. Also, it will affect employees on job satisfaction. In 2016, Indonesia's job satisfaction rate is 76%, which means that 24% of workers wants to quit and get new jobs (Seek, 2016). Compared to Singapore which only 7% wants to quit and get new jobs (Seek, 2016), Indonesia's employee job satisfaction rate is considered high. Thus, there are various aspects that a manager should recognize to reinforce employees' job satisfaction. It includes valuable job, responsibility, achievement, recognition, and advancement (Juariyah & Saktian, 2018). Therefore, type of leaders affects in employees' job satisfaction. Indonesia's employee turnover rate in the hospitality industry is considered relatively high as in 2016, employee turnover rate in the industry rose up to 24% compared to what in 2014 which was only 21.43% (BPS, 2017 stated in Gunaprasida & Wibowo, 2019). Moreover, it exceeds the average employee turnover in the hospitality industry worldwide which is 20.7% only in 2016 (CompData Surveys, 2017 stated in Gunaprasida & Wibowo, 2019). Thus, shown that every 1 out of 4 employees in the industry will continuously leave the company for whatever reason. This shows how bad employee turnover rate in hospitality industry in Indonesia is including restaurants. The purpose of this report is to find any existing effect between participative leadership, work commitment, job satisfaction and how they relate to influencing turnover intention. Likewise,

increasing job satisfaction means that you end up with engaged employees and a better company.

1.2 Research Problem

Based on the identification and limitation of the problems above, the research problems can be developed as follows:

1. Is there a significant negative effect between participative leadership and turnover intention?

2. Is there a significant positive effect between participative leadership and job satisfaction?

3. Is there a significant negative effect between job satisfaction and turnover intention?

4. Is there a significant positive effect between participative leadership and organizational commitment?

5. Is there a significant negative effect between organizational commitment and turnover intention?

6. Is there a mediating effect of job satisfaction in the relationship between participative leadership and turnover intention?

7. Is there a mediating effect of organizational commitment in the relationship between participative leadership and turnover intention?

1.3 Research Objectives

The objectives of the study can be determined as follows:

1. To determine whether there is a negative effect between participative leadership and turnover intention

2. To determine whether there is a positive effect between participative leadership and job satisfaction

3. To determine whether there is a negative effect between job satisfaction and turnover intention

4. To determine whether there is a positive effect between participative leadership and organizational commitment

5. To determine whether there is a negative effect between organizational commitment and turnover intention

6. To determine whether there is a mediating effect of job satisfaction in the relationship between participative leadership and turnover intention

7. To determine whether there is a mediating effect of organizational commitment in the relationship between participative leadership and turnover intention