

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The competition in the business world has become very fierce and stringent in the era of globalization. In order to survive and develop, companies are required to be more competitive and efficient. According to Stephen P. Robbins & Mary Mathew (1990, as cited in Ferdous, 2016), an organization is a group of people who work together accordingly to their own skill and responsibility to achieve some goals.

According to Alves & Gama (2020), family business is a company that involves one or more family members who hold great control over the company, due to their significant percentage of ownership. They stated that there are three pillars in maintaining a family business, they are: direction/management, family and ownership. They ensure that in a family business, the family members will influence the direction of the business through kinship, management roles, or ownership rights.

Human resource management is one of the most important aspects of realizing a company's success. According to Khasawneh & Madanat, (2018), Human resource management is the asset that plays a critical role in achieving a company's competitive advantage. This situation makes entrepreneurs must be able to identify and hire qualified human resources.

As a crucial resource in the business world, humans are forced to become proactive individuals, they will continue to hone and develop their skills so that they can become competent resources. These elements will then be utilized by entrepreneurs as potential that can be exploited optimally for the progress of the company. When a company is succeeded in obtaining an excellent quality of human resources, then it will be capable to perform effectively and maximize the employee performance.

Human resource management must be performed properly by the company leader. The quality of a leader is defined by the success of the company. A leader is someone who has the capabilities to provide motivation for the subordinates in order to increase their efficiency and effectiveness (Kartono, 2010, as cited in Mahmin et al., 2018). He also explained that a good leader is someone who is able to influence his/her subordinates to do their jobs. According to Thoha (2013, as cited in Mantera et al., 2019), leadership style is a norm behavior that a person adopts when trying to influence people. According to the study conducted by Purwanto et al., (2019), The leadership style adopted by a company leader will affect employee performance. There are several types of leadership styles, however the implementation was depending on the situation and condition in each company. Authoritarian / autocratic is one of the leadership styles that usually embraced by a leader. Authoritarian leadership style emphasizes the full authority of a leader, where all decisions of the leader are absolute (Zhang, 2017). Those who embrace this style will dominate the company.

According to research conducted by Makambe *et al.*, (2019), leadership style has a significant effect on employee performance. The research explains that the participation of leaders makes employees more confident in completing their tasks. A good leader can also become a role model for the employees to work more effectively and efficiently. NawoseIng'ollan *et al.*, (2017) concluded that autocratic/authoritarian leadership style has positive effect on employee performance. This study found that factors such as manner and trust from a leader greatly affect employee performance. The authoritarian leadership style is particularly useful for companies that require a change. This study also explains that the authoritarian leadership style will be highly effective if it is applied by companies with certain conditions.

However, a study from Dolly *et al.*, (2018) founded that leadership style has a negative effect on employee performance. This study proves that as globalization progresses, employees are perceived to be more educated, knowledgeable, and competent. This makes them challenged to complete their work independently rather than fully controlled by their leader. They also concluded that the authoritarian leadership style creates more problems than solves company problems.

Based on the results of the studies above, the author is interested in conducting research about the effect of authoritarian leadership style on employee performance. In this study, the author will examine the employees of PT Swastikalautan Nusapersada which were located in Medan since the center of managerial activities is carried out in Medan. This company is a family business

that has been established since 1998, located on Aipda KS Tubun street no. 94. PT Swastikalautan Nusapersada is a company that focuses on the General Suppliers and Contractors sector. This company is engaged in the procurement of goods and services. In addition, it also focuses on supplying workers in the technician and heavy equipment sector.

The reason that encourages the authors to conduct this research is that leadership is one of the problems that arise at PT Swastikalautan Nusapersada. In this company, the leader has adopted authoritarian leadership style. The leader adopts authoritarian leadership because the majority of employees are between the ages of 25-30.

The leader is more concerned with company profits without caring about the obstacles faced by their employees in completing their tasks. The leader prefers to reprimand his employees harshly rather than provide solutions to solve their problems.

Employee performance is one of the crucial problems that arise at PT Swastikalautan Nusapersada. High employee performance is particularly important in the company because it can increase company productivity. In fact, there has been a decrease in employee performance at this company. One of the factors that influence employee performance is employee discipline, where at PT Swastikalautan Nusapersada is currently experiencing an increase in employee absenteeism.

**Table 1.1 Discipline Data PT Swastikalautan Nusapersada Medan  
January 2020-December 2020**

Month	Late	Absent
January	6	5
February	8	4
March	8	11
April	10	9
May	12	2
June	16	3
July	15	4
August	18	4
September	7	1
October	0	3
November	18	0
December	19	7

Source: PT Swastikalautan Nusapersada (2020)

Based on table 1.1, it appears that the level of employee indiscipline at PT tends to be high. This is strongly supported by the list of tardiness in employees which tends to increase every month. Tardiness and absence of employees slows down and hinders work which in turn can have a negative impact on employee performance.

The data above is taken from the archives of PT Swastikalautan Nusapersada, where employees at this company will perform check-in at the security guard before entering the company. The employee will fill their identity and the time of entry in a book that is monitored by the security guard.

To prove whether authoritarian leadership style affects employee performance and based on the description of the problems above, the author becomes interested in researching to find **“The Effect of Authoritarian Leadership Style on Employee Performance at PT Swastikalautan Nusapersada in Medan.”**

## **1.2 Problem Limitation**

To facilitate the authors in conducting this research which is limited by time constraints and unsupportive situations, this research will only be limited to the effect of leadership style on employee performance at PT Swastikalautan Nusapersada in Medan. This section confirms that the authoritarian leadership style become the independent variable (X), while employee performance become the dependent variable (Y). The indicators of leadership style will be limited to centralized decision making, specific job description, subjectivity, employees' opinion only as lip service, and strict supervision. While the indicators for employee performance to be examined will only be limited to quantity, quality, effectiveness and independence

## **1.3 Problem Formulation**

Based on the description of the background of the study and problem limitation, the problem formulation of this study will be list as follows:

1. How does the implementation of authoritarian leadership style at PT Swastikalautan Nusapersada in Medan?
2. How is the employee's performance at PT Swastikalautan Nusapersada in Medan?
3. How does the authoritarian leadership style affect employee performance at PT Swastikalautan Nusapersada in Medan?

## **1.4 Objective of the Research**

According to the problem formulation above, the purpose of this research as follows:

1. To identify the implementation of authoritarian leadership PT Swastikalautan Nusapersada in Medan.
2. To identify the employee's performance at PT Swastikalautan Nusapersada in Medan.
3. To identify the effect of authoritarian leadership style on employee's performance at PT Swastikalautan Nusapersada in Medan.

## **1.5 Benefit of the Research**

The benefits expected by the authors of this research are as follows:

### **1.5.1 Theoretical Benefit**

To increase the knowledge about this subject in human resource sector, especially in knowing the effects of authoritarian leadership style on employee's performance at PT Swastikalautan Nusapersada in Medan. Another reason is to inform readers about the importance of leadership style in a company.

### **1.5.2 Practical Benefit**

- a. For organization/company:

The results of this study are expected to become a solution or consideration in the company's decision making which is related to authoritarian leadership style and employee performance.

- b. For other parties

It is expected to be able to help others who want to start a business by being used as a reference or guidance which is related to the effects of authoritarian leadership style on employee performance.

c. For author

The benefit is to be able to implement the learning materials about management which has been learned in university, and also be able to find out problems and its solutions.

