

CHAPTER 1

INTRODUCTION

1.1. Background

2020 will be remembered in history as the year of the COVID-19 pandemic, marking the first instance where nearly all countries worldwide had to implement temporary social restrictions, close businesses, and regulate human behavior to reduce physical interaction. The global and abrupt nature of the COVID-19 pandemic has proven to be a catalyst for profound changes in the social and economic life to the emergence of the "new normal," marked by shifts in the workforce, changes in demand, disruptions in supply chains, and modifications in business models. (Brătianu, 2020).

In the period from 2020 to 2030, fundamental changes are anticipated in the way people work and lead their lifestyles. Humanity entered this new decade amid remarkable technological advancements bridging the first, second, and third industrial revolutions—encompassing physical, digital, biological, and technological realms. The speed and scope of this revolution have compelled individuals from all walks of life to leverage innovation in how organizations or companies create value, and how countries, including developing nations, grow. At present, the world is united in the fight against Covid-19, emphasizing the necessity to construct a new global economy that is more inclusive and human-centered (Hutagalung, 2020).

Human resources, encompassing employed staff, expertise, problem-solving capacity, and policy implementation abilities, constitute the primary resources in public services (Arnaboldi, 2015). Therefore, attention to human resource management is crucial for every agency aiming to enhance employee and organizational performance (Nasution, 2019). Performance, in this context, refers to the importance of a job, the required level of skills, abilities, progress, and the level of job completion (Panggabean, 2002).

Employees play a vital role within a company, and leadership style has a substantial impact on the organization, work climate, and atmosphere. Leadership, as defined by (Hasibuan, 2006), is the process of influence undertaken by an individual in managing group members to accomplish organizational goals. Effective leadership, according to (Mathis, 2006), depends on employing techniques that create situations wherein individuals become aware of carrying out desired tasks. Leadership patterns must be managed and applied according to the

situation and conditions of the company, influencing employee performance within the organization. Performance, in this context, is the output of a process (Nurlaila, 2010).

Research by (Ohemeng, 2018) and (Ugheoke, 2019) get a positive impact influence the leadership style to the employee performance. In contrast, studies (Harris, 2000) also (Saputra, 2017) suggested the employee performance is not significantly influenced by leadership style. Conversely, (Adi, 2017) and (Lolowang, 2019) recognized a positive effect of organizational culture on the employee performance, while (Syauta, 2012) found no significant impact of organizational culture on employee performance. Continue with (Pila-Ngram, 2016) also (Hendri, 2019) expressed job satisfaction significantly and positively influences employee performance, whereas (Abou-Zaki, 2003) reported indicated that job satisfaction not influence employee performance.

PT. XYZ, a national private company based in Jakarta, specializes in providing human resources services. Established since 2010, PT. XYZ is currently one of the leading Human Resources Services companies in Astra Heavy Equipment Mining Construction and Energy (AHMCE). The number of employees at PT. XYZ in 2022 is outlined in the following table:

Table 1.1.

Number of Employees PT. XYZ Year 2020 – 2022

No	Category	Manpower		Manpower		Manpower	
		2020	(%)	2021	(%)	2022	(%)
1	Mechanic	1454	58,2%	1699	62,2%	1890	58,70%
2	Non Mechanic	916	36,7%	888	32,5%	1148	35,70%
3	Generalist	128	5,1%	144	5,3%	180	5,60%
Total		2498	100%	2731	100%	3218	100%

Source : PT. XYZ

In terms of employee demographics at PT. XYZ, it can be seen that most of them work as heavy equipment mechanics. Based on data, 99% of mechanics at PT. XYZ has an educational background from vocational school or STM with a specialization in light vehicle engineering, automotive or heavy equipment vocational. This means that the average age of a mechanic at work is in the range of 19-20 years. After completing their education, mechanics take special heavy equipment training for 6 months to 1 year as preparation for theoretical and practical knowledge related to heavy equipment.

Table 1.2.

Mechanic work period data in PT. XYZ Year 2022

No	Years of Service	Mechanic
1	1	440
2	2	269
3	3	333
4	4	147
5	5	121
6	6	250
7	7	77
8	8	46
9	9	18
10	10	14
11	11	60
12	12	90
13	13	25
Total		1890

Source : PT. XYZ

In the second position, there are employees who are non mechanic, involving work outside the mechanical field. Some examples of jobs include Quality Assurance, Facility Officer, Safety Officer, Admin Staff, and others. Based on data, non-mechanical employees have very diverse educational backgrounds, from high school, diploma, to bachelor's degree. Therefore, the average age at starting work also varies greatly, ranging from 19 to 24 years. There are also employees aged 25 years and over, who usually have work experience and occupy positions as Expert Staff at PT. XYZ.

Table 1.3.

Non Mechanic work data in PT. XYZ Year 2022

No	Years of Service	Non Mechanic
1	1	418
2	2	198
3	3	67
4	4	68
5	5	83
6	6	66
7	7	36
8	8	25
9	9	35
10	10	50
11	11	34

12	12	37
13	13	31
Total		1148

Source : PT. XYZ

In the last position there are Generalist employees, which include work as Supervisor, Group Leader, Section Head, and Director.

Table 1.4.

Generalist work data in PT. XYZ Year 2022

No	Years of Service	Generalist
1	1	37
2	2	14
3	3	14
4	4	17
5	5	10
6	6	9
7	7	7
8	8	15
9	9	22
10	10	5
11	11	6
12	12	21
13	13	3
Total		180

Source : PT. XYZ

To uphold its image, PT. XYZ places a strong focus on the performance of its employees. Organizational culture serves as the foundation for adaptation and is considered a key factor in organizational success. Extensive research has been conducted to identify values or behavioral norms that significantly contribute to organizational success (Rashid, 2003).

The leaders of PT. XYZ have formulated a company vision and mission aimed at serving as a guiding tool for subordinates, reflecting the leader's ideals and the company's success. The vision of PT. XYZ is to become the leading and most trusted provider of professional labor services in Indonesia, particularly in the fields of technical solutions, operations, and maintenance management. Simultaneously, PT. XYZ is committed to managing the company in accordance with the law.

In pursuit of its vision and mission, the leaders of PT. XYZ, along with the management, have developed a Strategic Direction and Strategic Implementation (SDSI) plan continuously for the next 3 and 5 years. Despite differences in leadership characteristics, the decision-making

and actions at PT. XYZ are guided by the company's culture, known as CHAMPION. CHAMPION stands for Care, Highly skilled, Agile, Militant, Productivity, Integrity, Open-minded, and Networking. Various activities aligned with the CHAMPION culture are implemented, with a focus on training initiatives to foster a superior and competent workforce. The company also establishes an Employee Care Center for two-way communication between management and employees.

PT. XYZ places significant emphasis on occupational health, safety, and environmental concerns, demonstrating a firm commitment to implementing the golden rules. Monthly reports with Key Performance Indicators (KPIs) are used to monitor the implementation of the organizational culture in 2022. Despite a target score of 90%, the result for 2022 is 84%, as reported by PT. XYZ in 2023. The company acknowledges that the programs implemented may not have been optimal, impacting employee performance results.

Regarding job satisfaction, PT. XYZ undertakes various activities to support employee satisfaction and work-life balance, such as the Best Employee event. This annual event, themed the Best Employee Championship, provides encouragement and appreciation to employees through competency assessments. PT. XYZ also employs a grading program to rank employees based on their competencies, ensuring that awards align with individual capabilities. The company hosts sports programs, including aerobics and badminton. Periodic surveys on employee satisfaction are conducted through the Employee Happiness Index. The survey results for the period from 2020 to 2022 are as follows:

Table 1.5.

Employee Happiness Index PT. XYZ Year 2020 – 2022

No	Drivers	Result		
		2020	2021	2022
1	Supervision	91%	92%	90%
2	Senior Leadership	92%	94%	90%
3	Image	94%	94%	90%
4	Employer Value Proposition	79%	80%	79%
5	Career Advancement	69%	72%	70%
6	Leader Opportunities	91%	91%	91%
7	Values	92%	92%	90%
8	Goals & Objectives	93%	95%	91%
9	Empowerment	85%	85%	83%
10	Performance Management	79%	75%	75%
11	Reward & Recognitions	58%	65%	66%
12	Collaboration	91%	90%	90%
13	Diversity & Inclusion	95%	94%	95%
14	Work Life Balance	65%	70%	70%

15	Work Structure & Resources	89%	89%	88%
16	Communication	78%	80%	80%
17	Job Security	95%	94%	90%
18	Working Climate	92%	90%	90%
Overall		85%	86%	84%

Source : PT. XYZ

In the table above, it can be inferred that although PT. XYZ maintained an Employee Happiness Index value above 80% from 2020 to 2022, there was a decline from 86% to 84%, representing a 2% decrease from the initial value.

The happiness index which fell from the previous year, although still relatively high as in the 80% presentation, could actually be an unfavorable indication. This is because the decline indicates a change or decline in the overall level of happiness from the previous period.

Although a figure of 80% may still be considered high in the context of the happiness index, changes from the previous year showing a decline could be an important warning or signal. This could signal a change in the work environment, a change in company policy, dissatisfaction with management, a change in team dynamics, or other issues that affect the employee's emotional and psychological state.

A decrease in the happiness index needs to be considered because it can have an impact on various aspects of the workplace, such as decreased productivity, decreased performance, increased absenteeism rates, or even increased employee turnover. It can also affect employee morale and motivation, which in turn can negatively impact company culture and the overall well-being of the team.

Therefore, although the figure of 80% is still relatively high, the decline needs to be studied further to identify the cause and take the necessary actions to correct or improve the situation. This is important to maintain employee happiness and well-being in order to create a productive, positive work environment and support company growth.

In this research, the author examined the outcomes of employee performance at PT. XYZ for the period 2020 to 2022, which are as follows:

Table 1.6.

Employee Performance Results at PT. XYZ period 2020 – 2022

No	Evaluation	2020		2021		2022	
		Manpower	(%)	Manpower	(%)	Manpower	(%)
1	IS	237	9,5%	266	9,7%	235	7,3%
2	BS+	228	9,1%	325	11,9%	291	9,0%
3	BS	243	9,7%	622	22,8%	579	18,0%
4	BA+	305	12,2%	453	16,6%	750	23,3%

5	BA	610	24,4%	395	14,5%	509	15,8%
6	CU+	360	14,4%	258	9,4%	230	7,1%
7	CU	292	11,7%	203	7,4%	410	12,7%
8	KR	223	8,9%	209	7,7%	214	6,7%
Total		2498	100,0%	2731	100,0%	3218	100,0%

Source : PT. XYZ, 2023

The range of assessments in the employee performance appraisal at PT. XYZ includes various criteria:

Table 1.7.

Table of Information on Employee Performance at PT. XYZ

NO	Value Range	Category	Remark
1	91 ~ 100	IS	Special
2	81 ~ 90	BS+	Very Good Thick
3	73 ~ 80	BS	Very Good
4	65 ~ 72	BA+	Good Thick
5	51 ~ 64	BA	Good
6	46 ~ 50	CU+	Enough Thick
7	40 ~ 45	CU	Enough
8	0 ~ 39	KR	Not Enough

Source : PT. XYZ, 2023

Assessment items for employee performance at PT. XYZ includes:

1. Manhour productivities (How many hours can employees work in a month)
2. Technical reporting (In a year employees can collect how many work reports)
3. Improvement (Within a year employees can make improvements in their work so that it is faster or of higher quality)
4. Re-Do (doing the wrong job many times)
5. Violation (Within a year, employees commit work violations during one observation period)

The following is a table of descriptions of each item along with assessment points:

Table 1.8.

Table of Information on Manhour Productivity

Manhour Productivity		
No	Achievement / Month	Score
1	Less than 104 hours	5
2	102 - 175 hours	10
3	176 - 210 hours	12
4	211 - 290 hours	18
5	Greater than 290 hours	20

Source : PT. XYZ, 2023

Table 1.9.

Table of Information on Technical Reporting

Technical Reporting		
No	Achievement / Year	Score
1	Less than 12 pieces	0
2	12 - 23 pieces	6
3	24 - 36 pieces	10
4	37 - 48 pieces	15
5	Greater than 48 pieces	20

Source : PT. XYZ, 2023

Table 1.10.

Table of Information on Improvement

Improvement		
No	Achievement / Year	Score
1	Less than 2 pieces	0
2	12 - 5 pieces	5
3	6 - 10 pieces	10
4	10 - 15 pieces	15
5	Greater than 15 pieces	20

Source : PT. XYZ, 2023

Table 1.11.

Table of Information on Re - Do

Re - Do		
No	Achievement / Month	Score
1	4	0
2	3	5
3	2	10
4	1	15
5	0	20

Source : PT. XYZ, 2023

Table 1.12.

Table of Information on Violation

Violation		
No	Category (on year)	Score
1	Have committed a violation and received a third written warning	0
2	Have committed a violation and received a second written warning	5
3	Have committed a violation and received a first written warning	10
4	Have committed a violation and received a verbal warning during one observation period	15
5	Never committed a work violation during one observation period	20

Source : PT. XYZ, 2023

From this table, if an employee gets an IS (Special) performance score from the five assessment items, the overall score will reach a range of 91–100. If you get a BS+ (Very Good

Plus) performance score from the five assessment items, the overall total will be in the range of 81–90. If you get a BS (Very Good) performance score from the five assessment items, the overall total will be in the range of 73–80. If you get a performance score of BA+ (Good Plus), the overall total will be in the range of 65–72. If you get a BA (Good) performance score from all five assessment items, the total will be in the range of 51–64. If you get a CU+ (Fair Plus) performance score from the five assessment items, the overall total will be in the range of 46–50. If you get a CU (Adequate) performance score from the five assessment items, the total will be in the range of 40–45. If you get a performance score of KR (Poor) from the five assessment items, the total will be in the range 0–39.

In 2020, during the onset of the Covid-19 pandemic, the highest employee performance assessment results were in the BA (Good) category, accounting for 24.4%. Subsequently, in 2021, the majority of results shifted to the BS (Very Good) category, and in 2022, the most prevalent category became BA+ (Good Thick). However, there was a decrease in the percentage of employee performance in the BS (Very Good) category between 2021 and 2022, dropping from 22.8% to 18%.

From the provided data, it can be concluded that there was a decline in employee performance in the BS (Very Good) category from 2021 to 2022. This research aims to focus on identifying the factors contributing to this decline in employee performance, particularly with regards to leadership style, especially post the Covid-19 pandemic.

The employee performance assessment form encompasses various aspects, including work productivity, work quality, completeness of work documents according to SOP (Standard Operating Procedure), and attitude. The survey method involves distributing assessment form questionnaires to employee superiors during the period from October to November each year.

According to (Sutrisna, 2009) as cited in (Simamarta, 2020), work productivity serves as a link between input and output. Input factors include materials, costs, and human resources or labor, while the output is services or goods resulting from activities. Work productivity is deemed crucial as it holds the potential for achieving predetermined work targets efficiently. (Sutrisna, 2009) also emphasizes in his research that workforce productivity significantly impacts organizational success.

After observing phenomena related to employee performance and identifying gaps in previous research, researchers motivated to understand this research emphasize the importance of integrating leadership style, organizational culture, and job satisfaction to improve employee performance, especially in the PT context. XYZ. The main aim of this research is to determine

the influence of leadership style, organizational culture, and job satisfaction on employee performance. PT. XYZ, a company engaged in providing labor services in the heavy equipment sector, has more than 3182 employees spread across various locations in Indonesia.

1.2. Research Problems

PT. XYZ stands as one of the prominent labor service providers within AHMCE (ASTRA Heavy Equipment, Mining, Construction, and Energy). Despite being a significant player in employment services, PT. XYZ acknowledges certain shortcomings in the impact of its leadership style and the organizational culture. Based on the provided context, there is a suspicion that the current leadership style and the organizational culture might not be optimized for fostering the job satisfaction, potentially leading to lower employee performance (Bella Febri Fitrianis, 2019).

In the academic hypothesis taken from these allegations (Bella Febri Fitrianis, 2019), it is stated that there is a positive correlation between leadership style and organizational culture and employee performance. In addition, the hypothesis states that job satisfaction plays an important role as an "intervention" to link the gap between leadership style, organizational culture, and employee performance. This means that growing job satisfaction has the potential to reduce the impact of less than optimal leadership style and organizational culture on overall employee performance (Dian Sudiantini, 2022).

1.3. Research Question

Problems that arise as a result of the description The existing problems is:

1. What is the effect of leadership style toward the employee performance at PT. XYZ?
2. What is the impact organizational culture toward the employee performance at PT. XYZ?
3. What is the impact job satisfaction toward employee performance at PT. XYZ?
4. What is the impact job satisfaction toward intervening the leadership style on the employee performance at PT. XYZ?
5. What is the impact job satisfaction toward intervening the organizational culture on the employee performance at PT. XYZ?

1.4. Research Objective

The targets of this paper are:

1. To investigate impact of the leadership style on employee performance at PT. XYZ.
2. To investigate impact of the organizational culture on employee performance at PT. XYZ.
3. To investigate impact of the job satisfaction on employee performance at PT. XYZ.
4. To investigate the impact job satisfaction toward intervening leadership style on employee performance at PT. XYZ.
5. To investigate the impact job satisfaction toward intervening organizational culture on employee performance at PT. XYZ.

1.5. Scope and Limitations

The scope of this research entails a thorough analysis of the leadership style implemented by PT. XYZ. to cultivate effective employee performance within its operational context. The primary focus will be on the Leadership Style employed to shape organizational culture, and job satisfaction will be explored as an intervention aimed at achieving optimal employee performance at PT. XYZ.

Due to time and resource limitations, this study did not cover the entire PT population. XYZ employees but will concentrate on a representative sample. The research methodology is quantitative, using surveys to collect data. It is important to note that this method may have limitations in terms of generalizing the results to the entire population. Measuring the influence of leadership style on effective employee performance will be based on available data, and there may be obstacles in capturing the overall impact comprehensively.

Despite these limitations, the hope is that this research will yield valuable insights into the role of leadership style in influencing high employee performance at PT. XYZ.

1.6. Significance of the Study

The research holds significant meaning within the context of the labor services industry, particularly in the heavy equipment sector. It aims to provide a profound understanding of how leadership style and organizational culture can shape consistent high the employee performance, with the job satisfaction acting as a crucial intervening factor. The outcomes of this research have the potential to contribute valuable insights that can enhance awareness and practices related to leadership styles and organizational culture across the employment services industry as a whole.

These findings can increase understanding of the factors that influence employee performance effectiveness, especially the role of job satisfaction as an intervention. These insights have proven useful for companies offering employment services, including PT. XYZ. By optimizing the use of leadership style and organizational culture, these service providers can achieve better results in terms of improving employee performance.

The establishment of a robust organizational culture can create a more conducive work environment, leading to increased employee satisfaction and a reduction in high employee turnover. This, in turn, has a positive impact on the long-term sustainability of the company, influencing aspects such as reputation, productivity, and operational performance. The research findings can guide PT. XYZ and other employment services companies in developing policies and initiatives aimed at fostering effective employee performance.