

# **CHAPTER I**

## **INTRODUCTION**

### **1.1. Background of the Study**

For every organization, whether it is a public sector or a private sector, human resource is one of the most pivotal determinants in achieving organizational success and goals. A good company will actively seek and improve the ability of its human resources as they are the key elements to improve the organizational performance. Especially in recent times where rapid technological changes and market competitiveness often become a threat to the sustainability of an organization, company requires high potential human resources in realizing the organizational goals. Certainly, organizations favour high performing employees than those who do not. For this reason, organizations will consistently find a way to improve the abilities and skills of their employees with the aim to increase their performance and productivity.

Capacity of an organization to efficiently achieve the organizational goals can be assessed through its employee performance. As human resource is the main strength of an organization, the achievements of organizational goals rely on how well the employees are performing in conducting their job. Optimal employee performance enable the company to run the business smoothly, increase the

productivity of the company, as well as supporting the company to achieve its organizational goals. For this reason, management always seeks to recruit highly skilled and knowledgeable individuals to work in the company as an attempt to survive in a competitive business environment. According to Pradhan and Jena (2017), individual roles and organizational goals are interdependent towards each other. They believe that enhancing employee performance will help organizations achieve their desirable goals. Hence, this view suggests employee performance as the key to organizational success.

The object of this research is PT Star Service. PT Star Service is a privately-owned company engaging in electronics industry. As the sole distributor of Kawachi products in Sumatra, PT Star Service has been distributing various electronics equipment under the Kawachi brand for 20 years. The office of PT Star Service is located in Medan, North Sumatra. PT Star Service is a B2B (Business to Business) and B2C (Business to Customer) company, which implies that they sell to both businesses and individuals. The company has been distributing their goods throughout Indonesia and their brand has been widely recognized in Indonesia. Over past 20 years, PT Star Service has maintained good brand image recognition among its consumers. PT Star Service has always been able to meet their customers' orders on time. However, based on the interview with the manager of PT Star Service, the company has been receiving complaints from customers regarding delays in the

delivery of their orders. In the long run, the company is concerned that this scenario would negatively influence the company's reputation and image, as well as consumer loyalty to PT Star Service. The following table 1.1 summarizes the monthly employee performance score, which is measured by assessing employees':

- a. Work quantity, assessing employees by the amount of work that can be completed in a certain period.
- b. Work quality, assessing employees by how thorough and diligent they are in carrying out the assigned tasks
- c. Attendance, assessing employee attendance per month.

Each head of division will assess the performance of their employees with these indicators by granting a score ranging from 1 to 5 (1 = very poor; 5 = very good). Then, the results obtained will be gathered and divided equally in the form of a percentage.

**Table 1.1 Summary of Monthly Employee Performance Score for 2020**

Month	Monthly Average Score
January	61.2%
February	70.5%
March	65.8%
April	67%
May	95.6%
June	64.5%
July	64%
August	69.1%
September	55.7%
October	31.2%
November	35.8%
December	33.2%

Source: PT Star Service (2021)

The above table presents the recapitulation of monthly employee performance throughout the year 2020. The data clearly shows that employee performance growth at PT Star Service is gradually declining, in which according to the human resource department is due to many of the employees cannot complete their tasks within the given deadlines. This matter begins to affect the production level and thus draw the company's attention as it may affect the achievement of the company's desired goals.

According to the pre-survey activities performed by the writer, the type of autocratic leadership used by PT Star Service is one of the causes of the decline in employee performance. Autocratic leadership, as is well known, is a style of leadership that is inappropriate for use in organizations. Employees are limited in their ability to communicate, both in terms of expressing thoughts and ideas, when autocratic leadership is used. Apart from that, leaders also do not include subordinates in decision-making. The leaders of PT Star Service are now practicing autocratic leadership, as evidenced by the fact that they make all of the decisions and do not consult others for suggestions or ideas. Employees have been compelled to rely on their leaders for all feedback, instructions, and job responsibilities as a result of this form of leadership. As a result, many employees are demotivated and lack a sense of ownership for their jobs, resulting in poor employee performance. This situation is in accordance with the findings by Kalu and Okpokwasili (2018) that discover that autocratic leadership has a negative effect on employee performance. They

claimed that employees were less productive under this leadership style, and subordinates expressed a significant level of job dissatisfaction. This explains why the poor performance of PT Star Service employees disrupts the production levels and resulting in the delays in delivery.

Ramadhani (2016) explains that there are various aspects that affect employees to achieve their desired performance, in which leadership in an organization is one of the many. Leadership is one's ability to influence others towards certain goals. Therefore, good leaders should possess the ability to ensure that their followers always stay motivated at work and ready to put in their best in accomplishing their tasks in order to meet the company objectives. Effective leadership is often viewed as an important aspect in achieving organizational desired objectives. The relationship between leadership and employees are perceived to have a great impact on the process in which many studies found that diverse leadership styles may produce different employee accomplishments.

A research conducted by Lor and Hassan (2017) and Basit et al. (2017) shows that leadership has a positive significant influence on employee performance as leadership displays leaders' ability in encouraging their followers, communicate their vision, improving followers' abilities and skills as well as paying attention to the followers' needs. Another study conducted by Northouse (2014) also agreed that leadership has a significant effect on employees' performance as well as on the organization growth. However, a study performed by Noviyanti,

Syofyan, and Evanita (2019) concluded that leadership does not have a significant effect on performance.

Another element that may play a great contribution in employee performance is motivation. Motivation is believed as a pivotal factor for better performance as it is a process that drives people to reach their desired goals (Nabi et al., 2017). According to Muchtar (2016), motivation has insignificant influence on employee performance. However, a recent study conducted by Kuswati (2020) disagrees with the result and claimed that motivation yields a positive influence on performance. The result indicates that motivation may become a factor that is useful to improve performance. Kuswati also claimed that employee motivation is inseparable from the leader's involvement who continuously interact and provide motivation for employees. Kuswati's findings is in line with a previous study conducted by Hasan and Khajeh which stated that motivation is closely linked to leadership factors (Hasan and Khajeh, as cited in Kuswati, 2020).

The inconsistent findings of previous studies and the gap between PT Star Service desirable employee performances with the reality are what draws the writer's interest to conduct this research. To further analyse the influence of leadership and motivation on employee performance, this research aims to study the relationship among them by observing the leadership, employee motivation, and employee performance at PT Star Service. Therefore, the title of this research will be **“The Influence of**

## **Leadership and Motivation towards Employee Performance at PT Star Service”.**

### **1.2. Problem Limitation**

This research is only focusing on studying and describing the relationship between leadership (variable X1) and motivation (X2) with employee performance (variable Y), hence, any variables other than the aforementioned is not considered in this research. In addition, the scale of this research is only limited to the employees at PT Star Service, where the total number of samples analyzed in this research is only amounted to 40 individuals. Respondents of the questionnaire are limited to employees who are not managers or leaders at PT Star Service. The data used in this study is collected in the same year by implementing purposive sampling method which is then analyzed by using four fundamental statistical tests, namely descriptive statistics analysis, data quality testing, classical assumption test, and hypothesis testing using a statistical computer program known as Statistical Package for the Social Sciences (SPSS) version 25. Therefore, given the limitations of this study, the results of this study may not be generalizable to other studies whose circumstances are not the same.



### **1.3. Problem Formulation**

Inconsistent results of how leadership and motivation may affect employee performance have led people to question whether leadership and motivation are correlated with employee performance levels or not. In order to fill in the gap, a further analysis is required to better understand the affect that leadership and motivation have on employee performance. Therefore, the following research questions need to be addressed:

- a. Does leadership have influence on employee performance at PT Star Service?
- b. Does motivation have influence on employee performance at PT Star Service?
- c. Do leadership and motivation simultaneously influence employee performance at PT Star Service?

### **1.4. Objective of the Research**

Through this research, the writer aims to achieve the following objectives:

- a. To discover whether leadership has influence on employee performance at PT Star Service.
- b. To find out whether motivation has influence on employee performance at PT Star Service.
- c. To determine whether leadership and motivation simultaneously influence employee performance at PT Star Service.



## **1.5. Benefit of the Research**

Through the completion of this research, the writer believes that the result of this research could be beneficial for society, specifically for the entrepreneurship and family business industry. Two benefits offered by this research are:

### **1.5.1. Theoretical Benefit**

This study may provide a better insight into how leadership and employee motivation may influence employee performance within an organization. The outcome of this research could be useful information for those who might be interested in conducting a similar topic in the future. Apart from that, the writer also expects that this research would provide additional knowledge for PT Star Service regarding how the current leadership and employee motivation of the company influence the employee performance.

### **1.5.2. Practical Benefit**

The outcome of this research may support entrepreneurs, especially those engaging in the family business, in understanding and performing the right leadership practices that are suitable for their businesses. Moreover, the writer also believes that this research would be

beneficial for PT Star Service to review and improve the company's leadership practices as well as examining the current motivation state.

