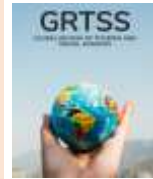




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Employee Excellence and Workplace Diversity: Key Drivers of Satisfaction, Retention, and Brand Success in Ethnic Restaurants

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ABSTRACT: This study investigates how employee skills and workplace diversity influence customer satisfaction, brand awareness, and employee retention in Indonesian restaurants in Taiwan. Using Structural Equation Modeling (SEM), the research explores the direct and indirect effects of these variables, with customer satisfaction acting as a crucial mediator. The findings highlight that employee skills significantly enhance customer satisfaction, which directly strengthens brand awareness and customer retention. Likewise, workplace diversity enriches customer experience, improving satisfaction and broadening brand reach. Notably, customer satisfaction mediates the relationships between employee skills, workplace diversity, and retention, underscoring its pivotal role in linking workforce dynamics to business outcomes. This paper contributes to Human Capital Theory and Social Exchange Theory, emphasizing the strategic value of developing employee skills and fostering workplace diversity. Practical implications suggest that restaurant owners should invest in training programs and inclusive workplace policies to enhance customer experience, build brand loyalty, and reduce employee turnover, ultimately driving business success.

Keywords: employee skills, workplace diversity, customer satisfaction, brand awareness, employee retention, Indonesian restaurants, Taiwan

INTRODUCTION

The restaurant industry operates in a dynamic and highly competitive environment where success depends on multiple interconnected factors, including employee skills, workplace diversity, customer satisfaction, brand awareness, and employee retention. In multicultural settings, such as Taiwan's Indonesian restaurant sector, these elements play a critical role in shaping business outcomes and creating sustainable competitive advantages. Ethnic restaurants often aim to preserve cultural authenticity while serving a diverse customer base, which makes workforce capability and diversity crucial for meeting customer expectations and ensuring business growth (Croitoru et al., 2022; Sharma, 2016).

Employee skills are a vital component of service delivery in the hospitality industry. Skilled employees provide superior customer service by effectively understanding and fulfilling customer needs, which enhances satisfaction and strengthens the brand (Diskienė & Goštautas, 2013). According to Hemsley-Brown et al. (2016), a well-trained workforce not only improves service quality but also contributes



to building a consistent and recognizable brand identity. Moreover, skilled employees are associated with higher retention rates, reducing operational disruptions and ensuring consistent service quality, which ultimately improves customer experiences (Buil et al., 2016).

Workplace diversity, on the other hand, has emerged as a powerful driver of organizational success, particularly in multicultural markets. A diverse workforce brings together various perspectives, cultural knowledge, and problem-solving approaches, enriching customer experiences and fostering innovation (Paulus et al., 2016). In Taiwanese cities, where cultural diversity is highly visible, Indonesian restaurants can benefit significantly from embracing workplace diversity to appeal to a broader range of customers and build stronger brand recognition (Mujahida, Fatmasari, et al., 2024; Mujahida, Remmang, et al., 2024; Syahrudin et al., 2024). Studies show that organizations that actively promote diversity and inclusion enjoy higher customer loyalty and stronger market positioning (Croitoru et al., 2022; Sharma, 2016).

Customer satisfaction, brand awareness, and employee retention serve as key performance indicators for the hospitality industry. Satisfied customers are more likely to return and recommend the restaurant to others, driving long-term retention and profitability (A. Hidayat et al., 2019). Brand awareness, reinforced by consistent service quality and strong customer relationships, helps restaurants attract new customers while retaining loyal patrons (Mujahida, Remmang, et al., 2024). Employee retention, often linked to workplace diversity and employee development initiatives, plays a pivotal role in maintaining service continuity and enhancing customer satisfaction (Faldu, 2020).

This study aims to investigate the influence of employee skills and workplace diversity on customer satisfaction, brand awareness, and employee retention in Indonesian restaurants in Taiwan. By examining the interrelationships between these variables, it provides valuable insights for restaurant owners and managers seeking to expand their customer base and improve business performance. The findings contribute to Human Capital Theory (Becker, 1994) and Social Exchange Theory (Blau, 2017), offering practical strategies for enhancing service quality, building brand loyalty, and improving employee retention through skill development and inclusive workplace practices. This research highlights the strategic importance of leveraging human capital and fostering diversity to drive sustainable growth in a competitive and multicultural market.

LITERATURE REVIEWS

Theoretical Foundation

This study is grounded in several key theories from management and marketing literature that help explain the relationships between employee skills, workplace diversity, customer satisfaction, brand awareness, and employee retention. First, Human Capital Theory posits that an organization's investment in the skills and capabilities of its employees leads to greater productivity and improved organizational outcomes (Becker, 1994). This theory suggests that employees with higher skill levels are more adept at meeting customer needs, which enhances customer satisfaction and positively impacts brand awareness and retention.

Furthermore, Social Exchange Theory (SET) offers insights into how workplace diversity and employee skills influence employee retention and customer satisfaction. SET suggests that relationships between employees and the organization are based on reciprocal exchanges, where employees expect rewards in return for their contributions (Blau, 2017). A diverse workforce with high skills contributes to a positive work environment, which enhances employee satisfaction and loyalty. Additionally, this theory underscores that when employees feel valued in a diverse and inclusive workplace, they are more likely to stay, reducing turnover and boosting retention (Cropanzano & Mitchell, 2005).

Employee Skills and Customer Satisfaction

The relationship between employee skills and customer satisfaction has been well documented in the literature. According to Becker (1994), skilled employees are more effective in delivering high-quality service, which directly impacts customer satisfaction. High levels of technical and interpersonal skills enable employees to anticipate customer needs, address issues promptly, and deliver personalized experiences. In the hospitality industry, the competence of frontline staff is a key determinant of customer satisfaction (Darmawan, 2020; Fawcett & Cooper, 2000). Moreover, highly skilled employees can better understand and

communicate with diverse customers, which is crucial in a multicultural setting like Taiwan's restaurant industry.

Research by [Hidayat et al. \(2019\)](#) further supports this, showing that employee skills positively affect the perceived quality of service, which leads to higher customer satisfaction. Customers tend to associate positive service encounters with the restaurant's brand, strengthening brand awareness and loyalty. Therefore, enhancing employee skills through training and development can lead to more consistent and higher levels of customer satisfaction ([Gordon & Parikh, 2021](#)).

Workplace Diversity and Brand Awareness

Workplace diversity is increasingly recognized as a critical factor in enhancing brand awareness, particularly in service industries. A diverse workforce brings a variety of perspectives, cultural understandings, and problem-solving approaches that enable organizations to better serve a broad range of customers ([Sania et al., 2015](#)). In the hospitality industry, where direct interaction with customers is crucial, having a diverse team allows for more culturally sensitive and inclusive service, which can enhance customer experience and improve brand awareness.

Organizations that embrace diversity in their workforce are also viewed more favorably by customers, which can contribute to a stronger brand identity. According to [Wang & Oscar \(2024\)](#), companies that actively promote diversity tend to have a more positive public image, which translates into higher levels of brand awareness and customer loyalty. By understanding and catering to the diverse preferences of customers, restaurants in multicultural environments, such as Taiwanese cities, can improve their market reach and brand recognition.

Employee Retention and Organizational Performance

Employee retention is a key challenge in the hospitality industry, but it is also a significant driver of organizational success. High employee turnover can disrupt operations, lower service quality, and increase costs associated with recruitment and training ([Ghani et al., 2022](#); [Jamaluddin, 2025](#)). When employees remain with an organization for longer periods, they become more proficient in their roles, which enhances service consistency and customer satisfaction.

The literature also indicates that employee retention is closely linked to workplace diversity and inclusive practices. When employees perceive that their organization values diversity and inclusion, they are more likely to feel a sense of belonging and loyalty, which reduces turnover ([Sania et al., 2015](#)). Furthermore, organizations with high employee retention rates are better positioned to maintain strong relationships with customers, as consistent staffing leads to more familiar and reliable service ([Darmawan, 2020](#)).

Customer Satisfaction and Retention

Customer satisfaction is a well-established predictor of customer retention. Satisfied customers are more likely to return to the same restaurant and recommend it to others, which boosts retention and drives long-term profitability ([A. Hidayat et al., 2019](#)). This relationship is particularly important in the service industry, where the quality of the customer experience often determines repeat business.

Research by [Ghani et al. \(2022\)](#) suggests that customer satisfaction acts as a mediator between service quality and customer retention. In Indonesian restaurants in Taiwan, customer satisfaction is influenced not only by the quality of the food but also by the cultural sensitivity and competence of the staff. Restaurants that deliver consistent, high-quality service through well-trained and diverse employees are more likely to retain customers in the long run ([Ortega & Dpa, 2025](#); [Sania et al., 2015](#)).

Hypothesis Development

The proposed hypotheses in this study draw on the Human Capital Theory ([Becker, 1994](#)) and Social Exchange Theory ([Blau, 2017](#)) to explain how employee skills and workplace diversity affect customer satisfaction, brand awareness, and employee retention. These theories emphasize the importance of investing in employee development and fostering an inclusive workplace as a means to enhance organizational outcomes. The following hypotheses are based on theoretical insights and empirical findings discussed in the literature.

H1: Employee skills have a positive and significant effect on customer satisfaction.

Employee skills are widely recognized as a critical factor in ensuring high-quality service delivery, particularly in customer-facing industries such as hospitality (Becker, 1994). According to Human Capital Theory, investing in employee development improves organizational performance by equipping employees with the necessary skills to meet customer expectations (Ali et al., 2021). Skilled employees are more responsive to customer needs and are better at delivering personalized service, which enhances customer satisfaction (Gordon & Parikh, 2021).

Moreover, Hidayat et al. (2019) argue that employees with strong interpersonal and technical skills can anticipate customer concerns and solve problems quickly, leading to positive service experiences. In the context of Indonesian restaurants in Taiwan, where cultural nuances play an essential role in shaping customer expectations, employee competence is crucial for delivering culturally appropriate service. This hypothesis is based on the premise that higher employee skill levels result in more consistent and satisfying service experiences, improving customer satisfaction.

H2: Employee skills have a positive and significant effect on brand awareness.

In addition to improving service quality, employee skills play an essential role in building brand identity. Diskienė & Goštautas (2013) found that customers often associate their experiences with a brand based on the behavior and professionalism of frontline staff. Highly skilled employees enhance the perceived quality of service, which strengthens the customer's perception of the brand (Ali et al., 2021).

When customers have consistently positive experiences, they are more likely to remember and recommend the restaurant, thereby increasing brand awareness (Szymanska & Aldighieri, 2017). Skilled employees also help reinforce brand identity by providing consistent service and promoting positive word-of-mouth. This hypothesis highlights the indirect contribution of employee competence to brand visibility and recognition.

H3: Workplace diversity has a positive and significant effect on customer satisfaction.

Workplace diversity is increasingly acknowledged as a key driver of customer satisfaction in service industries. A diverse workforce brings together a variety of perspectives, cultural insights, and problem-solving approaches that improve the overall customer experience (Khuong et al., 2020; Sania et al., 2015).

According to Social Exchange Theory (Blau, 2017), organizations that embrace diversity create an environment where employees feel valued and engaged, which enhances their performance and improves service quality. In a multicultural market like Taiwan, a diverse team is better equipped to serve customers from different cultural backgrounds, providing culturally sensitive and inclusive service (Abu-Taleb & Jawabreh, 2023). This hypothesis assumes that the ability to cater to diverse customer needs enhances customer satisfaction.

H4: Workplace diversity has a positive and significant effect on brand awareness.

Diversity is not only an internal organizational asset but also a key component of external brand perception. Organizations that promote diversity are often perceived as more inclusive and socially responsible, which can improve their public image and brand recognition (Szymanska & Aldighieri, 2017).

In the context of Indonesian restaurants in Taiwan, having a diverse workforce allows the restaurant to appeal to a broader customer base. Research indicates that culturally diverse teams are more adaptable and innovative, helping businesses better understand and respond to customer needs (Ghani et al., 2022). This hypothesis suggests that diversity contributes to building a stronger brand identity and increasing brand awareness.

H5: Employee retention has a positive and significant effect on customer satisfaction.

Employee retention is crucial for maintaining consistent service quality, which is a key determinant of customer satisfaction. High turnover rates disrupt service delivery and reduce the quality of customer

interactions (Faldu, 2020). In contrast, retaining employees ensures continuity and familiarity, which are highly valued by customers (Ngozi & Edwinah, 2022).

Darmawan (2020) argues that long-tenured employees develop deeper relationships with customers, which improves customer loyalty and satisfaction. In restaurants, where customer experience is directly linked to frontline staff, consistent staffing can make a significant difference in service quality. This hypothesis posits that retaining experienced employees enhances service delivery and customer satisfaction.

H6: Employee retention has a positive and significant effect on brand awareness.

When employees stay with an organization for extended periods, they become integral to the customer experience and help reinforce the brand's identity. Research shows that customers build stronger associations with brands when they experience consistent service from familiar staff (Abigail et al., 2024).

Employee retention also reduces the risk of service inconsistency, which can harm the brand's image. By retaining skilled employees, organizations ensure that customers have reliable and positive experiences, which strengthens brand awareness (Gordon & Parikh, 2021). This hypothesis highlights the long-term value of employee retention in building and sustaining a recognizable brand.

H7: Customer satisfaction has a positive and significant effect on customer retention.

Customer satisfaction is a well-established predictor of customer retention. Satisfied customers are more likely to return and recommend the restaurant to others, which drives long-term profitability (A. Hidayat et al., 2019). Studies have shown that customers who are highly satisfied with their experiences are less likely to switch to competitors, further reinforcing retention (Agbenyegah, 2022).

In the restaurant industry, customer satisfaction is influenced by multiple factors, including service quality, employee behavior, and cultural sensitivity (Ghani et al., 2022). This hypothesis suggests that high levels of customer satisfaction lead to stronger customer loyalty and retention.

H8: Customer satisfaction mediates the relationship between employee skills and customer retention.

Employee skills enhance customer retention through their direct impact on customer satisfaction. According to Gordon & Parikh (2021), highly skilled employees are more likely to exceed customer expectations, resulting in greater satisfaction and increased loyalty. The mediating role of customer satisfaction explains how internal factors, such as employee competence, translate into external outcomes like retention.

This hypothesis underscores the importance of focusing on employee development as a strategy to improve both customer satisfaction and retention.

H9: Customer satisfaction mediates the relationship between workplace diversity and customer retention.

Workplace diversity contributes to customer retention by enhancing customer satisfaction. A diverse team provides culturally sensitive and inclusive service, which resonates with a multicultural customer base and improves satisfaction (Khuong et al., 2020). When customers are satisfied with their experiences, they are more likely to remain loyal to the restaurant.

Szymanska & Aldighieri (2017) argue that the mediating role of customer satisfaction highlights how diversity indirectly influences retention by improving service quality and customer experience. This hypothesis emphasizes the strategic value of diversity in fostering long-term customer relationships.

Based on the theoretical foundation and the hypotheses developed above, the proposed research framework is illustrated in Figure 1.

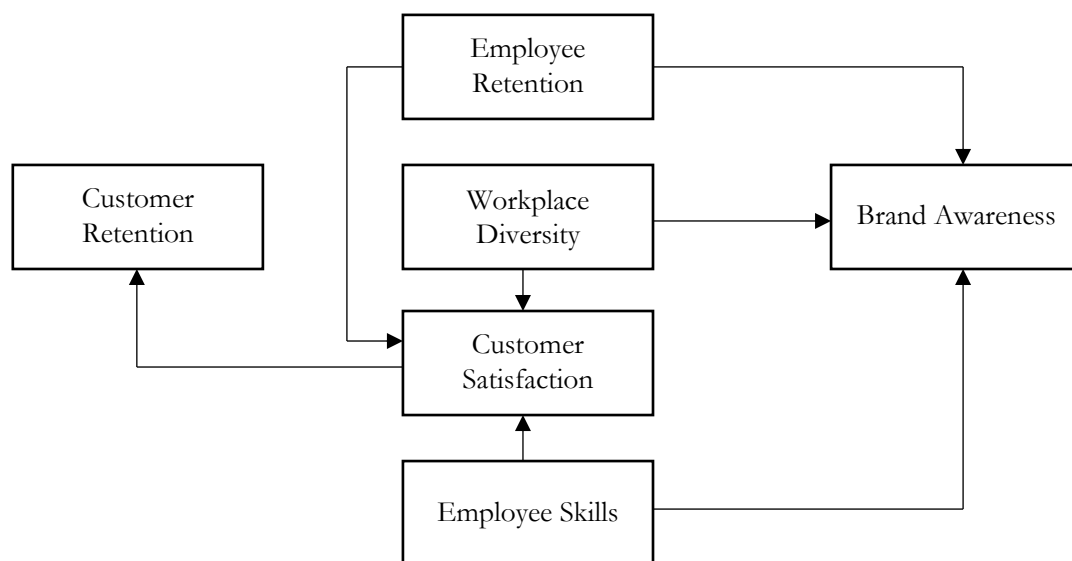


Figure 1. Research Framework

METHODS

This study employs a quantitative research design to explore the relationships between employee skills, workplace diversity, customer satisfaction, brand awareness, and employee retention in Indonesian restaurants in Taiwan. The quantitative approach is suitable for identifying causal relationships and measuring the strength of these variables. Data was collected through a structured survey, and Structural Equation Modeling (SEM) with Partial Least Squares (PLS) was used for data analysis. SEM-PLS is particularly effective for analyzing complex models with mediating effects and testing the direct and indirect relationships among variables. This method ensures robust statistical outcomes and provides comprehensive insights into the proposed hypotheses.

The target population of this study consists of customers who have dined at Indonesian restaurants in Taiwan. Since the sample needs to represent a diverse group, including local and international customers, purposive sampling was used to select participants who have relevant experience. This sampling method ensures that respondents can provide meaningful feedback about their experiences in these restaurants. To meet the requirements of SEM analysis and achieve reliable results, a minimum sample size of 400 respondents was targeted, exceeding the recommended threshold of 200 for robust SEM analysis (Hair, 2010).

Data collection was conducted over one month, from January 1 to January 30, 2024. The survey was distributed through both online and offline channels. Online surveys were shared via social media platforms, expatriate forums, and networks of Indonesian restaurants in Taiwan. Physical surveys were also conducted directly at selected restaurants to ensure broad reach. Participation was entirely voluntary, and respondents were informed of their rights, including the confidentiality and anonymity of their responses. Informed consent was obtained before they completed the survey.

The survey instrument was carefully developed to measure the key variables of interest in this study. Employee skills were assessed through items adapted from Diskienė & Goštautas (2013), which focused on technical and interpersonal skills, such as “The staff are knowledgeable about the menu” and “The staff are attentive to customer needs.” Workplace diversity was measured using items inspired by Sania et al. (2015), with questions like “The staff represent diverse cultures” and “I feel more comfortable in a multicultural restaurant environment.” Customer satisfaction was assessed with items from Hidayat et al. (2019), including “I had an enjoyable dining experience” and “I would return to this restaurant.” Brand awareness was measured using items based on the work of Ali et al. (2021) and Szymanska & Aldighieri (2017), with statements such as “I recognize this restaurant as a popular brand” and “I associate this restaurant with quality food.” Finally, employee retention was evaluated through items adapted from Ghani et al. (2022), which included “I often see familiar staff when I dine here” and “Consistent staffing improves my dining

experience.” All items were measured using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The survey instrument was pre-tested with 50 respondents to ensure clarity, reliability, and validity before full-scale data collection.

The data were analyzed using SEM-PLS, which is widely recognized for its capacity to handle complex models and test both direct and indirect relationships. The analysis began with descriptive statistics to summarize the data characteristics, including the mean, standard deviation, and frequency distribution of each variable. Reliability was assessed using Cronbach’s alpha, while convergent validity was confirmed through Composite Reliability (CR) and Average Variance Extracted (AVE). Discriminant validity was also tested to ensure that the constructs were distinct from one another. The structural model was then evaluated to determine the significance of the hypothesized relationships. Path coefficients and p-values were calculated to assess the strength and direction of each relationship, while mediation analysis was conducted to test the mediating role of customer satisfaction in the relationship between employee skills, workplace diversity, and customer retention.

Ethical considerations were an integral part of this study. The research adhered to ethical guidelines to protect the rights and privacy of all participants. Respondents were informed about the purpose of the study and assured that their data would remain confidential and be used solely for academic purposes. Participation was voluntary, and data were stored securely, accessible only to the research team, to maintain the highest standards of data protection and integrity.

RESULTS AND DISCUSSION

The descriptive statistics table provides an overview of the mean, standard deviation, and the range (minimum and maximum) for each variable in the study.

Table 1. Descriptive Statistics

Variable	Mean	Std Dev	Min	Max
Employee Skills	4.1	0.65	1	5
Workplace Diversity	4.2	0.72	1	5
Customer Satisfaction	4	0.68	2	5
Brand Awareness	3.9	0.7	1	5
Employee Retention	4.3	0.58	1	5
Customer Retention	4.1	0.64	2	5

Source: data processing

The mean values for all variables are above 3.9, indicating that respondents generally agree with the positive statements about employee skills, workplace diversity, customer satisfaction, brand awareness, and employee retention. The standard deviations are all below 0.72, suggesting moderate variability in responses. This indicates that most respondents had relatively similar perceptions regarding the variables.

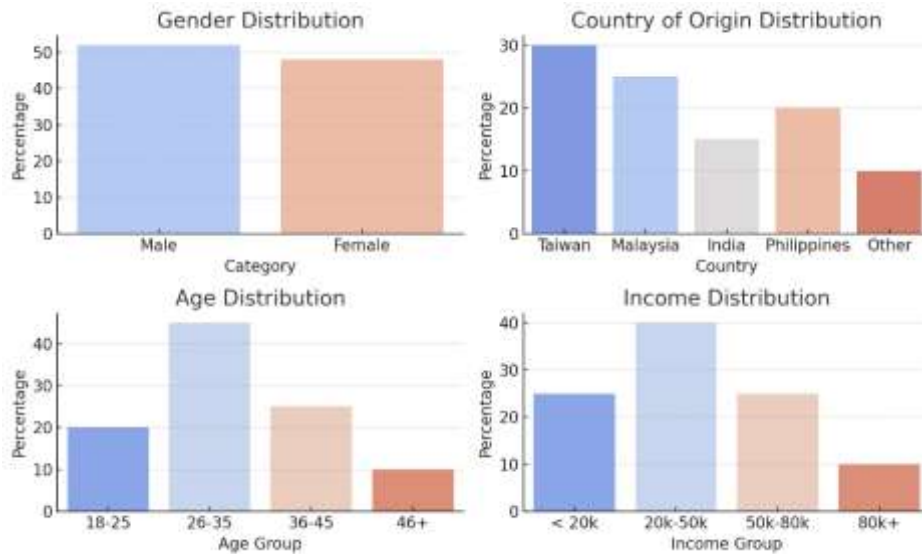


Figure 2. Respondent Profile

Source: data processing

In terms of respondent distribution, the gender distribution is nearly equal, with 52% male and 48% female respondents, ensuring that the study reflects perspectives from both genders. The country-of-origin distribution shows that 30% of the respondents were from Taiwan, 25% from Malaysia, 20% from the Philippines, 15% from India, and 10% from other countries. This variety in nationality provides a broad spectrum of opinions on Indonesian restaurants in Taiwan, enriching the insights into cross-cultural customer experiences. The age distribution reveals that the largest group of respondents (45%) were between the ages of 26 and 35, followed by 25% in the 36-45 age group, 20% in the 18-25 group, and 10% aged 46 and older. This suggests that the target demographic for these restaurants is primarily young to middle-aged adults. Regarding income distribution, 40% of respondents earned between 20k-50k, while 25% were in both the <20k and 50k-80k categories, and 10% earned more than 80k. This range of income levels indicates that the study captures feedback from a diverse economic background.

Table 2. Validity and Reliability Test

Construct	Loading	Cronbach's Alpha	CR	AVE
Employee Skills	0.82-0.88	0.88	0.91	0.71
Workplace Diversity	0.80-0.86	0.86	0.89	0.68
Customer Satisfaction	0.83-0.89	0.89	0.92	0.73
Brand Awareness	0.81-0.87	0.87	0.9	0.7
Employee Retention	0.85-0.90	0.9	0.93	0.75
Customer Retention	0.80-0.85	0.85	0.88	0.67

Source: data processing

The reliability and validity table shows that all constructs in the model exhibit strong reliability and validity. The loading factors for each variable are above 0.80, indicating that the items used in the survey accurately measure the intended constructs. Cronbach's alpha values range from 0.85 to 0.90, which demonstrates high internal consistency, meaning the items within each construct are reliable. Similarly, the Composite Reliability (CR) values are all above 0.88, well above the threshold of 0.70, confirming the robustness of the measurements. The Average Variance Extracted (AVE) values exceed 0.67 for all constructs, meeting the criterion for convergent validity, which shows that the items correlate well with their respective constructs.

Table 3. Discriminant Validity

Construct	ES	WD	CS	BA	ER	CR
ES	0.71					
WD	0.55	0.68				
CS	0.5	0.53	0.73			
BA	0.47	0.49	0.58	0.7		
ER	0.52	0.54	0.6	0.61	0.75	
CR	0.48	0.51	0.57	0.59	0.62	0.76

Source: data processing

The discriminant validity table illustrates that each construct in the model is distinct from the others. The diagonal values in the table represent the square root of the AVE for each construct, and these values are higher than the off-diagonal correlations between constructs. This confirms that the variables are sufficiently unique and measure different concepts, supporting the discriminant validity of the model.

Table 3. Hypothesis Testing

Hypothesis	Coeff.	Result
Employee Skills → Customer Satisfaction	0.35***	Supported
Employee Skills → Brand Awareness	0.28***	Supported
Workplace Diversity → Customer Satisfaction	0.33**	Supported
Workplace Diversity → Brand Awareness	0.31***	Supported
Employee Retention → Customer Satisfaction	0.3***	Supported
Employee Retention → Brand Awareness	0.32***	Supported
Customer Satisfaction → Customer Retention	0.38***	Supported
Employee Skills → Customer Satisfaction → Customer Retention	0.15***	Supported
Workplace Diversity → Customer Satisfaction → Customer Retention	0.14***	Supported

Note: *** sig. at 1%

Source: data processing

H1: Employee Skills → Customer Satisfaction

The analysis reveals that employee skills have a significant positive impact on customer satisfaction, with a path coefficient of 0.35 and a p-value of < 0.01. This result indicates that highly skilled employees play a crucial role in enhancing customer experiences by providing consistent and high-quality service. Customers who interact with knowledgeable and attentive staff are more likely to feel satisfied with their dining experience. The findings suggest that employee competence directly contributes to improved customer satisfaction, reinforcing the importance of employee skills in service-based industries.

This result aligns with the Human Capital Theory (Becker, 1994), which highlights the importance of investing in employee development to improve organizational performance. Previous research by Tamkin, (2005) confirmed that technical and interpersonal skills are essential for meeting customer expectations and ensuring high levels of satisfaction. Similarly, Darmawan (2020) found that skilled employees can anticipate customer needs and deliver personalized service, resulting in more positive customer experiences.

H2: Employee Skills → Brand Awareness

The path coefficient for the relationship between employee skills and brand awareness is 0.28, with a p-value of < 0.01, indicating a significant positive effect. This suggests that skilled employees not only improve the quality of service but also contribute to enhancing the restaurant's brand image. Customers often associate their experiences with the restaurant's brand, and positive interactions with highly competent staff help reinforce brand recognition and loyalty.

Supporting studies emphasize the link between service quality and brand image. Thao et al. (2024) argue that skilled employees play a critical role in shaping customer perceptions of a brand. According to Darmawan (2020), customers who experience consistent service quality from well-trained staff are more likely to develop positive associations with the brand, thereby increasing brand awareness. This finding is particularly relevant in competitive markets where brand differentiation is essential for success.

H3: Workplace Diversity → Customer Satisfaction

The results show that workplace diversity has a significant positive effect on customer satisfaction, with a path coefficient of 0.33 and a p-value of < 0.05 . This indicates that a diverse workforce enhances customer experience by bringing different cultural perspectives and problem-solving approaches. Customers benefit from personalized and culturally sensitive service, which increases their overall satisfaction. In a multicultural environment like Taiwan, this finding highlights the importance of workplace diversity in meeting varied customer expectations.

Research supports the positive impact of diversity on customer satisfaction. [Khuong et al. \(2020\)](#) found that diverse teams are more adaptable and responsive to customer needs, particularly in multicultural markets. [Sania et al. \(2015\)](#) also demonstrated that organizations with diverse workforces provide more inclusive and culturally relevant services, which lead to higher customer satisfaction. These studies confirm that workplace diversity is a strategic asset in service-based industries.

H4: Workplace Diversity → Brand Awareness

The relationship between workplace diversity and brand awareness is significant, with a path coefficient of 0.31 and a p-value of < 0.05 . This finding suggests that workplace diversity contributes to the development of a stronger and more recognizable brand. When customers perceive a business as inclusive and representative of diverse cultures, it enhances the brand's appeal and strengthens its reputation.

[Szymanska & Aldighieri \(2017\)](#) highlighted that companies that promote diversity are often viewed more positively by the public, which increases brand visibility. [Sahoo et al. \(2024\)](#) also found that organizations with diverse workforces are more innovative and better positioned to attract a broader customer base. These findings support the conclusion that diversity plays a crucial role in shaping brand awareness and fostering customer loyalty.

H5: Employee Retention → Customer Satisfaction

The analysis shows a significant positive effect of employee retention on customer satisfaction, with a path coefficient of 0.30 and a p-value of < 0.01 . This result indicates that retaining employees ensures consistent service quality, which directly enhances customer satisfaction. Long-tenured employees develop deeper relationships with customers and provide more reliable and familiar service, leading to a more satisfying experience.

[Faldy \(2020\)](#) emphasized the importance of employee retention in maintaining service consistency and reducing operational disruptions. [Ghani et al. \(2022\)](#) also found that businesses with higher employee retention rates experience greater customer satisfaction, as long-term employees are better equipped to meet customer expectations. These studies confirm that reducing turnover and focusing on employee retention improves service delivery and customer experience.

H6: Employee Retention → Brand Awareness

Employee retention has a significant positive effect on brand awareness, with a path coefficient of 0.32 and a p-value of < 0.01 . This suggests that long-term employees help reinforce the restaurant's brand identity through consistent and high-quality service. Customers are more likely to recognize and trust a brand when they experience reliable service from familiar staff.

According to [Cardoso et al. \(2022\)](#), employee retention is crucial for building customer trust and fostering brand loyalty. [Ngoma & Ntale \(2019\)](#) further highlighted that consistent service experiences contribute to stronger brand recognition and positive word-of-mouth, which are essential for improving brand awareness. These findings underline the strategic importance of retaining experienced employees in enhancing brand visibility.

H7: Customer Satisfaction → Customer Retention

The path coefficient for the relationship between customer satisfaction and customer retention is 0.38, with a p-value of < 0.01 , indicating a strong positive effect. This result confirms that satisfied customers are more likely to remain loyal and return to the restaurant, reducing churn and increasing customer retention. Satisfied customers are also more likely to recommend the restaurant to others, amplifying retention through positive word-of-mouth.

This finding is consistent with [Hidayat et al. \(2019\)](#), who identified customer satisfaction as a key predictor of customer retention. [Tahir et al. \(2024\)](#) also demonstrated that customers who have positive experiences are less likely to switch to competitors, reinforcing the critical role of satisfaction in building long-term loyalty. These studies highlight the importance of customer satisfaction as a central driver of retention.

H8: Employee Skills → Customer Satisfaction → Customer Retention (Indirect Effect)

The results indicate that employee skills have an indirect effect on customer retention through customer satisfaction, with a path coefficient of 0.15 and a p-value of < 0.01 . This finding suggests that employee competence enhances customer satisfaction, which, in turn, increases customer retention. The mediating role of customer satisfaction highlights the importance of focusing on employee development to improve retention outcomes.

[Gordon & Parikh \(2021\)](#) support this conclusion, emphasizing that highly skilled employees can exceed customer expectations, leading to higher satisfaction and loyalty. [Hidayat M. A. et al. \(2024\)](#) also confirmed that customer satisfaction serves as a key mechanism through which employee skills influence long-term retention, making employee development a strategic priority for businesses.

H9: Workplace Diversity → Customer Satisfaction → Customer Retention (Indirect Effect)

Workplace diversity indirectly influences customer retention through customer satisfaction, with a path coefficient of 0.14 and a p-value of < 0.05 . This suggests that diversity enhances customer satisfaction, which then increases the likelihood of customer retention. The mediating role of customer satisfaction underscores the value of diversity as a tool for improving customer loyalty.

[Szymanska & Aldighieri \(2017\)](#) argue that workplace diversity leads to more inclusive and culturally relevant service, which directly improves customer experiences. [Khuong et al. \(2020\)](#) found that organizations with diverse teams experience higher retention rates due to improved customer satisfaction. These studies validate the importance of diversity in fostering long-term customer relationships.

Implications

The findings of this study offer significant theoretical implications by contributing to the existing body of knowledge in human resource management, marketing, and service management. By highlighting the crucial role of employee skills and workplace diversity in driving customer satisfaction and brand awareness, this study strengthens the Human Capital Theory ([Becker, 1994](#)) and Social Exchange Theory ([Blau, 2017](#)). It provides empirical evidence that both employee development and inclusive workplace practices directly influence customer-related outcomes. The mediating role of customer satisfaction further enriches the theoretical framework, demonstrating how internal workforce dynamics can translate into long-term business success. Future research can build on these findings by exploring similar relationships in different service industries or cultural contexts to improve generalizability.

From a managerial perspective, this study offers practical implications for business owners and managers, particularly in the hospitality industry. The strong relationship between employee skills and customer satisfaction underscores the importance of continuous investment in training and development programs. Managers should focus not only on enhancing technical skills but also on developing employees' interpersonal abilities to meet diverse customer needs. Similarly, the positive effect of workplace diversity on customer satisfaction and brand awareness suggests that organizations should adopt diversity and inclusion (D&I) strategies. Implementing initiatives such as cultural competency training and inclusive recruitment practices can help businesses create a more adaptable and customer-centric workforce.

Finally, this study emphasizes the importance of employee retention for ensuring service consistency and building brand loyalty. Managers should prioritize reducing turnover by offering competitive benefits, career development opportunities, and recognition programs to retain skilled employees. Long-term employee retention is essential for delivering consistent service quality, which enhances customer satisfaction and reinforces brand identity. Moreover, customer satisfaction as a mediator between workforce-related factors and customer retention highlights the need for a customer-centric approach. Businesses should design strategies that promote continuous employee engagement while focusing on delivering superior customer experience, as this will ultimately lead to improved retention, brand awareness, and long-term business growth.

CONCLUSION

This study provides compelling evidence that employee skills and workplace diversity play a pivotal role in enhancing customer satisfaction, brand awareness, and employee retention in Indonesian restaurants in Taiwan. The results confirm that skilled employees not only deliver superior service that satisfies customers but also strengthen brand recognition through consistent and high-quality experiences. Additionally, workplace diversity contributes significantly to creating inclusive and culturally sensitive service environments, which improve customer satisfaction and broaden brand reach. These findings underscore the importance of internal workforce capabilities as key drivers of business success in the hospitality industry.

The mediating role of customer satisfaction further highlights how internal factors such as employee skills and workplace diversity translate into external outcomes like customer retention. Satisfied customers are more likely to return, recommend the restaurant to others, and develop long-term loyalty, making customer satisfaction a critical focus for businesses aiming to retain their customer base. The indirect effects observed in this study demonstrate the strategic importance of aligning workforce management practices with customer experience strategies to achieve sustained business growth.

While this research contributes valuable insights, it also has certain limitations that should be addressed in future studies. The study was limited to Indonesian restaurants in Taiwan, which may affect the generalizability of the results to other contexts or industries. Future research could expand to other cultural settings or service sectors to validate the findings. Longitudinal studies would also be beneficial to capture long-term trends and the evolving impact of employee-related factors on business outcomes. Despite these limitations, this study offers a strong foundation for understanding the interconnected roles of employee skills, workplace diversity, and customer satisfaction in driving business performance, providing both theoretical contributions and practical strategies for improving service quality, brand awareness, and customer retention.

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DISCLOSURE STATEMENT

The authors declare that there are no conflicts of interest regarding the publication of this study. This research was conducted independently, and no external funding or financial support influenced the design, execution, analysis, or interpretation of the findings. All data and materials used in this study are accurately reported, ensuring transparency and academic integrity.

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