

CHAPTER I

INTRODUCTION

Inside this chapter will consists of background of the study that is being done, problem statement or research problem, research questions, research objectives, significance of the study, and lastly organization of the study.

1.1 Background of the Study

In the business world, it is required for all companies, especially the business owners to keep on innovating in order to achieve & sustain their competitive advantage and at the same time stay ahead of their competitors. This statement is backed by research from Urbancova (2013), it is stated that the goal of every organization or business is to defeat their competitors and achieve competitive knowledge. But the only way of innovation to appear and be generated is through creativity and creative individuals. According to study from De Jong and Den Hartog (2010), it is declared that most companies seem to believe that source of creativity in a company is solely generated from the employees and their behaviors. With the market becoming more competitive every second and the market's volatility, it is inevitable that employees will push to compete for innovation by being engage in an innovative behavior (Hong et al., 2016). In order to initiate those innovative and creativity behaviors of the company's employees, that's where the role of leadership from the business owners or entrepreneurs comes into play. Leadership is crucial in initiating innovative behaviors because according to study from Alheet et al. (2021), leaders are able to motivate their employees through traits and they have the capability to put aside their individual goals and concentrate on the bigger picture, which are the organization's success and increasing innovative outputs/ideas. According to Khan et al. (2012) and Mumford and Gustafson (1988) defined that innovative work behavior as dynamic encompasses both creativity and innovative aspects. But with times keep on evolving, it sure has an impact on how leaders have to manage and lead their employees since leaders have great

power, but with great power comes great responsibility. That is the reason why the utilization of the proper and correct leadership style is crucial in not only for the business owners to lead the employee but also trigger innovative work behaviors. This statement is backed by study from Saleem et al. (2015), where it is said that the success of a business depends on the type of leadership style that the leader chooses to implement and utilize in their respective company. The reason is because the old ways of leadership style, where dictatorship and individualist mindset do not work in the current business world, rather the state of the business world is now a world where many individuals must put their ego aside and cooperate & work together to achieve a common goal. According to research from Kizer, (2022) stated that the average age of CEO (leaders) is 54.1, and this is concerning because in the current world, where millennials are different than past generations from their mindset, leadership, and everything else, this could lead to negative impact to the business since it could lead to clashes and arguments due to different opinions and many other things.

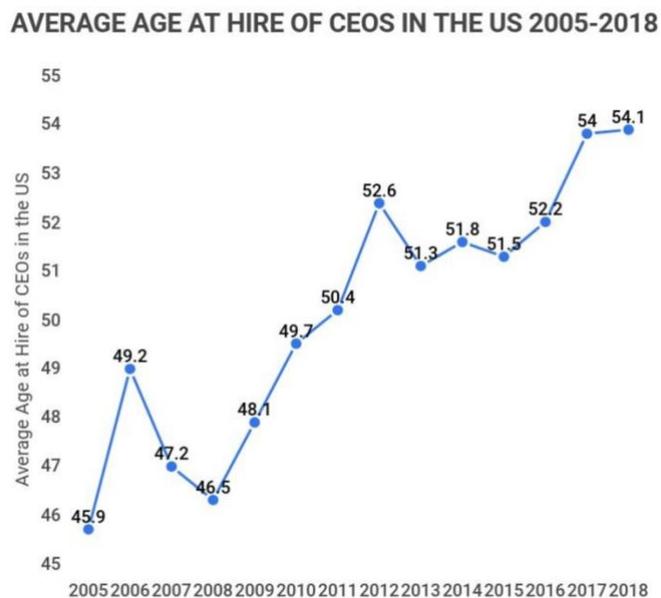


Figure 1.1 Average Age at Hire of CEOs in US from 2005-2018
Source: Zippia.com (2022)

This is important because with also globalization bringing major changes to the business world and the appearance of internet that provide customers with unlimited amount of information at their disposal, this causes an arise of a new problem, which is increase in customers' needs and wants from the company and their product and service. There are only two options that a business owner can choose, which are counteracting the fast changes by adapting through elevating innovative work behaviors or give up (de Spiegelaere et al., 2014). So, from this statement shows how innovative work behaviors in a workplace can really benefit a company to be sustainable for a long period of time.

Also with times evolving, if business owners or entrepreneurs are experiencing problems that are connected with lack of innovative behaviors, it will become worrisome, where it would affect the companies' ability to execute their strategies, which will eventually lead to failure in meeting companies' expectations and goals. With this in mind, innovative work behavior has become a major issue that companies are experiencing since now than ever, employees are obliged to solve work-related conflicts that aren't in their job description, in which forces companies and its employees to innovate even more to tackle those conflicts (Joe & Bennett III, 2018). The big question that is left how to initiate employees' innovative behaviors in order to tackle problems and achieve competitive advantage. One factor that can be taken into consideration has been briefly mentioned above, which is leadership styles.

According to Alheet et al. (2021) and Khan et al. (2020), leadership styles consist of transactional, transformation, and laissez-faire. As explained above, leadership styles can be one factor taken into consideration by companies when searching for method to improve employees' innovative work behavior. It is crucial because with the correct leadership style, it will not only guide the employees but also encourage employees to be innovative, in which will bring advantages to the company. But if it's the opposite, it would lead to big effects towards the company, and the biggest one is loss and bankruptcy. According to research from Ettore (2020), it stated that research from Corporate Executive Board reckon that 50-70% of leaders or executives will fail

in the span of 18 months of doing that role. Things like these would cause lack of occurrence of innovative work behaviors from their employees and eventually lead to companies unable to compete with their competitors in their respective market. So, that's why leadership and picking the appropriate leadership style are important.

For this research study, it will be circling around the industry of food and beverage industry, to be specific restaurant business in Jakarta and Tangerang. To be more specific, this research study will concentrating on full-service restaurant, middle up market in Jakarta and Tangerang. The F&B industry plays a crucial role to the Indonesia's economy, where according to where according to Ventures (2022) stated that gross merchandise value of food sector especially from restaurant is estimated to rise 36% from US\$5.1 billion in 2020 to US\$6.9 billion in 2021. Also, research from Panduarsa G, (2022) stated that even though with the effect of pandemic Covid-19, the industry itself showed its resiliency by growing 3.8% in second quarter of 2022. This research will focus on restaurant since based on research accordance from (Indonesia Foodservice Market Share, Size, Trends 2022 - 27, n.d.), it stated that the Indonesian foodservice market primarily restaurants was valued at US\$ 35 million in 2021 and is forecasted to have a CAGR of 8.44% between 2022-2027. For these reasons, the F&B industry and to be specific restaurant business is chosen as the topic for this research study since the importance and contribution it brings to the Indonesia's economy. In Indonesia especially in Jakarta and Tangerang, where it is considered to be big areas, according to research from Price, (2018) stated that the estimation of restaurant's failure rate is 30%, and this can be interpreted in big areas like Jakarta and Tangerang, where there are lots of competitors in the restaurant business, and for that reason research on figuring out which leadership styles work the best is necessary. Area like Tangerang and Jakarta are interesting for business especially restaurant owners to appear because according to research from Chaidir, (2022) stated that there is an increase in economic growth from -6.92% in 2020 to 3.70% in 2021 in Tangerang, while according to Azzura (2021), stated that Jakarta contributes around 70% of Indonesia's money circulation. With that in mind, according to research from Oey &

Juliana, (2022), stated that there has been an increase restaurants appearing in Tangerang area with 234 in 2017 to 370 restaurants open in 2020. This shows how these two areas are interesting for business owners especially restaurant to appear in either Jakarta and Tangerang. For those reasons above, this research looks at the F&B industry to be specific the restaurant business in Jakarta and Tangerang.

1.2 Research Problem

Until this day, some businesses are still experiencing a difficult time in trying to lead the business and employees that are working inside their business. Some of them are not even aware of the styles of leadership and even worse, some of them do not have the capability or ability to become a leader in their own businesses. Another thing is that in some businesses, they're not developing and giving proper trainings for leadership to the employees, which then bring negative impact to the company because they have no replacement, and thus adding to the impact of not being able to thrive in the industry for a long period of time. This will eventually lead to an uncomfortable and unhealthy working environment for all parties involved inside the business and definitely will lead to negative impacts. According to research from Djurovic (2022), stated that 79% of employees will quit their jobs because they feel that they are getting little to no appreciation from the leaders, 63% of millennials believed that their leadership skills aren't being developed, only 5% of companies have integrated leadership development in their businesses, and only 10% of CEOs are natural leaders who guide staff by example. From the statistics before show the current state of the business world, where some or even most businesses are still lacking in leadership skills or even giving proper leadership trainings to the employees to improve their skills and the impact that employees feel when there's lack or no leadership at all. Especially in the restaurant business, where a restaurant must be innovative in order to survive, and this is where leadership plays a huge role in encouraging the workers to be innovative and creative in their respective workplace. Usually, restaurants are having

difficulties in being innovative since the leaders aren't portraying or implementing the proper leadership style that will motivate the employees to behave innovatively, and in which there are lots of leadership styles but usually leaders are having difficulties in figuring the appropriate leadership style to trigger and improve innovative work behavior, which lead to failure and closing down the business. This can be alarming since the f&b industry is detrimental in contributing to the Indonesia's economy, where according to Ventures (2022) stated that gross merchandise value of food sector is estimated to rise 36% from US\$5.1 billion in 2020 to US\$6.9 billion in 2021. Also, research from Panduarsa G, (2022) stated that even though with the effect of pandemic Covid-19, the industry itself showed its resiliency by growing 3.8% in second quarter of 2022. This explains the reason of According to research from Price, (2018), stated that the estimation of restaurant's failure rate is 30%, and it's usually cause poor leadership & management and lots of competitors. This can be interpreted in Jakarta and Tangerang, where both areas are large cities with lots of restaurants competing, in which it is crucial for leaders to pick the proper leadership style to survive or not they will fail. In order to find out whether a leader (restaurant owner) is implementing the proper leadership style to trigger innovative work behavior in the workplace, it is only right to choose the employees as the respondents of this research study, since they experience it first-hand, and with an objective in mind that the leaders in this case restaurant owners could identify the most proper leadership styles to improve innovative work behavior out of transactional, transformational, and laissez-faire leadership style. Based on study from Vidigal et al., (2022), stated that restaurant owners that utilized transformational leadership style brings the most favorable results with 20.9% amongst the other leadership styles, with transactional leadership with 7.4% and laissez-faire not even being in the discussion. This statistic shows a picture or gives an idea or prediction of which styles of leadership would likely to bring the most improvement towards innovative work behavior and success of the business. A research also stated that innovative work behavior is important regarding with the relationship with the success of the business, since according to research from

Nasifoglu et al., (2020), stated that employee's innovative work behaviors can bring huge benefits to businesses that utilize services, in which include the restaurant business.

Another problem that arises that is link with the topics based on following research on previous studies, there is a pattern, which is inconsistency regarding the results mostly on the transformation and transactional leadership style. Based on previous study from Alheet et al. (2021) declared that there is a positive relationship between transformational leadership style and innovative work behavior when studying about effects of leadership styles on innovative work behaviors of employees working at Al-Ahliyya Amman University. While both transactional and laissez-faire have a negative relationship with innovative work behavior. Similar findings can be found from previous study stated that there is positive relationship between transformational leadership style and innovative work behavior but negative relationship between innovative work behavior and both laissez-faire and transactional leadership style when studying about effects of leadership styles to innovative work behaviors on bank managers in Pakistan (Khan et al. 2012). Also, similar results from Skudiene et al. (2018) stated that only transformational has a positive relationship with innovative behaviors, while the other two have negative relationship with innovative work behaviors while studying about relationship between leadership styles with innovative work behavior with a moderating effect of locus of control.

From these previous studies, it can be said that leadership styles do have a connection with innovative work behavior, but only the correct type will produce a positive relationship. In order to dig deeper on which leadership style is the best for entrepreneurs and business owners to use to trigger innovative work behaviors, same styles will be used for this research, which are transactional, transformational, and laissez-faire.

1.3 Research Questions

Based on the explanations above since there are inconsistencies in regard to the results from previous research studies and current problems in the business world. So, in order to make sure that it is correct and proven, the problems that need to be address in this research study are:

- How does transactional leadership style influence innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area?
- How does transformational leadership style influence innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area?
- How does laissez-faire leadership style influence innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area?

1.4 Research Objectives

For this research study, the objective or purpose is to identify, examine, and analyze the relationship between leadership styles to innovative work behaviors, in order to really know which leadership style works best for business owners or entrepreneurs to utilize and apply in their own businesses to trigger, initiate, and improve innovative work behaviors & ultimately achieve competitive advantage. The purposes include:

- Analyzing the influence of transactional leadership style to innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area
- Analyzing the influence of transformational leadership style to innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area
- Analyzing the influence of laissez-faire leadership style to innovative work behaviors towards full-service restaurant in Jakarta and Tangerang area

1.5 Significance of the Study

1.5.1 For the Researcher:

The goal of this study is to further understand and grasp the knowledge of both the independent variables and dependent variable. Another thing is to find the connection between leadership styles and innovative work behaviors and lastly, determine which styles of leadership amongst transactional, transformational, and laissez faire leadership style is the best fit for business owner (restaurant owner) to utilize in their own respective business to initiate or trigger and improve innovative work behavior in their respective businesses.

1.5.2 For the Restaurant Owner:

The purpose of this study is to assist restaurant owners in Jakarta and Tangerang in finding which styles of leadership will work the best for them to utilize in their own respective business to trigger and improve their workplace's innovative work behavior in order to make them sustainable for a long period of time and receive lots of benefits along the way.

1.5.3 For the Future Researcher:

This study serves a purpose for future researchers to come when researching about the similar topic, that this study will give them further assistance and knowledge that they can utilize when researching the topic of choosing the right styles of leadership that business owners in general can use to initiate or trigger and improve, with hope that this study and its information will be beneficial and resourceful for the future researchers.

1.6 Organization of the Study

CHAPTER 1: INTRODUCTION

For this chapter, this chapter includes the background of the study, research problem, research questions, research objectives, and organizations of the study, which outlines the thesis.

CHAPTER 2: LITERATURE REVIEW

For this chapter, it includes and explains the theories behind each variable and the conceptual framework that is used to build the connection from one variable to another, which serves as a purpose to build or create hypothesis from it

CHAPTER 3: RESEARCH METHOD

In chapter 3, it includes the analysis method that is going to be utilize for this research study in regards researching for the data, data sources, and questionnaire that will be used to solve the case.

CHAPTER 4: DISCUSSION AND ANALYSIS

For this chapter, it includes the results from the research that has been done for this case and data analysis will be provided and also will be providing further review through the utilization of statistics calculation on the relationship between all the variables involved and to proof whether the hypotheses that were made are correct or incorrect.

CHAPTER 5: CONCLUSION AND SUGGESTION

For this chapter, it will include the final statement for this research study and suggestions that the researcher can make or give after doing the research in regard to finding out problems and suggesting ways of alternatives. Also, it will include conclusion, where it will include the results from the statistical calculation of the data that has been finished.