# CHAPTER I

INTRODUCTION

Problem Statement

The COVID-19 Pandemic continues to destructively impact countries whole the world, and society feel stuck in a strange situation indeed (Hinojosa, Shaine, and McCauley 2020). This situation triggered a worldwide crisis in view of global pandemic, which been touched every angle of our lives, family, education, health, work, and by even further, the relationship of leader and follower (Hinojosa et al. 2020). When people adapt to work on new realities, leaders in companies play a key role in framing the experiences of employees at the workplace amid and post-pandemic (Ngoma et al. 2020). Even though in most companies the physical interaction between subordinates and leaders was disturbed by COVID-19 (Hinojosa et al. 2020). Leaders through their Management level of communication still have strong impact to follower performance, behavior, and emotional distress (Wu and Parker 2017).
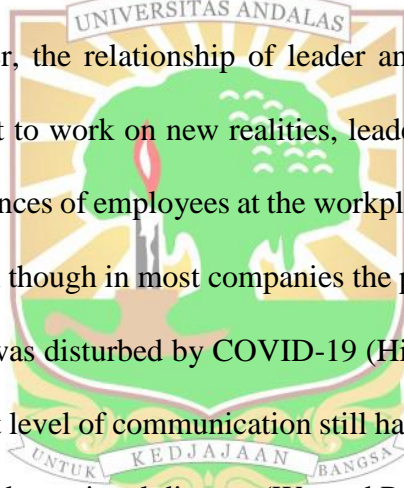
In the modern society, turnover intention has quickly become one of most management issues, because it affects the integrity of company performance which induce the generally increasing trend of employee turnover worldwide (Sanjeev 2017). For examples, in research Park and Pierce (2020) the average level of employee turnover in child welfare organizations varies from 20% to 57% a year, even 100% in several study (Fulcher and Smith 2010), and recorded that as long as 2 years approximately 41 % employee out of their jobs (Fallatah, Laschinger, and Read 2017).

In the midst of COVID 19 pandemic in which many companies reduce employee salary even dismiss their employees to maintain stability and financial balance (Almeida and Santos 2020). Then, so many job vacancies were closed due to many business went bankrupted (Han and goleman, daniel; boyatzis, Richard; Mckee 2019). These things will impact for the intentions of employee to out from their current organization (Baum et al. 2020). Peoples will keep negative responses for survive in COVID 19 pandemic situations (ILO 2020), the important things are how they and family healthy, being not stress, and daily needs are met (ILO 2020). The banking industry has made a major contribution to West Sumatera economy over the years. It not only provides employment in the economy but also channels financing to businesses and individual consumers. The banking sector has also contributed to the development of agricultural sector, tourism and local SMEs (Hassan and Jagirani 2019), and almost all sector of industry related with Banking sector and even from traditional to modern business (Kant and Jaiswal 2017; Khamis and Rashid 2018)

Bank Nagari is bank owned by the regional government of West Sumatra which aims to improve the economy of the community, especially in West Sumatra. This establishment was pioneered by the Regional Government as well as community leaders and private business leaders in West Sumatra on the basis of the need for a financial institution in the form of a bank, which specifically assists the government in implementing development in the regions (banknagari.co.id/profile). In order to maintain stable performance, productivity among employees, and to increasing competitiveness, it is necessary to pay attention internally on human resources and

employee turnover on a regular basis. The following is the employee turnover data for the last 5 years in center office of Bank Nagari, Padang:

Table 1.1
Employee Turnover Data at Centre Office of Bank Nagari, Padang
Years: 2016 – 2020*October

NO	Details	Years				
		2016	2017	2018	2019	2020*
1	Pass Away	1	5	3	3	2
2	Resign (Voluntary)	20	30	48	47	32
3	Problematic (Involuntary)	5	4	3	7	3
4	Retirement at age 38	0	0	1	3	1
5	Disability Retirement	0	0	0	1	0
6	Normal Retirement	21	21	35	33	34
	TOTAL	47	60	90	94	72

Source: Bank Nagari (2020)
*Note: Temporary data per October 2020

Based on the data above, numbers of employees leaving the company increases every year, with the highest increase occurred in 2018 and 2019 with a total of 184 people. Based on an interview conducted on November 4, 2020 with one of the employees at Bank Nagari, the voluntary resignation was mostly due to religious issues, because 60% of employees left Bank Nagari because Muslims had prohibited eating Usury (RIBA) based on Islamic sharia, and several reasons came from family issues such as joining a husband, getting pregnant, the desire to continue family business, to be an entrepreneur, and feeling too busy with age. And satisfaction factors

such as passing the civil servant test, looking for another jobs, and some problems that are internal to the company, such as employees leaving the bank because they are not satisfied with their career, they feel isolated in problems career development, uncomfortable with coworkers and leaders, then some employees leave due to sudden transfer problems, especially established employees are placed far away from their families, and there is also pressure from leaders on the transfer process.

Meanwhile in 2020, turnover rates tend to be stuck and has decreased, namely 72 people / October 2020, this may be due to the COVID 19 pandemic in which so many jobs were closed, so many companies went bankrupt, limited movement, and it is very difficult to find a new job. So, this makes their intention to leave the company tends to be low. Employees may think just to survive in this situation, the important things are all daily needs are met and family healthy. However, the decline is not entirely significant. In process of resign, leaders can actually retain their employee. When employees propose resignations letter, they will face their leaders after that. The leader will ask about their beliefs to leave, employees will be motivated and advised to stay. Here the leader will play his role to make the intention less and less likely to disappear.

Due to the fact that employee turnover rates continue to increase and still high in current situation, Bank Nagari should make efforts to retain employees because employee turnover has proven to be a higher prevalence in certain organizational functions, recruiting, replacing, and training for new employees, company will lose costs around 50% of annual worker salaries (Maaitah 2018). Problems such as high employee turnover is serious problems, unnatural if the turnover rate increases year by year in the organizations more than 10-30% per years (Sanjeev 2017). For this reason,

necessary to pay attention for employee needs, cause new employees who are recruited may not guarantee to work as well as old employees (Maaitah 2018), where it's also part of the motivational step which leader must take a role. Turnover intention is a process which came from a negative psychological response to organizations conditions and specific job conditions which inducing employee out of the organization (Sanjeev 2017; Takase 2010). Many factors influence the reasons for employees leave the company, but in this study the author will focus on seeing from leadership side, specifically both transformational and transactional leadership style. In line with it, turnover rates will be lower when leaders are able to provide support and improve workplace conditions (Laschinger and Fida 2014).

Leadership plays an important role to retaining employee in the organizations (Angeline S 2014), because leader influences work attitude of employees, and that attitude will affect their intention to out of their current job (Fallatah et al. 2017). A qualitative research found that high turnover rate caused by weak leadership at the state level (Griffiths and Royse 2017). Leadership is the process of interaction between leaders and employees in achieving organizational goals, here leaders are invited to achieve follower goals and give what they needed to make them not demotivated, stay productive and commit on company vision (Gul et al. 2012). Employee performance is very depending on their leader performances, most employees experience demotivation, stress due to workload, poor performance, lack of trust because some leader can't proof what are they was previously promise to employee's (Gul et al. 2012). The Companies desperately need leaders who can guide and direct employees to achieve the expected results. The leader plays an important role to influence,
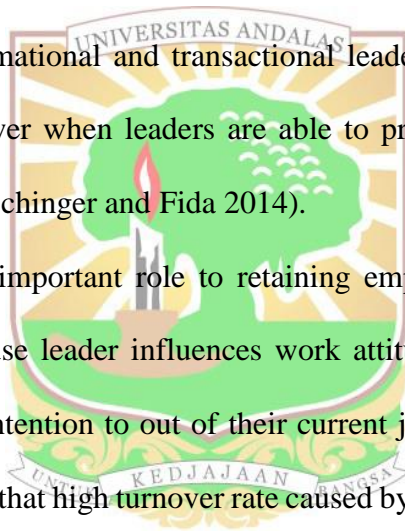
motivate, and direct organizational members in the job place and at the same time, leaders also face challenges to deal with employees who came from different backgrounds in their company (Madariaga, Oller, and Martori 2018).

Leaders who use transformational leadership styles encourage subordinates to observe an environment that raises doubts, then ask subordinates to propose effective and unique solutions to the leader, and leaders also encourage their subordinates to challenge themselves and continue to innovate through motivation , future inspiration, intellectual stimulation, care and concern (Xie et al. 2018). Indirectly, this will strengthen employee engagement, change their mindset, and their beliefs to be loyal to the company (Gul et al. 2012). In research outcome of Amankwaa and Anku-Tsede (2015), which is saw from employee perception in Ghanaian Banking Industry, 305 survey conducted by using multi stages sampling approach, found that transformational leadership behaviors negatively related to turnover intention, its mean style of transformational leadership which was implemented have succeed mitigate turnover in the Ghanaian banking industry. It also supported by study of Maaitah (2018), which found the same result, their indicates that as strong as role of leaders who implemented this style, then turnover intention will decrease. Without strong role of leadership, the company might be chaotic and of course, the goals of the company cannot be achieved (Carter et al. 2019). Hence, effective leaders are very important to lead and support their followers to succeed (Ag Budin and Wafa 2015).

Meanwhile, transactional leader is leader who uses corrective and constructive transactions to make sure that followers has doing the tasks which is suitable with leaders want, leaders feel aren't necessary to build relationships with followers and

rather, they really want to exchange anything with work (Bright 2018). Transactional leadership styles are supportive in maintaining and creating a context in which human and organizational capabilities are maximized, because oftentimes employees can achieve both visible and invisible rewards (Long et al. 2012). This leadership style really helps make the work environment optimal in articulating the beauty of the vision, improving the performance of employees and the organization as a whole (Yanney 2014). Furthermore, leaders must accomplish activities to arouse employee's morale, and establish roles for groups or individuals in achieving goals (Awan and Mahmood 2010), and style is one of the ways of leader characterized to handle organizational matters. Various styles can be applied in leadership, and each style has a series of pluses and minuses, and different each other (Randeree and Chaudhry 2012), difference in work set will direct leader to implement different style (Tajaddini and Mujtaba 2011), and different places will also needed different style in implementations.
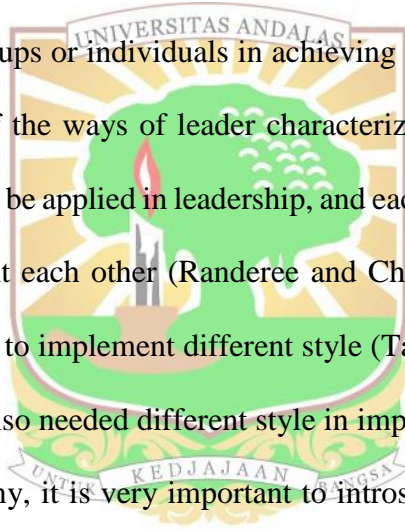
In case of the company, it is very important to introspect what the company has done to meet the needs of employees in retain effort. To measure as far their serviced, the company also need to consider their employee satisfaction on job. In research of Ramalho Luz and de Oliveira (2018), one of most important factors which is affected turnover is job satisfactions, a high quality and strong relationship between employee and leader will be created when employees satisfied with their leader, and conversely, their relationship will have a distance if they are not satisfied with the leader. While referring to Siquera (2008), the conception of job satisfaction is understood as an aspect of motivation or as an attitude, which has been designated as a concept involving effectiveness in a contemporary way (Ramalho Luz et al. 2018). Many studies have

found that job satisfaction is associated with increased production, organizational performance, and loyalty to the banks (Bhardwaj et al. 2020), so that the higher level of employee satisfaction will make level of turnover intention lower too (Herschell et al. 2020; Wang et al. 2020; Wells and Peachey 2011). Satisfied employees also had a lower resignation rate compared to dissatisfied employees. these results are then reflected by negative behavior and the presence of anxiety, such as successive absences and lack of control in job presentation (Bhardwaj et al. 2020). In a study of Hassan and Jagirani (2019), which is conducted in banking sector in Pakistan, 200 sample were chosen and found that job satisfaction has negative and significant effect on employee turnover intention. Its mean if employees feel very satisfied, so they tend to be loyal with the organization while not satisfied employees have a tendency to switch to another organizations (Hassan and Jagirani 2019).

Based on the problems discussed above. Thus, the researcher interesting to put up the topic **"An Evaluating Job Satisfaction as Mediating Variable to Enhance Leaderships Role on Turnover Intentions Amid COVID 19 Pandemic in Centre Office of Bank Nagari, Padang, West Sumatera"**

Research Questions

Based on the problems stated above, the problems developed can be formulated as follows:

1. How is the effect Transformational leadership on Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

2. How is the effect Transactional leadership on Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

3. How is the effect Transformational Leadership on Job Satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

4. How is the effect Transactional Leadership on Job Satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

5. How is the effect Job Satisfaction on Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

6. Does Job Satisfaction will mediate the effects between Transformational leadership and Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?

7. Does Job Satisfaction mediate the effects between Transactional leadership and Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang?
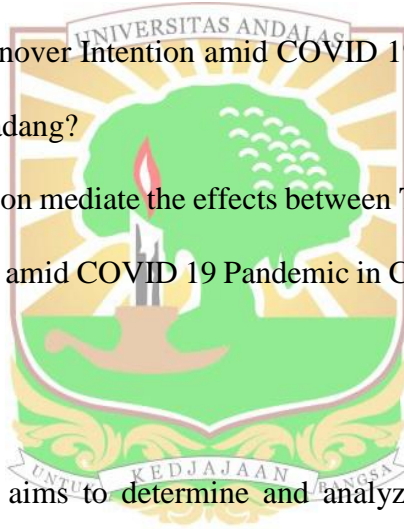
Research Objectives

In general, this study aims to determine and analyze what influences turnover intentions in Centre office of Bank Nagari, Padang. Therefore, the writer will assess direct effect from side of both leadership styles on turnover intentions, and indirect effect which is mediated by Job Satisfaction. The development of research objective, are:

1. To determine and analyze the effect of Transformational leadership on Turnover intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

2. To determine and analyze the effect of Transactional leadership and Turnover intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

3. To determine and analyze the effect of Transformational Leadership on Job Satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

4. To determine and analyze the effect of Transactional Leadership on Job satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

5. To determine and analyze the effect of Job Satisfaction on Turnover Intention amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

6. To determine and analyze the effect of Transformational Leadership on turnover intention which is mediated by Job satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.

7. To determine and analyze the effect of Transactional Leadership on Turnover intention which is mediated by Job satisfaction amid COVID 19 Pandemic in Centre office of Bank Nagari, Padang.
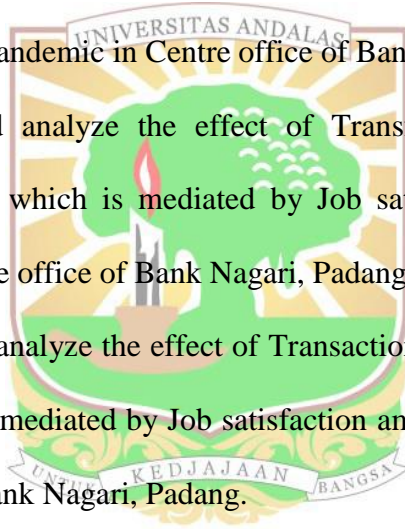
Research Benefits

There are several benefits which wants to achieve are:

1. Theoretical Benefits

    This research is expected to contribute to science, especially in the field of HR, in terms of factors that can affect employee turnover intention at Bank Nagari Padang.

2. Practice Benefits

This research is expected to be used as input for leaders in retaining their employees through increasing the role of the leader by evaluating job satisfaction as mediator among employees at Bank Nagari Padang.

Research Scope and Limitations

For more focused problems that will be discuss, the writer will give limitations for this research, so that the goals and objectives of this study can be achieved. There are several variables will be discussed by the writers, namely Transactional Leadership (X1), Transformational Leadership (X2), and Turnover Intentions as dependent variable (Y), while the mediating variable (M) is Job Satisfaction.

Research Systematics

The preparation and discussion of this writing consists of sub-chapters that are related to one another as seen in the writing systematics below:

CHAPTER I INTRODUCTION

Describe an outline of the background, problem statement, research problem, objectives, benefits, limitation and scope, and writing systematics.

CHAPTER II LITERATURE REVIEW

Is a chapter that contains a theoretical basis / literature review that is relevant to the problem identified. Theories includes Transformational Leadership, Transactional Leadership, Turnover Intentions and Job Satisfactions. Furthermore, this chapter included such as previous research, conceptual framework, and hypotheses.

CHAPTER III RESEARCH METHODOLOGY

This chapter describes the research method which consists of the method used, population, and sample determination, data collection sources and techniques, and operationalization and measurement of variables.

CHAPTER IV RESULTS AND DISCUSSION

This chapter contains the results of research which includes an overview of the participants, descriptive analysis, hypothesis test, and justifications**.**

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

This chapter is a closing chapter that contains useful conclusions, research implications, recommendations, and limitations contained in this study.