

CHAPTER I

INTRODUCTION

1.1. Background of Study

PT Sumatra Tobacco Trading Company is a company engaged in cigarette industry. PT Sumatra Tobacco Trading Company is one of the largest tobacco industry companies outside Java, which has more than 5,000 employees. PT. Sumatra Tobacco Trading Company is one of an Indonesian manufacturer and exporter of all kind of tobacco products. In 2015 company has built 7 Controlled Atmosphere treatment rooms in a newly build warehouse near the company factory in Pematang Siantar.

This research is focus on employees who are in office area in Medan, not including employees who are in factory field and other area. The phenomenon that occurs in the company is low employee motivation to work. The low employee motivation can be seen from employees who are lazy and like to procrastinate. Employees are often lazy at work, like to wait until the deadline for completion of work is near before being done. As a result, the work results are not optimal. Low employee motivation also causes employees to be often absent, often coming late, and not trying to learn new things that are useful for the company. Employees are indifferent to company interests.

The data below shows the absent data of employees in the year 2019-2020:

Table 1.1
Employee Absence Data for January 2019 – December 2020

Month	Effective Days	Sick	Permission	Absent without Permission	Leave	Total
		Qty	Qty	Qty	Qty	Qty
Year: 2019						
January	26	4	6	4	4	18
February	23	2	2	2	2	8
March	25	6	2	3	9	20
April	24	5	6	3	11	25
May	24	14	11	3	12	40
June	19	9	2	4	12	27
July	26	12	4	3	12	31
August	25	11	6	9	14	40
September	24	12	8	6	14	40
October	27	12	11	11	9	43
November	25	11	17	12	14	54
December	20	15	18	14	15	62
Total	288	113	93	74	128	408
Year: 2020						
January	25	12	4	9	14	39
February	25	14	5	8	3	30
March	25	16	6	21	10	53
April	25	15	8	14	18	55
May	22	21	25	29	11	86
June	25	20	11	22	12	65
July	26	18	12	20	14	64
August	24	17	18	18	14	67
September	25	18	19	17	20	74
October	26	14	21	19	21	75
November	25	12	20	25	21	78
December	24	10	25	26	22	83
Total	297	187	174	228	180	769

Source: PT. Sumatra Tobacco Trading Company, 2021

The above table shows the level of employee absenteeism that continues to increase. Besides the absenteeism data, this research is also supported by the employee tardiness data as follow:

Table 1.2
Employee Tardiness Data for January 2019 – December 2020

Month	Number of Employees at Office Area	Number of Employees Late		Increase (Decrease)
Year: 2019				
January	338	17	Person	17
February	338	18	Person	1
March	338	19	Person	1
April	338	20	Person	1
May	338	22	Person	2
June	338	24	Person	2
July	340	24	Person	0
August	341	25	Person	1
September	341	26	Person	1
October	341	26	Person	0
November	343	27	Person	1
December	343	27	Person	0
Year: 2020				
January	343	28	Person	1
February	343	29	Person	1
March	343	32	Person	3
April	343	33	Person	1
May	343	34	Person	1
June	343	35	Person	1
July	343	36	Person	1
August	343	38	Person	2
September	343	39	Person	1
October	343	40	Person	1
November	343	41	Person	1
December	343	44	Person	3

Source: PT Sumatra Tobacco Trading Company, 2021

Some problems of employee motivation related to the indicators of remuneration, working condition, work facility, work performance, confession of

superiority and work itself. Some of employees dissatisfied with the remuneration system. The company also provides less appropriate work facility, such as the availability of work equipment and other facilities such as medical facility. The employees feel less appreciated by the company because the lack of career path.

One of the causes of decreased motivation is leadership style. A research done by Alghazo and Anazi (2016) stated that leadership style has impact on employee motivation. The leadership process in short is often said to be a way to achieve goals through other people. Other people here can be interpreted as individuals, or groups of people. However, because the crowd consists of individuals with varied needs, special tips are needed to organize so that the various needs, desires, and interests can be accommodated so that there is an impetus or motivation to work independently towards personal and group goals. In the leadership process, motivation is something that is essential in leadership, because leading is motivating. A leader must work together with other people or his subordinates, for that require the ability to motivate subordinates. Leadership has a close relationship with motivation because the success of a leader in moving others in achieving the goals that have been set is very dependent on the authority, and the leader in creating motivation in every subordinate, colleague, and superior leader himself.

In the company, every leader is busy pursuing his own work targets, so he cares less about his employees. Leaders give more orders to employees to work, but they do not involve employees in making work plans, causing employees to be

less motivated because they feel they are only being ordered to work without having the opportunity to give their opinion.

Based on preliminary interview with employees, they have some problems about their leaders. They are dissatisfied with the leader because the leadership style that always giving order without knowing the real situation at the working field. The leaders urge employees to do the work based on the order given but don't want to hear any excuse or giving solution about their problems. Some of the leadership problems can be seen in the table below:

Table 1.3
Leadership Problems

Department	Leadership Problems
Purchasing	<ul style="list-style-type: none"> ▪ The leader asks employees to find new vendors with the lowest prices and good quality, regardless of the type of goods purchased. ▪ The leader sets targets for employees on the deadline for receiving goods without distributing local and foreign goods so that there are goods that cannot be received on time. ▪ The leader asks that all purchases be made on credit term without wanting to know the field conditions.
Marketing	<ul style="list-style-type: none"> ▪ The leader sets sales target without discussing with his team. ▪ The leader asks employees to find new customers for every month. ▪ The leader gives punishment to employees that cannot reach sales target without giving chance for them to explain.
Accounting	<ul style="list-style-type: none"> ▪ The leader asks employees to make report on time without wanting to know about the problems.
Finance	<ul style="list-style-type: none"> ▪ The leader sets target for employees to collect receivables according to the period stated at the sales order.
Production	<ul style="list-style-type: none"> ▪ The leader makes production target without discussing with team. ▪ The leader determines the period of use of the machine before periodic service is carried out and doesn't tolerate premature damage.
Human Resource Development	<ul style="list-style-type: none"> a. The leader asks employees to search employees according to the criteria needed by each department but doesn't give solution about how to find it.

Source: PT Sumatra Tobacco Trading Company, 2021

Although not all leaders in the company have the same leadership style, some of those leadership style problems are enough to have a negative effect to employee motivation. For example, the purchasing department problem where leader sets targets for employees on the deadline for receiving goods without

distributing local and foreign goods so that there are goods that cannot be received on time. The purchase activity started from demand for goods from production and other department of the company. At the demand, each department will set the deadline when the latest time for goods to be received. This is very important especially for production department.

The purchasing department leader then set target in the purchase order about the lead time for the goods to be received in the warehouse according to the demand from another department. The employees will then finding the suppliers that have the goods. The problem happened when the suppliers can't supply to company at the time set, it can be happened because of the goods availability, the source of goods, until the delivery problems. Some of the goods must be ordered from overseas supplier that will need more time to be received at the warehouse. At the time the problem occurred, the leaders don't help the employees to explain to production department, but to blame the employees. These problems caused the employees to become demotivated, because the leader that should provide solutions but instead blaming them without providing solutions.

Leaders in company have autocratic style so they tend to give orders, but not accompanied by explanations. As a result, employees don't understand, but they get scolded if they ask their superiors again. In addition, leaders ask more asking for reports from their employees and are less involved in operational activities so that employees are disappointed and feel they are being used only. In addition, leaders also do not provide solutions to problems that occur, but only

give orders to do. Leaders don't care how employees do, but only care about the end result.

The leadership problems are related to the indicators purposeful, responsible, integrity, courageous, patience, listen, enthusiasm, service. The purposeful problem related to the leader that always explains the purpose of each work which is assigned to employees. The leader always gives order to employees about the tasks, but don't explain the purpose of the tasks, so that the employees less motivated to do the tasks. The leaders also less responsible to the problems happened in the department. Besides that, the leaders also less patience to hear the employees' suggestions and prefer to carry out their own work plan.

Based on description above, the writer wants to conduct the research with title **“The Effect of Leadership Style on Employee Motivation at PT Sumatra Tobacco Trading Company.”**

1.2. Problem Limitation

The writer makes problem limitation in order to be focused in the research problems. The problem limitation is about leadership style with indicators purposeful, responsible, integrity, courageous, patience, listen, enthusiasm, service (Soegoto, 2015, p.347); and employee motivation with indicators remuneration, working condition, work facility, work performance, confession of superiors and work itself (Afandi, 2016, p.18).

1.3. Problem Formulation

The problem formulation is as follow:

1. How is the leadership style implemented at PT Sumatra Tobacco Trading Company Medan?
2. How is the employee motivation implemented at PT Sumatra Tobacco Trading Company Medan?
3. Does the leadership style have effect to employee motivation at PT Sumatera Tobacco Trading Company Medan?
4. What is the relationship between leadership and employee motivation at PT Sumatera Tobacco Trading Company Medan?

1.4. Objective of Research

The objective of research is as follow:

1. To know the leadership style at PT Sumatera Tobacco Trading Company.
2. To know the employee motivation at PT Sumatera Tobacco Trading Company.
3. To know the effect of leadership style to employee motivation at PT Sumatera Tobacco Trading Company.
4. To know the relationship between leadership style and employee motivation at PT Sumatera Tobacco Trading Company.

1.5. Benefit of Research

1.5.1. Theoretical Benefit

The research can be used as input to study about leadership style on employee motivation, and to compare between theory and practice.

1.5.2. Practical Benefit

The research can be used as input for company to use leadership style to control employee motivation.

