

CHAPTER I

INRODUCTION

1.1 Background

The profitability of an organization is directly connected with the contributions given by its employees. Achieving an organization's goals is dependent on competent people or human resources.

Although, a survey conducted by Michael Page in 2022, a significant proportion of workers in Southeast Asia, especially 81%, are considering leaving their current jobs. Among those nations in the region, Indonesia ranks second, closely following India, with 84% of Indonesian workers expressing their desire to explore different career possibilities (Karnadi, 2022).

According to a comprehensive survey conducted by Jajak Pendapat (JakPat) which examined the reasons for employee resignations, it was revealed that there were eight main factors driving the decision, including salaries that did not match the job description, irregular working hours, unhealthy work culture, unclear company Standard Operating Procedures (SOP), toxic co-workers, heavy workloads, an absence of a clear career progress, and no work-life balance (Annur, 2023).

A significant proportion of employees, approximately 52.4%, perceive the work culture in their respective organizations as being unhealthy. Similarly, a substantial number of employees, around 51.3%, express dissatisfaction with the clarity of standard operating procedures (SOPs) in their workplace. This lack of clarity in SOPs has been found to have a negative impact on employees' trust in their leaders. Moreover, nearly 48.8% of employees report experiencing toxic behaviour from their colleagues, which can further erode their trust in their co-workers. Lastly, a considerable percentage of employees, approximately 38.5%, feel that there is a lack of clear career progression opportunities, which can undermine their confidence in their own abilities.

A leader can be the most important part in an organization and become one of the main factors that contribute to the development and influence on employee attitudes and behaviours. According to Widarto (2013) the role of a leader is to foster employees willingness to acquire knowledge, make decisions, and collaborate in a more effective and efficient. He also states that Leaders can be defined as the capacity to exert influence over individuals or collectives in order to foster collaboration and accomplish objectives within an organization or group.

Each leader embraces their leadership style and the right leadership style may help the leader lead the organization or companies effectively (Bao Hoang Vo, 2022). And the suitability of the leadership style will greatly affect the type and characteristics of the organization (Yuniarto, 2018). Indeed, with effective leadership characterized by a positive and inclusive leadership style, it is possible to foster and nurture a conducive work culture within an organization.

There are several leadership styles that commonly employed inside organizations; Transformational leadership, Transactional leadership, Authentic leadership, Democratic leadership, Autocratic leadership, etc. Furthermore, this study will focus on Authentic leadership. Authentic leader is a leadership style that can be identified by an individual's capacity to guide others with integrity, openness, and authenticity.

Based on previous research, it can be assumed that leadership characterised by an authentic leadership approach, which involves actively fostering a healthy work culture (Joo-Young Jung, 2022) and fostering trust among leaders and subordinates, which results in an essential contribution to employee commitment within the context of the organisation.

Kalay (2020) in his research suggested that by creating a climate of openness, transparency, and trust, as well as by assisting their followers to cope better with challenging situation, can enhance their followers' affective commitment.

The research Ribeiro (2019) states about the commitment in the organization, that can be characterized by three distinct cognitive perspectives. The three components of commitment within an organization include affective commitment, normative commitment, and continuation commitment. Affective commitment refers to an individual's desire to remain with the organization, while normative

commitment is characterized by a felt obligation to stay. Lastly, continuance commitment is associated with the perceived cost of leaving the company.

In this study, Yogyakarta Muhammadiyah University (UMY) is an organization or *swasta* higher education institution in Yogyakarta that provides public services in the field of human resource education in accordance with Islamic values. Yogyakarta Muhammadiyah University has a VISION, which is "to become a university that excels in the development of science and technology based on Islamic values for the benefit of the people".

Based on the institutional Vision, the UMY should prioritize the development of its educational system, including the professional growth of its workers, to cultivate students who possess exceptional academic abilities and a strong adherence to Islamic principles. In other words, UMY is also concerned about keeping employees in good shape and helping them grow.

According to the data provided by LPKSDM UMY, there are more than 200 employees, and of those, it has been noted that, in the last year, four of them decided to leave the company, either after their contract had formally ended or even before it had reached its expiration date.

Based on the data LPKSDM UMY, it may be concluded that the employees at UMY have consistently demonstrated an exceptional level of dedication and commitment towards the attainment of UMY's overarching vision and mission, showcasing not only their strong alignment with the institution's objectives but also their remarkable effectiveness in actively contributing to its success, demonstrating a high level of effective commitment.

Based on the phenomena, this study replicates from research (Srivastava & Mohaley, 2022). And the purpose of this study was to examine the effect of authentic leadership on effective commitment, by adding the variable trust in the leader as a mediator. In addition, this research will concentrate on employees at Yogyakarta Muhammadiyah University.

1.2 Research Question

Based on the background above, it can be described the formulation of the problem in the research:

1. Does authentic leadership positively affect affective commitment?
2. Does authentic leadership positively affect trust in leader?
3. Does trust in leader positively affect affective commitment?
4. Does authentic leadership positively affect affective commitment mediated by trust in leader?

1.3 Research Objectives

Based on the research question above, the purpose of research are follows:

1. To identify, and analysis the effect of authentic leadership on affective commitment.
2. To identify, and analysis the effect of authentic leadership on trust in leader.
3. To identify, and analysis the effect of trust in leader on affective commitment.
4. To identify, and analysis the effect of authentic leadership on affective commitment mediated by trust in leader.

1.4 Research Benefits

Based on the research objective, this study has several benefits as follows:

1. Theoretical

This study serves as a valuable resource for enhancing understanding in the field of human resource management, specifically in the areas of authentic leadership, trust in leaders, and affective commitment. This research is expected to bring researcher perspectives to human resource management.

2. Practical

This research contains the potential to guide leaders in the field of human resource development within specific institutions on how to cultivate a work environment characterized by an intense commitment to employees,

achieved through the implementation of authentic leadership and trust in leaders.