PATERNALISTIC LEADERSHIP ON GEN-Y EMPLOYEES’ TURNOVER INTENTIONS WITH MOTIVATION AND SATISFACTION AS A MEDIATOR

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Abstract: This study examines the effect of paternalistic leadership on Gen-Y employees’ turnover intentions, mediated by motivation and satisfaction. The research used 186 samples of Gen-Y employees from BCA Regional Office, Malang as respondents. Research data were obtained through questionnaires and analyzed through SmartPLS. The results indicate that paternalistic leadership affects Gen-Y employees’ turnover intentions through satisfaction. Mediation effect of motivation is not found in the influence of paternalistic leadership on turnover intention. The implementation of paternalistic leadership cannot keep turnover rate low, but only to help.

Keywords: paternalistic leadership, motivation, satisfaction, turnover intention.

In the past few years, the banking service industry has become a target for job seekers, mainly due to relatively high salaries. Many factors encourage people to choose a place to work, but in the literature, in general, it does not mention the standard reason why people leave an organization. The intention of employees to quit work is an intense predictor of the status of the relationship between the organization and employees. The availability of alternative employment opportunities and the opportunity to pursue and achieve a better career in the labor market can have a significant impact on work relationships in the organization (Irawanto, et al., 2012).

Employee turnover is vulnerable to Generation Y (Gen-Y) or also known as “Millennial Generation” or “the Information Generation” (Howe and Strauss 2000). Gen-Y distinguished from the previous generation, Gen-X. Demographers and researchers usually refer to Y-Genes in people born between 1980 and 2000 (Ng, et al., 2010). Gen-Y easily and quickly absorbs information, but are vulnerable to accepting changes. Any information about more interesting jobs will easily trigger his desire to turnover intention. The gen-y intention for turnover intention can be caused by the pressure experienced, not getting pleasure or not in accordance with his lifestyle. Social influence also easily changes their attitude. Gen-Y does not mean it cannot work seriously. The organization has to optimize Gen-Y employees for their best work potential. The leadership style plays an important role in changing em-
employee attitudes (Mathieu and Babiak 2015) relating to whether the employee is motivated or satisfied with his job so decides whether to stay together or will leave the organization.

In the context of organizations in Indonesia, Irawanto, et al. (2012), investigating the application of paternalistic leadership especially in Javanese culture. No studies so far have investigated specifically the benefits of paternalistic leadership to reduce the intention to move bank employees. Previous Chou, et al., (2015) in the context of military leadership in Taiwan, found that the intention to leave was influenced significantly positively by authoritarian leadership. Conversely, moral-virtue leadership has a significant positive effect on the intention to leave. Previous literature still shows some gaps that need to be investigated.

Research by Belias, et al. (2013) and Belias, et al. (2015a), employees of banks and credit institutions in Greece indicate that employees tend to place high interests on salary, wages or incentives. The relationship between motivation and satisfaction is also shown in research Sdrolias, et al., (2014). Employers who are less motivated or involved in certain work situations tend to cause a decrease in job satisfaction (Mathieu and Babiak 2015). Dissatisfaction stimulates thoughts to stop, which in turn, results in the expected evaluation of utility from alternative searches and considerations of ‘costs’ borne if stopping work (Mobley, 1977). If dissatisfied employees believe that they can find acceptable alternatives and feel that ‘costs’ to stop are not ‘expensive,’ employees will decide to look for other jobs. Previous research has proven the inverse relationship between satisfaction and job change (Mathieu and Babiak 2015). Employees who are not motivated or dissatisfied with their boss’s leadership style can lead to an intention to turnover intention. Thus, employees not only leave the organization but they leave their leaders (Mathieu and Babiak 2016).

The importance of this study lies in need of insight into how the bank’s Gen-Y employee’s intention to move can be predicted by the paternalistic style of leadership, through motivation and satisfaction. The study was conducted at BCA Bank Gen-Y employees in Malang Regional Office.

LITERATURE REVIEW

Paternalistic Leadership

Paternalistic leadership is defined as a style that combines high discipline and authority with a full virtue of fatherhood and moral integrity, applied in a personalistic atmosphere (Farh and Cheng, 2000). The definition shows that paternalistic leadership is not a single construct, but consists of important and statistically different components, namely authoritarianism, virtue, and morality and integrity (Farh and Cheng, 2000).

Research interest in the paternalistic leadership model has developed and applied to organizations such as in Taiwan (Farh and Cheng, 2000 and Cheng, 2008) and Indonesia (Irawanto, et al. 2012). There are similarities between Confucian values in the model applied in Taiwan, and the Javanese values applied in Indonesia (Irawanto, et al. 2012).

Motivation

Lindner (1998), defines motivation as an inner strength that encourages individuals to achieve personal and organizational goals. This research based the thinking of Maslow’s hierarchy of needs theory. This theory was first conceived in 1943 by Abraham H. Maslow, in a classic article entitled “A Theory of Human Motivation”. Maslow identifies five levels in the hierarchy of needs: basic needs, safety needs, belongingness needs, esteem needs, and self-actualization needs.

Satisfaction

One of the most widely used definitions in organizational research by Locke (1976), which defines satisfaction as a positive or pleasant emotional state that results from one’s assessment of work or work experience. This study adapted the short version of the Minnesota Satisfaction Questionnaire (MSQ), which provides more specific information on aspects of work that are valued by individuals rather than more general satisfaction measures.

Turnover Intention

Turnover is one of the most studied phenomena in economics and organization (Shaw, et al., 1998). Turnover in the broadest sense, namely the
rotation of workers that occurs in the entire labor market; between companies, jobs and positions; and among the status of workers with unemployment (Abbasi and Hollman, 2000). Moving intention is defined as the tendency of employees to leave the organization (Steel and Ovalle, 1984), but the actual new turnover will be found more than the result of the intention to withdraw (withdraw).

Figure 1 shows the research model built from the results of previous research studies. Turnover intention can be predicted from the application of paternalistic leadership, mediated by motivation and satisfaction.

HYPOTHESIS

Effects of Paternalistic Leadership

Leaders can develop organizations that reflect certain beliefs and values, which lead to the creation and application of appropriate internal cultures (Belias and Koustelios, 2014). The Y-Gen is more likely to be understood by leaders who can act as “fathers” to guide them at work. Leadership literature still debates two sides in the paternalism system, namely whether the leader empowers (virtue) or restrains (exploits)? In research by Chou, et al. (2015), a moral-virtue combination is preferred over virtue-authoritarian. Both effective leadership and employee satisfaction are fundamental factors of organizational success (Çetin, et al. 2012).

Previous research has shown leadership effectiveness in a variety of positive outcomes such as employee motivation, satisfaction, and low employee turnover. This study investigates the effect of applying paternalistic leadership, proposing the following hypothesis:

H1. Paternalistic leadership influences employee motivation
H2. Paternalistic leadership influences employee satisfaction

H3. Paternalistic leadership influences the intention to move employees

Effect of Motivation and Satisfaction

Employees who are motivated in their work can be seen from the way they respond with work-related attitudes, such as feeling satisfied with their work (Chatzopoulou, et al., 2015). From a series of studies conducted on employees of banks and credit institutions in Greece, it was found that employee satisfaction is influenced by several demographic characteristics, such as gender, age, work experience and work position (Belias, et al., 2013). Satisfaction is not only influenced but also predicted by employee perceptions of organizational culture, especially leadership and social support (Belias, et al., 2015b). The relationship between motivation and satisfaction of bank employees is proven in research Sdrolias, et al., (2014). Other research also shows that employee satisfaction is closely related to the elements that motivate employees, such as social needs (Tumen and Zeydani, 2016) and the need for appreciation (Shrivastava and Purang, 2011). Salami and Ajitoni (2015), revealed that motivation level moderates the effect of job character-
istics on burnout among bank employees. Ibeogu and Ozturen (2015), indicate that bank employees provide a positive perception of performance appraisal indicated by salary increases, promotions, training and development, awards, other monetary incentives such as benefits and insurance.

If motivation is the driving force for pursuing or fulfilling one’s needs in his current job, then satisfaction is an emotional response to fulfillment of those needs. This study investigates the effects of motivation and satisfaction, by proposing the following hypothesis:

H4. Motivation affects employee satisfaction
H5. Motivation affects the intention to move employees
H6. Satisfaction affects the intention to move employees.

The Mediation Effect of Motivation and Satisfaction

Shaw, et al. (1998) have confirmed that direct and indirect human resource management investment strategies are negatively correlated with the transfer of voluntary work at the organizational level. Leaders usually use impression management as a strategy to show that they are competent and trustworthy. Ito and Brotheridge (2005), prove that motivation in the form of supervision (information, advice, and support) is positively related to employee commitment and negatively with the intention to leave the organization. This study investigates the mediating effects of motivation and satisfaction, by proposing the following hypothesis:

H7. Paternalistic leadership influences the intention to move employees through motivation
H8. Paternalistic leadership influences the intention to move employees through satisfaction

METHOD

The study was conducted by analyzing and explaining the relationship between paternalistic variables of leadership, motivation, satisfaction, and intention to move. The population that is the target of this study are all employees of the Gen-Y Bank BCA Malang Regional Office totaling 186 people. Data collection is done through a questionnaire containing a list of statement items covering the four variables studied. Data analysis in the form of SEM with PLS approach and operated with SmartPLS 3 program.

Paternalistic leadership is operationalized from the instruments developed Irawanto, et al. (2012), consist of six indicators: visibility, authoritarian, benevolent, incorruptness, courage, and impartialness, with the final number of 15 items. Motivation was measured using the Motivation Questionnaire based on Maslow’s hierarchy of needs, namely: basic, safety, belongingness, esteem and self-actualization, with the final number of 13 items. Satisfaction is measured using a short version of the Minnesota Satisfaction Questionnaire based on three indicators, namely: extrinsic, intrinsic and general, with the final number of 9 items. The intention to move is adapted from Michaels and Spector (1982), which consists of three item statements, namely “I often think of leaving this job”, “I want to quit this job” and “I might be looking for another job next year”.

The response for each item is measured on a five-point scale (from point 1 = strongly disagree to point 5 = strongly agree). Before researching the field, items were tested with a pilot sample of 30 banks Gen-Y employees.

RESULTS

Most of the respondents were female (75.27%), and the rest were male (24.73%). Respondents were less than 25 years old (69.35%), the rests were aged 25-30 years (30.11%) and 31 - 36 years (0.54%). Respondents were from D3 / S1 education (95.16%), the rests were S2 / S3 (1.08%) and others (3.76%). Respondents have worked for between 1-5 years (60.75%), the rests are less than one year (32.26%) and 6-10 years (6.99%).

The results of the study consisted of the evaluation of the measurement model, evaluation of structural models and indirect effects of test results among the tested variables, namely Paternalistic Leadership (PL), Motivation (MOT), Satisfaction (SAT) and Turnover Intention (TI). Table 1 shows the results of the measurement model evaluation.
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Table 1  Results of the Measurement Model Evaluation

<table>
<thead>
<tr>
<th>Construct(s)</th>
<th>Indicator(s)</th>
<th>Outer Weights (Loadings)</th>
<th>Construct Reliability</th>
<th>Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cronbach’s alpha</td>
<td>Composite Reliability</td>
</tr>
<tr>
<td>Paternalistic Leadership (PL)</td>
<td>Benevolent</td>
<td>0.839</td>
<td>0.341</td>
<td>0.749</td>
</tr>
<tr>
<td></td>
<td>Incorruptness</td>
<td>0.705</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation (MOT)</td>
<td>Basic</td>
<td>0.806</td>
<td>0.813</td>
<td>0.869</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
<td>0.723</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Belongingness</td>
<td>0.771</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Esteem</td>
<td>0.705</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Self-actualization</td>
<td>0.770</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction (SAT)</td>
<td>Extrinsic</td>
<td>0.926</td>
<td>0.845</td>
<td>0.906</td>
</tr>
<tr>
<td></td>
<td>Intrinsic</td>
<td>0.817</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General</td>
<td>0.875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Intention (TI)</td>
<td>T1</td>
<td>0.954</td>
<td>0.948</td>
<td>0.966</td>
</tr>
<tr>
<td></td>
<td>T2</td>
<td>0.978</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T3</td>
<td>0.921</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Processing with SmartPLS 3 (2017)

Table 1 shows the four constructs, namely Paternalistic Leadership (PL), Motivation (MOT), Satisfaction (SAT) and Turnover Intention (TI), each with its measuring indicators. The construct of the PL can only be measured by two indicators, namely benevolent (PL3) and incorruptness (PL4) which is indicated by a loading value above 0.7. The four constructs have alpha values above 0.6, and the composite reliability value is above 0.7 so that they meet the criteria for construct reliability. The four constructs are also indicated by AVE values above 0.5 so that they meet the criteria for construct validity.

Table 2  Results of Structural Model Evaluation

<table>
<thead>
<tr>
<th>Direct Effects</th>
<th>Coefficients</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL → MOT</td>
<td>0.103</td>
<td>1.083</td>
<td>0.279</td>
</tr>
<tr>
<td>PL → SAT</td>
<td>0.216</td>
<td>3.912</td>
<td>0.000</td>
</tr>
<tr>
<td>PL → TI</td>
<td>-0.147</td>
<td>1.718</td>
<td>0.086</td>
</tr>
<tr>
<td>MOT → SAT</td>
<td>0.464</td>
<td>7.160</td>
<td>0.000</td>
</tr>
<tr>
<td>MOT → TI</td>
<td>-0.033</td>
<td>0.381</td>
<td>0.704</td>
</tr>
<tr>
<td>SAT → TI</td>
<td>-0.332</td>
<td>3.831</td>
<td>0.000</td>
</tr>
<tr>
<td>Indirect Effects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PL → MOT → TI</td>
<td>-0.018</td>
<td>0.609</td>
<td>0.542</td>
</tr>
<tr>
<td>PL → SAT → TI</td>
<td>-0.091</td>
<td>2.905</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Source: Data Processing with SmartPLS 3 (2017)
Table 2 shows the results of evaluating structural models for the analysis of the direct effects and indirect effects between variables. The significance test is determined from the t-test value must be more than 1.96 for the two-tailed test and the p value must be less than the specified significance value of 0.05. PL does not significantly affect MOT with t = 1.083 (<1.96) and p = 0.279 (> 0.05), so H1 is rejected. PL significantly affected SAT with the β coefficient = 0.216, t = 3.912 (> 1.96), p = 0.000 (<0.05), so H2 was accepted. The coefficient value that is positive indicates a positive relationship but is categorized as very weak. The PL does not significantly influence IT with t = 1.718 (<1.96) and p = 0.086 (> 0.05), so that H3 is rejected. MK significantly influenced SAT with β coefficient = 0.464, t = 7.160 (> 1.96), p = 0.000 (<0.05), so H4 was accepted. The coefficient value is positive indicating a unidirectional relationship and is categorized quite strong. MK did not significantly influence IT with t = 0.381 (<1.96) and p = 0.704 (> 0.05), so H5 was rejected. Finally, KK has a significant effect on IT with the value of the β coefficient = -0.332, t = 3.831 (> 1.96), p = 0.000 (<0.05), so H6 is accepted. The coefficient value is negative which indicates an inverse relationship, and is categorized as weak.

In testing the mediation effect, no significant results were found for the mediating effect of MOT on the effect of KP on TI (β = -0.018, t = 0.609, p = 0.542), so H7 was rejected. Significant results were found for SAT mediation effects on the effect of KP on TI (β = -0.091, t = 2.905, p = 0.004) so that H8 was accepted.

DISCUSSION

The findings of this study are to focus on each specific goal. First, paternalistic leadership did not significantly affect the motivation of bank Gen-Y employees, which meant that the adoption of paternalistic leadership did not motivate employees to work. Employees tend to like the paternalistic style of leadership because they love the family atmosphere at work. But motivation is not entirely derived from paternalistic leadership, but rather comes from other organizational factors.

Second, paternalistic leadership significantly influences the satisfaction of bank Gen-Y employees. The application of paternalistic leadership satisfies employees, but this influence falls into the weak category. Paternalistic leadership is seen in how leaders treat employees as coworkers and not as subordinates, so employees feel comfortable.

Third, paternalistic leadership does not significantly influence the intention to move bank Gen-Y employees. These findings indicate that the applied paternalistic leadership does not directly affect the intention to move employees. There is no clear evidence that paternalistic leadership is the reason for employees not to stop working. The desire to go out in private is related to the desire to be self-employed.

Fourth, motivation significantly influences the satisfaction of bank Gen-Y employees. Engaging in a large and growing organization, employees get more opportunities to invest themselves. Organizations do not just motivate the work of employees, but also prove that the expectations and desires of employees are fulfilled with the work they are engaged in. Employee motivation is more dominant for bonus incentives, followed by the quality of relationships between employees, clear job descriptions, friendly work atmosphere, and so on.

Fifth, motivation does not significantly affect the intention to move bank Gen-Y employees. Without the drivers of need, employees will not work properly. Likewise with the intention to move a new one will be formed if the impulse for these needs is not met.

Sixth, satisfaction has a significant effect on the intention to move bank Gen-Y employees. This is a reflection of the view that work is something that is owned by employees. Employees who are not satisfied with their work tend to intend to break away from the job.

Seventh, motivation does not mediate the influence of paternalistic leadership on the intention to move bank Gen-Y employees. The factors that motivate employees are very diverse. Judging from Maslow’s hierarchy of needs, not fulfilling one of the motivational needs can be replaced by the encouragement of other needs. However, it does not mean that leaders cannot motivate employees. Or-
ganizations need to formulate strategies to maintain employee work shifts by involving leaders.

Eighth, satisfaction mediates the influence of paternalistic leadership on the intention to move bank Gen-Y employees. Satisfaction is influenced by the relationship between leaders and employees. The leader acts as a “father” who shows an appropriate image in the eyes of his subordinates and avoids immoral behavior such as “corruption”. One reason for the effect of weak mediation satisfaction is probably derived from formal leader-subordinate relationships that are often associated with local cultural values, while personal rewards are less felt.

IMPLICATIONS

Paternalistic leadership can only be measured by benevolent and incorruptness indicators on the analyzed model. This finding has similarities with Chou, et al. (2015) in organizations in Taiwan that leaders with benevolent-moral combinations are preferred over moral-authoritarian. While Gen-Y remains a debate in research for the turnover phenomenon that occurs in the banking industry. The motives of Gen-Y employees for work and their intentions for turnover intention may be unpredictable, but their desire to quit work can be controlled. For managers who care about stopping intentions and the possibility of turnover intention, factors such as lack of commitment to the organization and feelings of stress need to be anticipated. Companies need to formulate strategies to keep employee turnover low.

CONCLUSION

From studies conducted on Gen-Y employees from BCA banks in the Malang Regional Office, intention to move can be predicted from paternalistic leadership with a benevolent-moral approach. The importance of paternalistic leadership in this study lies in satisfaction. Paternalistic leadership does not motivate bank Gen-Y employees to work but generally satisfies them as part of the work atmosphere. The influence of paternalistic leadership on satisfaction is so weak that its influence is not absolute. Satisfaction was also found to mediate the relationship between paternalistic leadership and intention to move. Weak effects indicate that the applied paternalistic leadership cannot guarantee low turnover but only to help. If there is poor leader behavior or job dissatisfaction occurs, there is a possibility of the voluntary turnover.

SUGGESTION

Future research needs to update the research model by examining further the operationalization of the variables used, specifically the implementation of paternalistic leadership from the latest empirical phenomena that are related or similar to local cultural roots. The use of Gen-Y as the research subject facilitates the investigation of the implementation of the paternalistic system in the organization under study but does not rule out the possibility of research that will use research data sources other than Gen-Y to broaden knowledge in management and leadership. This research is also limited to specific areas with assumptions of known cultural characteristics, so this raises the risk of generalization. Future research needs to pay attention to cultural factors in the area of research as the key to understanding paternalistic leadership.

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