

CHAPTER 2

LITERATURE REVIEW

2.1. Theoretical Background and Framework

In this chapter, a literature review will be discussed regarding the constructs used in this research. Figure 2.1. describes the theoretical framework applied in this research.



Figure 2.1 Theoretical Framework

Leadership style theory was explained by (Brătianu, 2020) and several indicators of leadership style were also explained by (Hutagalung, 2020) and (Sarti, 2014). Theories related to employee performance are explained by (Meskelis, 2020) and several related concepts also explained by (Wagiman, 2020) and (Lutfi, 2019). The theory regarding the implementation of organizational culture is explained by (Lemuel, 2019) Indicators related to organizational culture were also explained by (Muizu, 2019) and (Edison Musa Kayoi, 2021). And theories related to job satisfaction are explained by (Boyas, 2022) and several related concepts also explained by (Ingsih, 2021) and (Fitriani, 2019).

2.1.1. Employee Performance

Employee performance can be comprehended as the extent to which an individual fulfills their responsibilities and duties (Singh, 2012). Aligning with the perspectives of (Maulizar, 2012), Employee performance is the result of work carried out by employees in an organization, in accordance with the authority and responsibility given by the organization to achieve its vision, mission and goals. Importantly, this must be done without breaking the law and in accordance with ethical and moral standards. As per (Sandy, 2015), achievement or work performance is the overall level of success of an individual within a certain period of time in

carrying out tasks that involve various abilities. This includes meeting work standards, achieving goals or targets, and adhering to predetermined criteria.

According to (Siswanto, 2015), performance indicators encompass various aspects such as responsibility, cooperation, honesty, obedience, work discipline, initiative, faithfulness, and overall job performance. These indicators collectively contribute to evaluating and understanding an employee's performance within the organizational context.

2.1.2. Leadership

Leadership is a multifaceted factor influenced by various elements, including an individual's internal state, personality, relationships, and other workplace dynamics (Decaro, 2005). (Daft, 2005), the leadership is a relational phenomenon existing between leaders and members. This relationship involves mutual influence, leading to changes and outcomes aligned with shared goals. (Gadot, 2006) emphasizes that leadership is fundamentally a process rather than an inherent trait that one is born with. The leadership style is construed as a pattern of relationships between superiors and subordinates within an organizational context (Gadot, 2006).

This research adopts leadership theories that seek to elucidate leader behavior, categorizing it into directive, supportive, participative, and theory-oriented styles. These theories posit that each of these leadership styles can have effective impacts in specific situations. Leadership indicators, as outlined by (Gadot, 2006), encompass team of leadership, dynamics of power, collaboration, leadership self-efficacy, and teamwork processes. These indicators provide a framework for assessing and understanding the various facets of leadership within an organizational setting.

2.1.3. Leadership Style

Leadership style is a standards of behavior that a person uses when making an effort influence the behavior of others as perceived by (Ambarwati, 2015).

1. There are two leadership styles , namely :

a) Leadership Style Transformational .

Argues that transformational leaders are leaders who inspire his followers beyond personal gain, which can have a deep and extraordinary impact on followers (Robbins, 2017). This leadership style can also change and motivate employees by:

a) make employees more aware and concerned about the importance of work results,

- b) motivating employees to prioritize organizational profits over personal profits,
- c) activate higher employee needs.

b) Leadership Style Transactional

According to (Coulter, 2012), leaders with style leadership Transactional is a leader who guides and motivates subordinates towards predetermined goals by rewarding them for their performance and work capacity .

2. There are three basic types of solving processes problems and decision making, namely :

a) Autocratic Leader

Autocratic leader have the following characteristics :

Giving orders that are always followed, determines the policies of his subordinates without his knowledge. He did not provide a detailed explanation of future plans but only informed his members about the steps they were taking to immediately implement them. Blessed are those who always do their will. Always stay away from members.

b) Democratic Leader

Democratic Party leaders issued orders only after preliminary discussions with their members and knowing that their policies could only be implemented after discussion and approval of their members. Leaders will not ask their members to do something without first telling them what they want to do. Right or wrong, it is the responsibility of the member and everyone must assume responsibility as a member.

c) Liberal or Laissez-faire leader

Leadership freedom is freedom without control. Leaders do not fully direct or control and never participate with subordinates. This type of leader delegates everything to subordinates. The leader in this case is: passive, does not participate directly in group communication, does not make any decisions.

2.1.3. Organizational Culture

Organizational culture encompasses the norms and practices that are universally acknowledged as valid by all members of the organization. It acts as a shared framework for individuals in their interactions within the organizational setting. When individuals become part of an organization, they contribute their acquired values and beliefs. Organizational culture can be described as "a shared system of meaning among members that sets one organization

apart from others." This system of shared meaning encompasses key characteristics that are upheld and maintained by the organization." (Mahfudoh, 2018).

The correlation between organizational culture and the performance of employees or members of the organization is evident in the actions manifested through the organization's behavior. When employees emulate behavior aligned with the organizational culture, it leads to personal satisfaction and may even result in direct or indirect rewards. Organizational culture serves as an unconscious guide for the behavior of its members, influencing their day-to-day activities.

The significance of organizational culture in relation to employee performance is underscored by (Rodiathul Kusuma Wardani, 2016), indicating that research on organizational culture consistently reveals higher commitment levels among employees in companies with a strong culture compared to those in companies with a weak culture. Companies fostering a robust culture also commonly employ recruitment strategies and socialization practices to foster employee commitment. Numerous pieces of evidence further support the notion that a strong organizational culture correlates with elevated organizational performance.

Characteristics of Organizational Culture

The characteristics of organizational culture by Stephen P. Robbin in the book (Tika, 2006) which are used as indicators for evaluating organizational culture are:

a) Personal Initiative

This is the level of responsibility, freedom or independence that each member of the organization has to express his or her opinion . This personal initiative must be appreciated by the team or organization because it involves ideas that advance and develop the organization or company.

b) Briefing

Direction refers to extent to which an organization or business can clearly create desired goals and expectations . Goals and hopes the stated clearly in the vision , mission and goals of the organization. This condition can affect performance an organization or business.

c) Support Management

Managerial support is the extent to which it can provide good communication or direction, support and assistance to members.

d) Control

Control tools that can be used are regulations or standards that apply in an organization or company.

e) Communication Patterns

Levels of communication are limited by hierarchy formal power . Sometimes , hierarchy Power can hinder communication patterns between superiors and subordinates or between the employee himself.

2.1.4. Job satisfaction

Job satisfaction is defined as an employee's condition of positive emotions and is experienced when assessing someone's work experience (Jackson, 2011). This involves whether an individual's needs and values can be met by the work environment and how the individual reacts to that environment (Higgins, 2006).

The satisfaction of employees with their current job holds paramount importance as it contributes to overall job satisfaction, influencing employee commitment and integrity, demonstrated through honesty and adherence to company regulations (Hendri, 2019). Research by (Erniwati, 2020) revealed a positive impact of the impact of job satisfaction on the employee performance. Elevated job satisfaction leads to a positive work attitude, resulting in enhanced performance. Previous studies by (Farooqi, 2014) and (Mira, 2019) have also affirmed the positive impact of job satisfaction on employee performance.

- a) According to (Smith, 2000), as cited in Gibson, Ivancevich, and Donnelly, there are five crucial variables affecting job satisfaction:
- b) Work: The extent to which work tasks are deemed interesting and provide opportunities to learn and take responsibility.
- c) Wages or salaries: The amount received and the perceived condition of wages or salaries.
- d) Supervisor or work supervision: The supervisor's ability to assist and support work.
- e) Promotion opportunities: The chance for advancement.
- f) Colleagues: The extent to which coworkers are friendly and competent.

2.2. Study Differences / State of the Art

2.2.1. Previous Study

No	Author (s)	Year	Article Title	Variable (s)	Finding
1	Maria Angelika Ramadea Flower	2019	The Comparison Transformational and Transactional Leadership Styles According to Gender and Their Influence on the Employee Performance	Leadership Style, Employee Performance, Gender	The transformational leadership style exerts a significant influence due to its ability to foster respect, appreciation, and admiration among employees towards the leader. This leadership style also cultivates high levels of loyalty and motivation, encouraging employees to go above and beyond their typical duties. On the contrary, the transactional leadership style does not impact employee performance, as evidenced by various studies. Various companies in the service sector, specifically, have demonstrated that employee performance on transactional leadership style does not have a significant influence.
2	M. Lutfi, Paring Wahyudi, Yufenti Octavia	2020	Influence of Leadership and Organizational Culture on Employee Performance CV. MITRA BANGUN PERKASA	Organizational Culture, Leadership Style, Employee Performance	Leadership and organizational culture collectively exert a substantial influence on employee performance.
3	Bella Febri Fitriani, RAEP Apriliani	2019	The Influence of Leadership Style, Organizational Culture and Work Motivation on Employee Performance with Employee Job Satisfaction as an Intervening Variable (Study at the Kresna Wonosobo Hotel)	Leadership Style, Organization Culture, Employee Performance	The leadership style, organizational culture, and work motivation have a good influence on the employee performance. Furthermore, employee satisfaction acts as a mediating factor, connecting the impact of the leadership style, organizational culture, and work motivation to employee performance.
4	Sabaruddinsah	2022	Influence of Transformational Leadership during the Covid 19 Pandemic on Employee Performance Through Culture Control and Organizational Commitment	Control Culture, Leadership Style, Organizational Commitment	The influence of Control Culture as an intervening variable is regarded as partial mediation. This is because, when compared with the positive and significant relationship between Transformational Leadership and Employee Performance, the presence or absence of the Control Culture variable does not change the connection between Transformational Leadership and Employee Performance.

5	Tiara Adjeng Endrastyana , Bagus Wicaksono , Pratista Arya Satwika	2015	Relationship Between Transformational Leadership Style and Work Life Balance and Job Satisfaction in Elementary School Teachers at the Surakarta Christian Education Association Foundation	Leadership Style, Worklife Balance, Job Satisfaction	Elementary school teachers at the Surakarta Christian Education Association Foundation typically exhibit a high level of job satisfaction, perceive a transformational leadership style positively, and maintain a high level of work-life balance.
6	Edison Muso Kayoi, Bonifasia Elita Bharanti, Sri Listyarini	2021	Influence of Leadership Style, Organizational Culture, and Job Satisfaction on Employee Performance Department of Education and Culture of Yapen Islands	Leadership Style, Organizational Culture, Job Satisfaction, Employee Performance	A superior leadership style enables leaders to empower their subordinates, leading to enhanced employee performance. Additionally, when organizational cultural values are embraced by employees, there is a corresponding improvement in employee performance. Job satisfaction does not serve as an explanatory factor for employee performance. Whether employees experience satisfaction or dissatisfaction, it does not have an impact on their performance.
7	Daria Sarti	2014	Leadership Styles to Engage Employees: Evidence from Human Service Organizations in Italy	Work Engagement, Leadership Styles, Human Service Organizations	The instrumental leadership style shows a significant and good correlation with three dimensions of work engagement, namely work engagement, dedication, and absorption. Likewise, the participative leadership style shows a significant and positive correlation with these three dimensions.

The table presented above illustrates that prior research encompasses various studies described in different forms of research concerning leadership styles and organizational culture, both of which evolve within each organization, thereby influencing employee performance. Several studies in different business sectors suggest leadership style and organizational culture collectively exert a substantial influence on employee performance, and job satisfaction serves as a bridge to achieve this connection.

2.2.2. Study Differences

Description	Previous Research	This Research
Variable relationship	Leadership style, Job Satisfaction, and application of Organizational Culture are the main focus in improving employee performance in the heavy equipment labor supply industry.	This study concentrates on assessing the extent of the impact that the leadership style, job satisfaction, and the implementation of organizational culture have on enhancing employee performance at PT. XYZ.
Variable Positioning	The variables of leadership style, job satisfaction, and application of organizational culture are used as indicators in the implementation of improving employee performance in the heavy equipment labor supply industry.	The application of leadership style and organizational culture in a company aims to improve employee performance, with job satisfaction become intervening. The innovation in this research lies in the process of increasing employee performance by implementing appropriate leadership styles, job satisfaction and organizational culture which are consistently implemented by all employees.
Industry	Companies Labor Supply for Heavy Equipment	Specific for company labor supply for heavy equipment
Location	Southeast Asia	Indonesia

2.3. Research Models

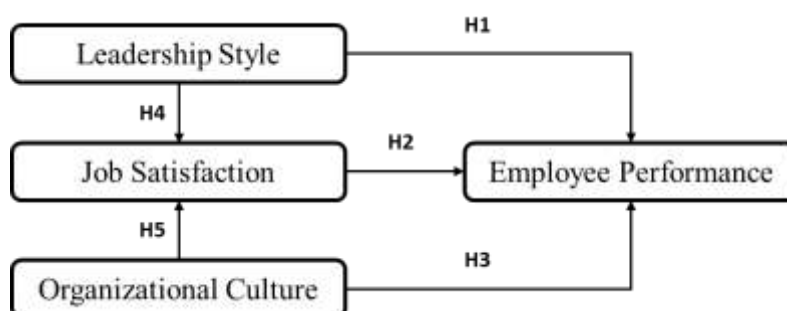


Figure 2.2. Research Model

2.4. Hypothesis Development

The following is the hypothesis in the study:

1. H_0 : The Leadership Style does not have a significant impact on Employee Performance.
 H_1 : The Leadership Style significantly influences Employee Performance.
2. H_0 : The Job Satisfaction does not have a significant impact on the Employee Performance.
 H_2 : The Job Satisfaction significantly influences Employee Performance.
3. H_0 : The Organizational Culture does not a significant impact on the Employee Performance.

H₃: The Organizational Culture significantly influences Employee Performance.

4. H₀: The Leadership Style does not a significant impact on the Job Satisfaction.

H₄: The Leadership Style significantly influences Job Satisfaction.

5. H₀: The Organizational Culture does not a significant impact on the Job Satisfaction.

H₅: The Organizational Culture significantly influences Job Satisfaction.