

# CHAPTER 1

## Introduction

### 1.1 BACKGROUNDS

We are living in the modern era in which everything is expected to work in a more efficient ways to maintain its sustainability. Effectiveness, as an “effective process”, is very important in supporting this process. One of the most important factors to support company’s effectiveness in term of performance is a good leader. The myth that says that behind every company’s success lay the man behind the gun that has strong leadership factor is true. Why? The fact that business leader needs to have a broad knowledge, an understanding of company internal matters and of course an awareness of the competition field out there makes the connection between success of the company and the leader behind it. The idea of a good leader calls the one that prepare a good strategy and make every improvement needed for their company. This means that there is connection between leadership styles with effectiveness of a company.

This study has been inspired from Bernard M. Bass theory about leadership. Bass expands the leadership theory of Burns (1978) and the description of charismatic leadership (House, 1977). Previously, Burns proposed that transactional and transformational style is distinct characteristic of leadership. On the other hand, Bass proposed that the characteristics determining leadership style dwelled in different dimensions, although acknowledging a relationship between transactional and transformational leadership (Hater & Bass, 1988), the styles are assembled in separate entities. Using this basis, Bass noted theoretically that a leader can possess both styles (Bryman, 1992 in Den Hartog et.al, 1997).

Different emphasis also considered for comparison, in the study of people based leadership, Geller (2008:29) stated that:

“Leaders attempt to listen actively, hearing both good and bad news. They put aside their biases and pay attention to everything in a communication. The most effective leaders listen with empathy by considering the communication from the presenter’s perspective. Before starting their view point or opinion, they communicate respect for the speaker’s words and emotions, and ask relevant questions”.

Leadership in an organization is a major contributing factor to goal achievement (Bass & Avolio, 1994). Critical to the success of any organization is the ability of its leader to inspire a visionary thought. One way to do it is by transferring knowledge throughout the organization which in the end is useful to develop the future leader at the organization. Bass & Avolio (1994) argued also that in order to increase business, the leader needs to motivate employees and stimulates productivity and maintains the delivery of high quality product and services. Leader has to motivate employees and provide employees with a sense of mission and purpose. The intangible motivation, such as job satisfaction and creative challenge, will play a more significant role in employees' willingness to perform with excellence.

Lin Chin Lin (2004) said that the employees who have a goal and achievement orientation are most likely and clearly establish personal goals for themselves. According to Lin, employees who set personal goals in a systematic way are more productive, focused, and loyal at work because most of them recognize a clearer connection between their own goals and the objectives owned by the company. They are motivated because they understand how they fit into the big picture, they know what they can do in term of contributing in making that picture of success and they will feel that they are in control of their own destiny, which make them work harder. This aspect proves that leadership is indeed connected to goal orientation that will lead to efficiency and success of its entity.

## **1.2 THE RESEARCH PROBLEM**

The topic discussion about leadership itself is always interesting among business people. On this study the author chooses automotive workshop exquisitely named as STAR MOTOR company as an object to analyze the implementation of leadership theory in the real life. Statistic Indonesia (2007) stated there were 5.5 million of passenger cars in 2005, a 22% increased compared with 4.5 million cars in 2004 or around 41% increased compared with 3.9 million in 2003. Looking closely to the Jakarta area, in the 2005 there were 1.9 million of passengers cars have been registered by State Police of Indonesia. While in 2004 and 2003, there were 1.7 million and 1.6 million, respectively, registered in the

Jakarta region. The data shows that the opportunity to develop business in this field is getting bigger, while the competition is getting fiercer; therefore a good leadership style is needed to make the company become more competitive.

STAR MOTOR company is a business started on 1986 by the founder Rudi. He built the first automotive workshop in South Jakarta with background experiences of more than ten years in automotive industry. As an entrepreneur, Rudi has a goal to make the company as the best “one stop auto care service” in Jakarta. In his mission, the customers should get a full satisfaction on their car service quality. Among of those service consists of routine service such as daily car care maintenance; repair, reconditioning and modification; and also car’s makeup and accessories. Beside services, the company is also selling a variety of automotives spare parts from several suppliers locally and abroad. During its development, the customers are then divided by insurance and individual customers. The insurance customer means constant demand since the customer come on the workshop on a timely basis appointed by their organization or insurance company, while the individual customer comes because of their own willingness and needs.

Soon after the owner, Rudi, passed away in 1998, the company has been directed by the director, named Simon. He is one of the family members, a very trustable person with good technical skill about machinery and automobile. During the last ten years, Simon gave his best effort through company daily operational and routines. He is a conservative person who sticks to the procedure and regulation that company made long time ago. He does not like something new and challenging that may result in uncertainty situation. He loves stability in the company but he has less care about employee needs.

Meanwhile, one of owner disadvantages about Simon right now is his inability to increase the company’s earnings in the last few years. STAR MOTOR’s revenue in 2008 is around 16 billion Rupiah, or an 8% increased compare with 2004 revenue. That fact shows the company has slow improvement revenue. Based on discussion with marketing division, the company has some fund to do the advertising every year, but they do not set a clear target to be achieved. Simon as the leader did not build any business strategy to maintain

company development and the condition shows a lack of direction in the company. It goes with Dessler (1995) argument that a leader, who can initiate change, is the one who provides a vision and integrates a multiple culture into this changing environment. Thus in the end, it will provide a basis for the organization to operate successfully.

My interest with the leadership progress nowadays has inspired this undertaking. While the universality of Bass' theory on leadership enables it to be used as the foundation of the paper, Bass believes that a leader can be divided into these two types of leadership styles: transformational or transactional (Bass, 1985). This research will indicate whether a transformational or transactional leadership style have a positive relation with the outcome of extra effort attitude and effectiveness.

Whichever leadership style you hold accounted for, it is clear that the leader purpose is to have a positive influence on the employee to generate a desired outcome. It brings us to the some questions that connect those accounts:

1. What type of leadership style has a significant effect on the employee's extra effort attitude in STAR MOTOR Company?
2. What type of leadership style has a significant effect on employee's effectiveness in STAR MOTOR Company?
3. What is the dominant leadership style in STAR MOTOR Company?

### **1.3 THE OBJECTIVES OF THE RESEARCH**

1. To determine what type of leadership style has a significant effect on the employee's extra effort attitude in STAR MOTOR company.
2. To determine what type of leadership style has a significant effect on employee's effectiveness in STAR MOTOR company.
3. To identify what is the dominant leadership style in STAR MOTOR company.

#### **1.4 THE SYSTEMATIC OF THE WRITING**

Chapter 1 is an introduction which identifies the problem and purpose of the research. This chapter also gives an outline description about background of the problem, various theories behind it, some predictions and thinking methodologies to tackle the problem.

Chapter 2 discusses deeper the relevant theorists supported in some of the quoted journals. It also refers to the relevant literature of previous works related to transformational and transactional leadership styles. It compares and contrasts the related ideologies and views on leadership styles.

Chapter 3 defines the company profile of STAR MOTOR, its daily activities, its productivity, its leadership style based from observation and also the organization structural chart.

Chapter 4 identifies the methodology used in the research. It explains how the research has been done and describes the measurement taken to analyze the data gathered, specifically by using the SPSS 16.0.

Chapter 5 analyzes the leadership style which has significant effect to the extra effort attitude and effectiveness to the selected company. There is also an identification of dominant leadership style in the company. The analysis, however, will be referred to the theories in Chapter 2.

Chapter 6 provides a conclusion of the study based on analysis in Chapter 5. It also identifies the weakness found from this research and putting out suggestions to make some improvement in the STAR MOTOR Company or any other company in the similar industry.