

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Due to the COVID19 quarantine, organizations are forced to change their organizational operation including employees working hour and working environment. The impact on the economic due to the COVID19 pandemic can trigger public panic regarding the banking system, usually known as bank panic (Suhartoko, 2020). In this situation, the public withdrew their funds from the bank on a large scale. There are many initiatives from the government, Bank Indonesia, Otoritas Jasa Keuangan, dan Lembaga Penjamin Simpanan in trying to avoid the negative effects caused by the pandemic so that it will not spread into the financial sector. According to Trioksa Siahaan, as the senior faculty of the LPPI (Lembaga Pengembangan Perbankan Indonesia), the banks carries out a function as the intermediary that supports the economic growth of the real sector (Richard, 2020). Therefore, banking sectors' ability to survive should be prioritize when the economy is facing a hard time, like this COVID19 pandemic.

With this issue, companies should be able to reach a certain standard by improving their performance so that they can keep up with the business environmental changes. According to Muda, Rafiki & Harahap (2014), performances that needs to be improve are mostly related to the improvement of its human resources within the company since it is one of the most important factor in achieving organization's objectives and goals. They also stated that great facilities

and infrastructure are meaningless without the support of qualified human resources. Leadership style has become a more focused topic that the organizations put their attention to and it has also become excelled with a new dimension of human resources management in increasing employee performance (Riggio, 2016). Leadership can also be defined as an art to navigate employees to their performance goals and used as a direction for the employee to be able to work at their full potential that resulted in good performance. Numbers of people that are working in an organization are varies from person to person in terms of personality, interest, character, ability, and many other factors. Therefore, according to author Paul Hersey and leadership expert Ken Blanchard there is no single leadership style that is superior or better than other because every human being is different thus should be lead differently (Kenton, 2020).

The relationship between leadership and employee performance has been an important subject of many empirical studies. Scholars has been trying to established the link between these two concepts by studying the different type of leadership style and its impact on people (Knies, Jacobson & Tummers, 2016). It is assumed that the leadership style being implemented by leaders in an organization has a huge impact on employee performances in which it is also impact its whole organizational performances. Companies will lose their marker share, have poor performances, and will decrease in profitability if they did not prepare their companies to adapt and be ready for a rapid environment changing (Kozlow, 2014), such as the COVID19 pandemic. There is no doubt that this pandemic did affects every aspects of human life. From a health crisis, it does not take a long time turning

into a global economic crisis, putting a risk for the incomes and jobs of all people around the world. “The collapse in total hours worked, and the decline in participation, have not been seen in peacetime since the Great Depression” (International Labor Organization, 2020).

According to research by Saiful Mujani Research and Consulting (SMRC), stated that a total of 29millions employees in Indonesia are being laid off due to the corona virus pandemic, while the rest are assigned to work from home (Santia, 2020). From the banking sector, most banks stated that they do not have any intention in reducing the number of employees. But instead, they made savings on the other side of labor costs such as employee training costs, official duties travel costs, and reviewing strategic initiatives that are not urgent (Sitanggang, 2020). The president director of BRI, Sunarso, said that BRI does needs time do adapt with this changes caused by the pandemic. However, he also said that it is impossible for them to laid off their employees. Even though the era of digitalization made it possible for people to work from home, he believes that human interactions are important in the banking sector (Kencana, 2020). This paper aim to analyze the influence of 2020 quarantine on the banking sector in Bolaang Mongondow, North Sulawesi. Below is the list of banks that are recorded by Central Bureau of Statistics Bolaang Mongondow district. All banks listed below are Mandiri, BRI, and Danamon which are included in banking book 4, and Bank Citra and BankSulutGo which are included in banking book 2.

Table 1.1 Total Banks in Bolaang Mongondow

NO	KECAMATAN	BANK UMUM		BANK PERKREDITAN	
		BANK	MESIN ATM	BANK	MESIN ATM

1	Bilalang	-	-	-	-
2	Bolaang	4	2	2	-
3	Bolaang Timur	-	-	-	-
4	Dumoga	-	-	-	-
5	Dumoga Barat	-	-	-	-
6	Dumoga Tengah	1	1	-	-
7	Dumoga Tenggara	-	-	-	-
8	Dumoga Timur	1	1	1	1
9	Dumoga Utara	3	1	-	1
10	Lolak	3	3	2	-
11	Lolayan	-	-	-	-
12	Passi Barat	-	-	-	-
13	Passi Timur	-	-	-	-
14	Poigar	2	1	-	-
15	Sang Tombolang	-	-	-	-
TOTAL		12	8	5	2

Source: Central Bureau of Statistics Bolaang Mongondow district

President Joko Widodo's call for work from home was not fully followed by bank employees. This is because there are many banking services that cannot be left behind. Therefore, the banking sector tried finding a way on how to reduce the risk of getting infected by the COVID19 virus. In Bolaang Mongondow during the 2020 quarantine, almost all of the banks imposes limits on working hours on employees. If the normal operation usually requires the employees to come to work for 8 hours a day, during quarantine they reduces the working hour to 6 hours a day. They also applied Split and Shift Operation that allow the employees to take turns coming to work. So if employee A's schedule is on Monday, the next day is employee B, on Wednesday is employee A and so on.

In the year 2020, the performance of banks in North Sulawesi including Bolaang Mongondow managed to a record positive growth even during the

quarantine. Starting from strong assets in the figure of IDR 62 trillion with an increase of 5.14% (ManadoPost, 2020). There are also Third Party Funds (Dana Pihak Ketiga), up to total lending, which continues to increase compared to the previous period. This study is conducted by looking at the positive situation that occur which is the positive growth in the banking sector.

## **1.2 Research problem**

1. What is the influence of leadership towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?
2. What is the influence of supportive leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?
3. What is the influence of participative leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?
4. What is the influence of servant leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?
5. What is the influence of laissez-faire leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?

6. What is the influence of transactional leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?
7. What is the influence of transformational leadership style towards employee performance during 2020 quarantine in Bolaang Mongondow banking sector?

### **1.3 Research objective**

Based on the research problem, the research aims:

1. To understand how leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector
2. To understand how supportive leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector
3. To understand how participative leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector
4. To understand how servant leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector
5. To understand how laissez-faire leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector

6. To understand how transactional leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector
7. To understand how transformational leadership can influence employee performance during 2020 quarantine in Bolaang Mongondow banking sector

#### **1.4 Benefit of research**

This study is design to investigate the influence of various leadership style on employee performance during quarantine. It will give description on several leadership style and which one is best to apply during quarantine situation. The information resulting from this study can be a guide for managers and leaders in selecting which leadership style that have positive influence on employee performance. This research is conducted in hopes to also give contribution to the field study of leadership and the variation of leadership style. It can be the reference for the researcher for conducting the same research topic in the future.

#### **1.5 Scope of research**

In many studies, it has been argued that employee performance is one of the key factor in optimizing its organizational operations. In managing employees, leadership always comes to mind. The aim of this study is to find the impact of leadership toward employee performance in banking sector during COVID19

quarantine. This research is not done to solve or analyze problems that occur, but instead it is done due to the positive increase in performance even during quarantine that makes it so interesting. The research that will be conducted is limited to a total of 100-150 participants with managerial position in the company and a minimum of 2 years of working experience. The data will be collected through questionnaire. The area scope of the study is banks located in Bolaang Mongondow region, North Sulawesi. The time that this research is conducted is the year 2021 and the contextual scope cover the issues within the ambit of leadership and performance.

## **1.6 Thesis systematic structure**

- *Chapter I Introduction*

This chapter mentioned the background on what phenomena that happens that makes the author interested to conduct this research in the first place. It includes the research problems, objectives, as well as the benefit of this research.

- *Chapter II Literature Review*

It includes all of the theories that are needed to support this research as well as the hypothesis that will be tested.

- *Chapter III Research Methodology*

This chapter describe about how the research is being conducted as well as all the steps and processes that needs to be done, starting from the very beginning.

- *Chapter IV Result and Discussion*



In this chapter, the researcher will discuss the result related to the descriptive analysis of the respondents, result for the actual research test, and the hypothesis testing result.

- *Chapter V Conclusion and Recommendations*

This chapter is the last section in this research that will cover the conclusion of this study from analyzing the data collection from previous chapter. This section includes conclusion of the whole study, managerial implication, limitation and suggestion for future study.