# CHAPTER 1

# INTRODUCTION

## 1.1 Research Background

*"Pervasive technology and data, and talent in the digital age are already the two key underlying trends shaping the workforce of the future. The additional remote working trend will complicate the shaping of the future workplace even further."*
(BCG and Verizon, 2020)

Teleworking, particularly working from home, has been around for a long time. It denotes a more adaptable working style not constrained by time, venue, or interaction method. Teleworking requires technological, social, and organizational support, as well as e-leadership practices. Before the COVID-19 pandemic, remote teleworking or working was steadily growing across many industries. The pandemic accelerated the teleworking trend, and now corporations must work with employees in places different from the traditional workplace. As teleworking was quite popular even before the pandemic, hence, adopting this working style has been relatively smooth for several companies.

Following the pandemic of COVID-19, social distancing, defined as a purposeful physical distance between people (Prin & Bartels, 2020), was adopted as an effective preventative method, mandating remote working. Information and Communication Technologies (ICT) enable people to operate from any location and at any time. To adapt to a globalized society immersed in the digital era, being ready for virtual work settings was also a priority. As a result, e-leadership will be

a vital topic that businesses must address for success and long-term viability, and it is an irreversible trend.

Virtual working environment has also brought an impact on when, how, and where employees work in the new normal. A global survey from McKinsey shows that most employees would like to work from home at least three days per week in the future.
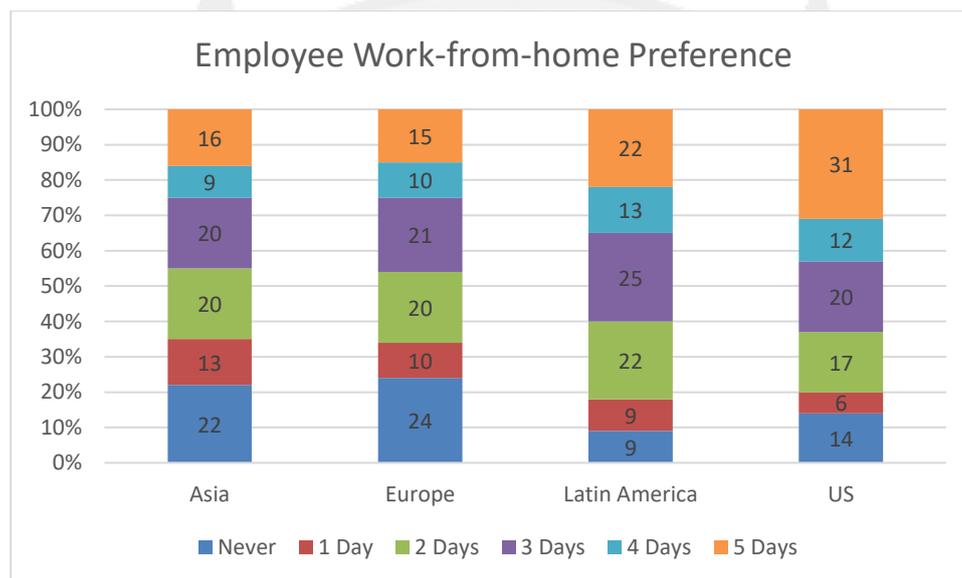


**Figure 1. 1 Employee Work-from-home preference**
Source: McKinsey Reimagine Work: Employee Survey (Dec 2020-Jan 2021)

52% of employees also report preferring a more flexible working model in the future (see figure 1.2), while in contrary, most C-suite executives report believing that the primary center for work will be the office premise (see figure 1.3).
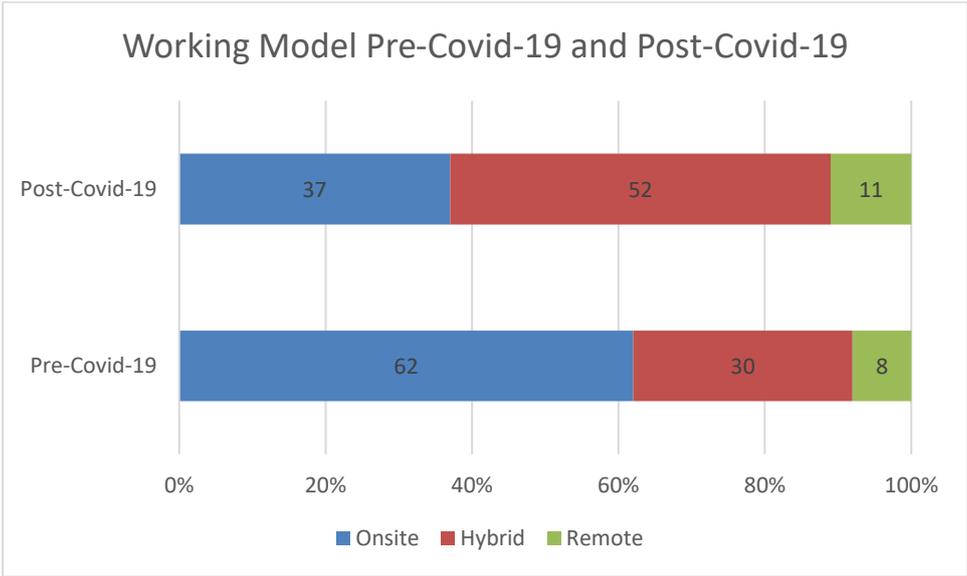
## Working Model Pre-Covid-19 and Post-Covid-19

| Post-Covid-19 | Onsite 37 | Hybrid 52 | Remote 11 |
| Pre-Covid-19 | Onsite 62 | Hybrid 30 | Remote 8 |

Onsite ■ Hybrid ■ Remote

**Figure 1. 2 Working model before Covid-19 pandemic and desired working model after Covid-19 pandemic**
Source: McKinsey Reimagine Work: Employee Survey (Dec 2020-Jan 2021)

## Average Share of Workday in Office Before and After Pandemic, from C-Suite Executives Survey

| Postpandemic | >= 4 Days 52 | 3 Days 36 | 2 Days 12 |
| Prepandemic | >= 4 Days 92 | 3 Days 8 | 0 |

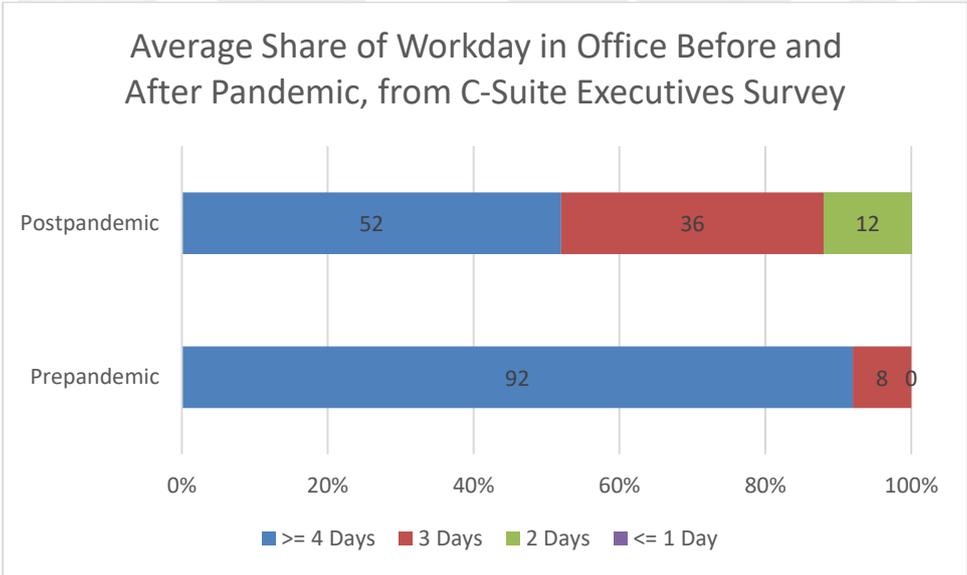■ >= 4 Days ■ 3 Days ■ 2 Days ■ <= 1 Day

**Figure 1. 3 Average Share of Workday in Office reported before and expected COVID-19 Pandemic, % of C-suite respondents**
Source: McKinsey Reimagine Work: Employee Survey (Dec 2020-Jan 2021)

Returning to a wholly on-site paradigm could have enormous implications for talent. If they are back to totally on-site work, about 30% of employees say they are inclined to switch jobs (Figure 1.4).
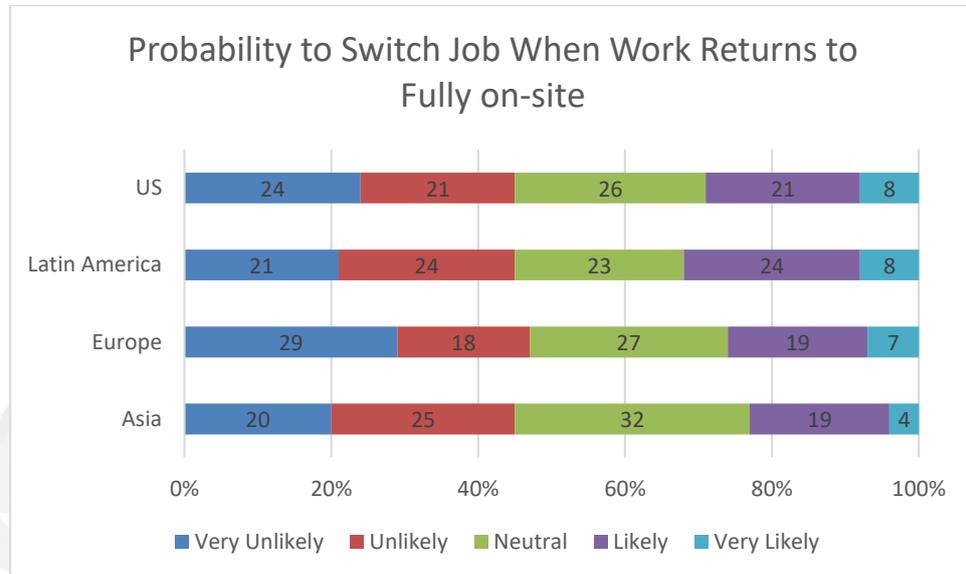


**Figure 1. 4 Employees who are likely to switch jobs if work returns to fully on-site**
Source: McKinsey Reimagine Work: Employee Survey (Dec 2020-Jan 2021)

Similar patterns were discovered in a study undertaken by Ernst & Young (EY) in 2021 in the Southeast Asian region. Only 15% of respondents said they would want to work from home full time. Six out of ten respondents said they would leave their jobs if they weren't given post-pandemic flexibility. Seven out of ten people believe that working in a mixed environment will boost productivity and creativity. (Ernst & Young, 2021).

From perspective of talent management, Covid-19 pandemic bring unique opportunities to capture benefit of virtual mobility. Virtual mobility, according to a study by Boston Consulting Group (2021) on the working trend, could help to reverse brain drain and drive people to relocate from densely populated places to less densely populated ones. Hiring people from afar will expand your talent pool,

lower your relocation and payroll costs, and increase your diversity. Remote overseas work also allows them to sell their skills to the highest bidder without uprooting their lives and families.

Nevertheless, teleworking is also a subject of continual controversy due to the unclear non-work and work boundaries, the individual and social implications of not being physically present in the office, and the risks and advantages of flexible working (Contreras et al., 2020). Socially isolated staff also get disengaged from their regular work environment, resulting in lessened performance and continuous disheartening (Wojcak et al., 2016). Recent research of Blind (community workplace application) shows that 68% of the respondents feel they are mentally more tiring during teleworking due to the Covid-19 pandemic (Yoshio, 2020).

In context of Indonesia market, data from Statistics Indonesia (BPS) on June 1, 2020, shows that 39.09% of the workers have been working-from-home (WFH) since the start of the Covid-19 Pandemic, while 34.76% have been doing hybrid work. Another survey from World Economic Forum reveals that 91.7% of companies in Indonesia have implemented WFH. Research from Jobstreet Indonesia also confirmed that about 50% of employees who do WFH feel that they work more than they used to be. (Yoshio, 2020). Further research from Microsoft shows that 83% of Indonesian workers prefer to have a more flexible remote working. This is more than the global average of 73%. More alarming statistics have been published by Microsoft (2021) that 49% of the Indonesian workers consider leaving their current employment this year (Higher than 41% of the global average), and 63% of the Indonesian workers consider leaving their current

employment next year (higher than 46% of the global average). This finding is also strengthened by another research conducted by Ernst & Young resulted that even though job satisfaction remains high in Indonesia; 85 percent of workers want post-pandemic flexibility in terms of job location and hours, and 54 percent are likely to leave if their requests aren't met (Ernst & Young, 2021). Likewise, similar research around workforce and remote working which has been done by Boston Consulting Group (2021) gives insights on the working preference for Indonesia as a result of Covid-19 pandemic as describe in Figure 1.4. It clearly shows that there is a growing percentage of Indonesian workers who are willing to work in hybrid mode.
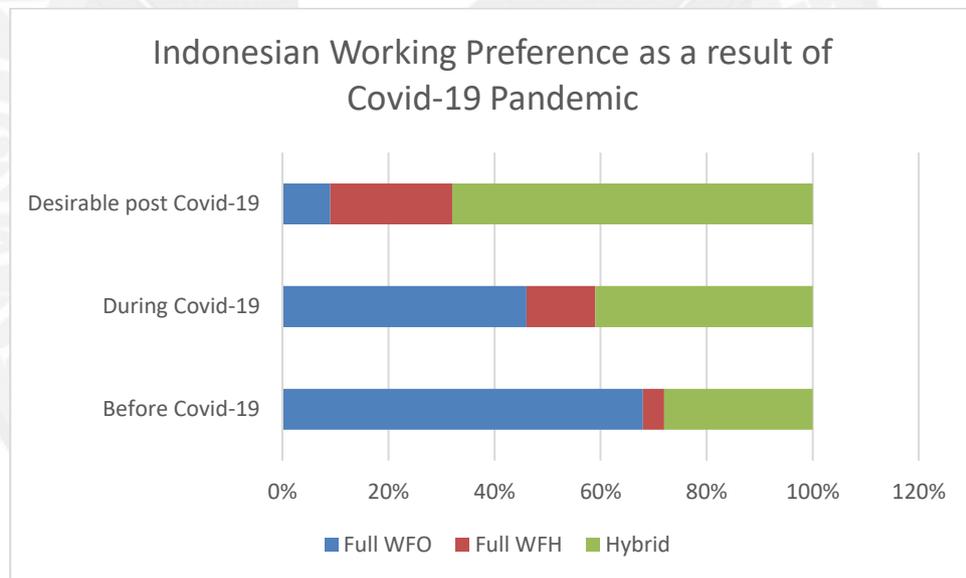


**Figure 1. 5 Indonesian Working Preference as a result of Covid-19 Pandemic**
Source: JobStreet, Boston Consulting, and The Network Survey (2021)

Companies must realize that employees want a renewed sense of purpose in their work to win the competition. Employees want social connections with their co-workers as well as with their managers and top management. They want to feel

6

a sense of shared identity, meaningful—though not necessarily in-person—
*interactions*, not just transactions. Research by McKinsey in some developed
countries spanned across multiple industries, have the balance of population
between large organizations and mid-size organizations, gives another "need-
attention" condition for corporations that among employees who said they are at
least somewhat likely to leave their jobs in the next three to six months, almost
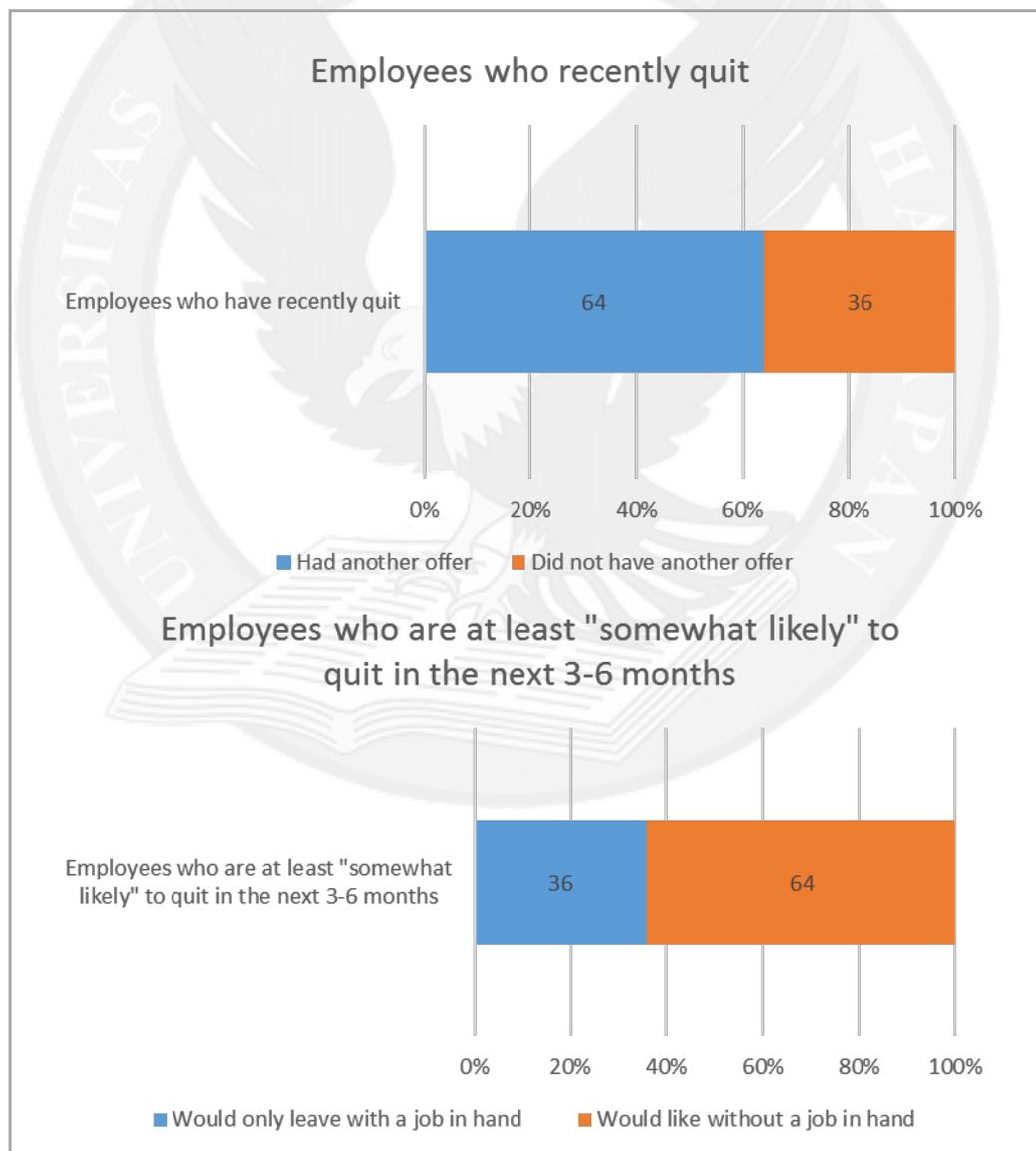two-thirds added that they would do so without lining up new jobs (De Smet et al.,
2021).

## Employees who recently quit

| Employees who have recently quit | 64 | 36 |

0%   20%   40%   60%   80%   100%

■ Had another offer   ■ Did not have another offer

## Employees who are at least "somewhat likely" to quit in the next 3-6 months

| Employees who are at least "somewhat likely" to quit in the next 3-6 months | 36 | 64 |

0%   20%   40%   60%   80%   100%

■ Would only leave with a job in hand   ■ Would like without a job in hand

**Figure 1. 6 Employees Resignation statistic and trend**
Source: McKinsey Survey 2021

Company leaders put their organizations at risk by not understanding what their people are fleeing and what they might gravitate to. Furthermore, because many businesses are responding in the same way—failing to engage in a more meaningful employee experience and failing to meet new demands for autonomy and flexibility at work—some employees are deciding to leave traditional full-time jobs entirely (De Smet et al., 2021). It is well understood that a higher turnover rate is a very concerning issue for corporations. Research conducted by Oxford Economics in the UK's private sector found that it takes recently hired professional workers 28 weeks to reach optimum productivity – which has a cost equivalent of £25,200 per employee (Brignall, 2021).

PT XYZ in Indonesia was selected to be the subject of research for this thesis. Some of the reasons are that this company has implemented WFH and hybrid working since the April 2020. PT XYZ is a mid-size organization, part of the financial industry with relatively higher financial and technology literacies, and a relatively higher attrition rate than other industries. It is also heavily regulated by regulators, serving millions of customers in Indonesia.

This research will explore and analyze the employee's behavior of PT XYZ towards several aspects of the employer-employee relationship. The research subject will be the full-time employees, excluding the sales-related employees who regularly work outside the PT XYZ office premises.

An interview was conducted with one of the senior leadership team in the human capital of PT XYZ, resulted that even though the attrition rate is lower

during the 2020 and 2021 Covid-19 pandemic (align with the decline in industry attrition rate), the real issue concerning the management is the number of regretted resignations, especially on the higher management and talent, has been increasing during the Covid-19 pandemic.

Follow-up research was conducted on nineteen senior managements at PT XYZ to understand their top three concerns during the new normal of teleworking and hybrid working. The concerns are then counted and visualized through the chart below.
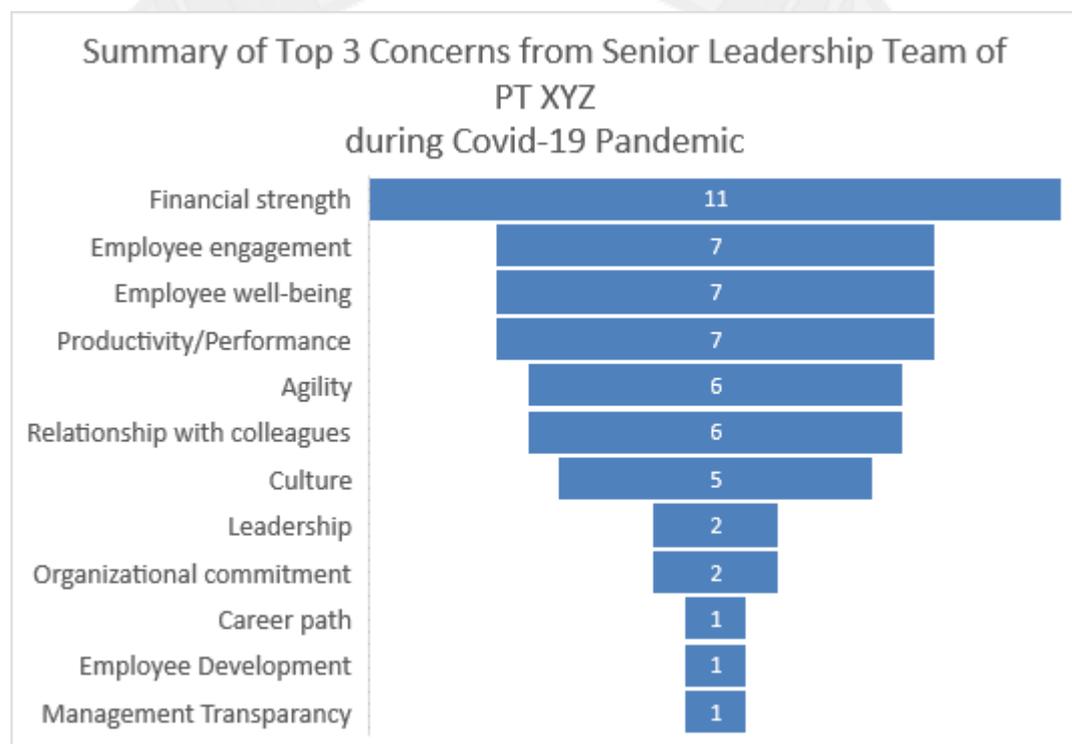


**Figure 1. 6 Summary of Top 3 concerns from senior leadership team of PT XYZ**
Source: Senior management survey of PT XYZ

From the above chart, financial strength dominates the voice of concerns, which is also in line with the PT XYZ's president letter 2022. Financial strength is the output of strategy and actions. What drives the financial strength is equally

essential to be understood. The chart shows that employee performance and agility (aka employee adaptive performance) contribute the highest points of concern (total 13 points). Employee well-being and relationship with colleagues (total 13 points) are part of teleworking output to be analyzed. At the same time, culture and management transparency and leadership itself depend on the leadership style of the company (total 8 points). Employee engagement, which measures how dedicated employees are to the organization and how much discretionary effort they put into their work, is likewise strong (7 points), together with the organizational commitment mentioned twice (total 2 points). Motivation/Purpose is also mentioned once.

Based on the problem observed at PT XYZ during the Covid-19 pandemic, and as the business and the working environment becomes more dynamic to predict, employees' capacity and agility to manage the changes and the work dynamics become required abilities, adaptive performance, described as employees' ability to adapt to agile work environments, will be the focus of this research, to understand the vibrant nature of employee performance during the new normal of hybrid working as per the current situation.

Adaptive performance refers to the ability of an individual to adapt to changing working conditions. Employees exhibit adaptive behavior when they modify their behaviors to the needs of working conditions and new occurrences (Pulakos et al., 2000). Previous empirical studies done on adaptive performance shows that it drives encouraging outcomes, for instance, improved performance capability and successful career (Shoss et al., 2012). It also leads to organizational benefits, such as better change management, organizational learning ability, and

10

conformity to evolving customer expectations (Dorsey et al., 2010). Various researches were done in the past to study further on the antecedents of adaptive performance, namely, on the impact of servant leadership on adaptive performance (Kaya & Karatepe, 2020), extraversion and adaptive performance (Wihler et al., 2017), work ethic, work behavior, and adaptive performance (Javed et al., 2017). The following antecedents of adaptive performance were also studied: Learning agility and adaptive performance (D. H. Lim et al., 2017), personality and work engagement fit and adaptive performance (Shahidan, 2019), inclusive leadership and adaptive performance (Yu, 2020), empowerment practices and adaptive performance (Huntsman et al., 2021). Another research from (Charbonnier-Voirin & Roussel, 2012) also constructed another tool to assess individual adaptability across five dimensions: creativity, responsiveness to crises or unexpected events, interpersonal adaptation, training, and managing stress.

Previous studies were done on adaptive performance as the dependent variable with several independent variables with leadership flavor. Research done by Kartikasari and Doi (2016) indicates a positive relationship between transformational leadership and adaptive performance. Similarly, trust and value congruence positively mediate transformational leadership and adaptive performance. Another research done by Rousseau and Aubé (2019) suggests the positive influence of empowering leader behaviors and adaptive performance. Another research by Kaya and Karatepe (2020) shows that servant leadership better explains adaptive performance than authentic leadership. Further research by Fu et al. (2020) also shows that shared leadership positively influences adaptive performance.

11

The limitation of previous studies around leadership and adaptive performance is that they are less focusing on e-leadership, especially during teleworking due to the Covid-19 pandemic. That is one of the gaps to be explored further through this study. Similarly, studies on intrinsic motivation, especially on the sense of purpose and organizational commitment, and their significance to adaptive performance are challenging to find. Individual purpose can act as guidance during times of crisis, supporting individuals in confronting and navigating uncertainty more effectively. Purpose can significantly impact the work experience, associated with greater employee engagement, dedication to the organization, and human emotions. Individuals who align their purpose with their work experience more meaning in their roles, increasing their productivity and likelihood to exceed their colleagues. This leads to another research gap to be explored through this study.

Based on the research gaps, this study will propose a new research model with employee adaptive performance as a dependent variable. Perceived e-Leadership will be the independent variable. Teleworking output, sense of purpose and organizational commitment will be tested as mediating variables. The research model will be empirically tested through the full-time employees of PT XYZ. The research output is expected to give novelty on the antecedents of employee adaptive performance during the new normal of hybrid working.

## 1.2   Research Questions

Based on the background and problem described before, then the following are the research questions:

1.  Does perceived e-leadership positively influence sense of purpose at PT XYZ?

2.  Does perceived e-leadership positively influence employees' commitment to the organization at PT XYZ?

3.  Does perceived e-leadership positively influence teleworking output at PT XYZ?

4.  Does teleworking output positively influence employees' sense of purpose of PT XYZ?

5.  Does teleworking output positively influence employees' commitment to the organization at PT XYZ?

6.  Does perceived e-leadership positively influence employee adaptive performance at PT XYZ?

7.  Does teleworking output positively influence employee adaptive performance at PT XYZ?

8.  Does sense of purpose positively influence employee adaptive performance?

9.  Does employee's organizational commitment positively influence employee adaptive performance?

## 1.3 Research Objectives

Based on the research questions, then the following are the research objectives:

1.  To analyze and test the positive influence of perceived e-leadership on sense of purpose at PT XYZ.

13

2. To analyze and test the positive influence of perceived e-leadership on employees' commitment to the organization at PT XYZ.

3. To analyze and test the positive influence of perceived e-leadership on teleworking output at PT XYZ.

4. To analyze and test the positive influence of teleworking output on employees' sense of purpose of PT XYZ.

5. To analyze and test the positive influence of teleworking output on employees' commitment to the organization at PT XYZ.

6. To analyze and test the positive influence of perceived e-leadership on employee adaptive performance at PT XYZ.

7. To analyze and test the positive influence of teleworking output on employee adaptive performance at PT XYZ.

8. To analyze and test the positive influence of sense of purpose on employee adaptive performance at PT XYZ.

9. To analyze and test the positive influence of employee's organizational commitment on employee adaptive performance at PT XYZ.

## 1.4 Research Benefits

This quantitative research will benefit two things: the academic aspect, especially on the employee adaptive performance, and secondly, the management practice in the corporations.

The academic benefit will be realized by giving new suggestions and insights for future research on employee adaptive performance, especially during the remote working condition. The insights will be derived through new research

model testing using one independent variable (perceived e-leadership) and three mediating variables (teleworking output, sense of purpose and organizational commitment). This newly created research model will be empirically tested on employees in Jakarta's leading private financial institutions.

The practical benefit will be gotten from the new findings and insights for senior management on which good areas to be maintained and the areas of improvement that need to be taken care of, especially during the non-voluntary remote working condition as triggered by the Covid-19 pandemic.

## 1.5 Systematic Writings

This research is written and constructed systematically and consists of five chapters. Each chapter will have an explanation following the chapter title and is connected to other chapters. Thus, this research writing will be a complete and holistic academic paper. This thesis will be written as per the following structure:

Chapter 1: Introduction

The first chapter explains the background of the research, the business phenomenon, and the research variables to be investigated. Chapter 1 also includes the research questions, research objective, research benefits, and systematics writing.

Chapter 2: Literature Review

This chapter explains the background theory as the foundation of this research, the variables used, and previous research related to the subject. It then further explains the hypothesis development and the conceptual framework.

Chapter 3: Research Methodology

15

This chapter describes the research object, analysis unit, research type, research variable operationalization, population, and sample, including data size determination, sampling method, data collection method, data analysis method using PLS-SEM.

Chapter 4: Research Result and Discussion

This chapter explains the analysis of empirical data, including respondent profile, research variables analysis, inferential research analysis with PLS-SEM, and followed by discussion.

Chapter 5: Conclusion

This closing chapter summarizes the research findings, practical or managerial implications derived from the data analysis result, research limitation, and future research subjects.