

## CHAPTER I

### INTRODUCTION

#### 1.1. Background of Research

Along with the time, globalization has considerable influence in our lives such as in the business world. This causes the increasing competition that occurs in the business and requires companies to have a proper strategy, in order to survive and compete in the global world. The strategy is not only aimed at the company's products, but also to the company's internal organization which is determined by the organization itself and the people in it. Organizational performance can be increased by at least 10% by enhancing psychological capital (Memari et al., 2013).

Within the company, the employees and the company are two things that cannot be separated. Employees including the manager therein, play a major role in running the company's life and active actors of every organization's activities. Therefore, the establishment of a good organizational behavior is needed in the enterprise to gain knowledge to improve organizational effectiveness in organizational behavior where we can observe the influence of the behavior of individuals, groups and behavior in the organizational structure. Research done by Memari et al. (2013) proved that one of the factors that affected the efficiency of organizations was related to psychological issues which led to the increase in qualitative and quantitative efficiency of the organizations in different ways, e.g. improving relations, identifying personnel's mentality, individuals' personality and habits, as well as provisions for preventing deficiencies, absenteeism, work slowness, waste of workforce, distresses, and disorder.

Not only from the leadership style that can affect the level of employee performance, but

it can be seen from the aspect of organizational communication and employee satisfaction which has the three aspects of the organizational behavior and performance levels of employees that was the variable in this research. Managers will spend more than 75 percent of his activity time to implement some of the communication techniques. Evidence showed that internal communication has high extreme importance. A research conducted by Marino and Faktol (1988) in Farahbod (2013) showed that there was positive relationship between the amount of time spent on communication and important activities such as actions leading to job satisfaction. The result of these findings showed that many organizations spent significant human and financial resources to develop effective internal communication systems and facilitate communication techniques and also strengthen the staff's ideal information at all levels of organizational. According to Kamasak (2008), communication influence as a mediator or a moderator was also tested in the model with the expectation that a positive communication climate would increase the level of job satisfaction and strengthen the perception of employees' external image of the organization.

Achieving a high level of employee performance is considered the common goal for many organizations. According to Yvonne (2014), employee's satisfaction is the gateway to the success of an organization. This is because employees who exhibit a higher level of satisfaction tend to put more effort in their jobs that may then lead to better job performance. Hence, for an organization to achieve a higher level of performance, a satisfying working context is required. An organization will not work without the contribution from the employees as the employees could lead the organization to a better position in the highly competitive market nowadays. Usually employees who are able to perform better (high performers) will have higher priority to be hired compared to those of low performers. This is because organizational successfulness is usually based on the organizational performance which is largely depend on the performance of every single employee in the company.

Wright *et al.* (2007) in Yvonne (2014) determined the relation between job satisfaction and job performance and the role of Positive Well-Being (PWB) employee as a moderator in this relation. Research was conducted on 109 managers employed by the customer services organization at the West Coast of the United States. Job satisfaction of the participants was measured in terms of the degree of satisfaction with work itself, co-workers and also supervision while the indicator for job performance was goal emphasis and the job performance of each participant was evaluated by their immediate manager. Research concluded that job satisfaction was correlated with job performance whereby all the three dimensions of job satisfaction were correlated with performance. Other than that, they also found that PWB was associated with performance ratings and PWB moderated the relation between job satisfaction and job performance. It means that performance was at its highest level when employees reported high scores on PWB and job satisfaction.

Arzi (2014) explained that one of the most important organizational resources is human resource of organization. The human resource in different organizational levels can be employed and each of them requires its own specified planning. Both top managers and middle managers and also workforce in lower organizational levels are all considered as human resource. Therefore, organizations attempt to increase job satisfaction in different organizational levels according to their expectations in order to increase organizational performance. Leadership is known as one of the important aspects of job satisfaction from employees. It can fully impact the dedication and motivation of employees. Having distinct leadership style is a key element that impacts employee's job satisfaction which leads to organizational success. Additionally, job satisfaction is a critical and important outcome of having an effective leadership in an organization. Rizi (2013) also stated that Leadership styles have a significant influence upon operational efficiency, especially if we observe them in a contingency context. Organizations are social systems where human resources are the

most important factors for effectiveness and efficiency. Organizations need effective managers and employees to achieve their objectives. Organizations cannot succeed without their personnel efforts and commitment. Job satisfaction is critical to retain and attract well qualified personnel. This is especially an issue in medical institutions such as hospitals where specialist training and retention are highly important for employee. Job satisfaction is an attitude that people have about their jobs and the organizations in which they perform these jobs. Methodologically, we can define job satisfaction as an employee's affective reaction to a job, based on a comparison between actual outcomes and desired outcomes. Job satisfaction is generally recognized as a multifaceted construct that includes employee feelings about a variety of both intrinsic and extrinsic job elements. It encompasses specific aspects of satisfaction related to pay, benefits, promotion, work conditions, supervision, organizational practices and relationships with co-workers.

This research explained the relationship among variables by doing research on Kalimilk in Yogyakarta. Due to the low amount of milk consumption in Indonesia, Kalimilk came with a mission to change Indonesian people's healthy habit to be accustomed to drink milk. By the end of 2010, after the eruption of Mount Merapi, numerous milk farmers struggled to sell their fresh cow milk. As one of its visions to Empower Milk Farmer in Indonesia, therefore, Kalimilk cooperates with them to produce the best fresh milk in Indonesia. Since its first inception, on December 31, 2010, Kalimilk's #TKP 1 was the first modern fresh milk store in Jogjakarta with many variants.. Therefore, the title of this research is "THE INFLUENCE OF LEADERSHIP STYLE AND ORGANIZATIONAL COMMUNICATION TOWARD THE EMPLOYEE PERFORMANCE IN KALIMILK YOGYAKARTA AND JOB SATISFACTION AS THE INTERVENING VARIABLE".

## **1.2.Problem Identification**

The research was done for the following purpose:

1. To determine the influence of leadership style toward employee performance either partially or simultaneously in Kalimilk Yogyakarta.
2. To determine the influence of organizational communication toward employee performance either partially or simultaneously in Kalimilk Yogyakarta.
3. To determine the influence of leadership style and organizational communication toward employee performance either partially or simultaneously in Kalimilk Yogyakarta.
4. To determine the influence of leadership style toward job satisfaction either partially or simultaneously in Kalimilk Yogyakarta.
5. To determine the influence of organizational communication toward job satisfaction either partially or simultaneously in Kalimilk Yogyakarta.
6. To determine the influence of leadership style and organizational communication toward job satisfaction either partially or simultaneously in Kalimilk Yogyakarta.
7. To determine the influence of job satisfaction toward employee performance either partially or simultaneously in Kalimilk Yogyakarta.
8. To determine the influence of leadership style toward employee performance through job satisfaction either partially or simultaneously in Kalimilk Yogyakarta.
9. To determine the influence of organizational communication toward employee performance through job satisfaction either partially or simultaneously in Kalimilk Yogyakarta.

## **1.3.Problem Formulation**

According to the background of the problem, the problem can be formulated as follows:

1. Is there any influence of leadership style toward employee performance in Kalimilk Yogyakarta?
2. Is there any influence of organizational communication toward employee performance in Kalimilk Yogyakarta?
3. Is there any influence of leadership style and organizational communication toward employee performance in Kalimilk Yogyakarta?
4. Is there any influence of leadership style toward job satisfaction in Kalimilk Yogyakarta?
5. Is there any influence of organizational communication toward job satisfaction in Kalimilk Yogyakarta?
6. Is there any influence of leadership style and organizational communication toward job satisfaction in Kalimilk Yogyakarta?
7. Is there any influence of job satisfaction toward employee performance in Kalimilk Yogyakarta?
8. Is there any influence of leadership style toward employee performance through job satisfaction in Kalimilk Yogyakarta?
9. Is there any influence of organizational communication toward employee performance through job satisfaction in Kalimilk Yogyakarta?

#### **1.4.Problem Limitation**

The results of this research and the generalization of those results was limited by the following factors or conditions:

1. The population was limited to better understanding with staff in the organization.

2. The results of the research are dependent on the willingness and ability of the respondents to accurately complete and return the survey to the researcher.
3. The conclusion of this research research would be limited and constrained to unique factors associated with this company. Consequently, the conclusion may not be the same as other companies.

### **1.5. Research Objectives**

1. To test and analyze the influence of leadership style toward employee performance in Kalimilk Yogyakarta.
2. To test and analyze the influence of organizational communication toward employee performance in Kalimilk Yogyakarta.
3. To test and analyze the influence of leadership style and organizational communication toward employee performance in Kalimilk Yogyakarta.
4. To test and analyze the influence of leadership style toward job satisfaction in Kalimilk Yogyakarta.
5. To test and analyze the influence of organizational communication toward job satisfaction in Kalimilk Yogyakarta.
6. To test and analyze the influence of leadership style and organizational communication toward job satisfaction in Kalimilk Yogyakarta.
7. To test and analyze the influence of job satisfaction toward employee performance in Kalimilk Yogyakarta.
8. To test and analyze the influence of leadership style toward employee performance through job satisfaction in Kalimilk Yogyakarta.
9. To test and analyze the influence of organizational communication toward employee performance through job satisfaction in Kalimilk Yogyakarta.

## **1.6. Research Contribution**

### 1. For the writer

It can add the knowledge on the ratio between the research variables of Organizational Behavior and Employee Performance, and also increase skills in conducting a research.

### 2. For company

The result of this research can be used as an input to maintain and improve their performance.

### 3. For institute

As an additional reference for them who wants to add their knowledge or do deeper research on developing human resources.

## **1.7. Definition of Term**

**Leadership style:** Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Rizi et al., 2013).

**Organizational Communication:** Communication is the transmission of a message from sender to receiver, provided that the recipient of the sender's intended meaning of the message is created with the same meaning (Moghimi, Chamanzamin & Shaghghi, 2013).

**Job Satisfaction:** Job satisfaction is a positive emotional state that comes from the feeling of pleasure that an employee finds from his or her current job (Yvonne, 2014).



Employee Performance: Employee performance is the total expected value to the organization of discrete behavioral episodes that an individual carries out over a standard period of time (Yvonne, 2014).

### **1.8.Systematics of Writing**

The thesis is divided into five chapters in order to provide clarity and elaboration on the discussion of the relationship between independent variables and dependent variables.

#### **Chapter I: INTRODUCTION**

This chapter contains the problem uncovered by the researcher and provides sample background on the topic. The chapter constitutes an introduction to the whole thesis, the hypothesis, and the statement of the problem in order to present the basis of the research. Moreover, the chapter also has a discussion on the scope of its research as well as the significance of the research to society in general and specific effects on the management of firms.

#### **Chapter II: LITERATURE REVIEW**

This chapter discusses the relevance of the research in the existing literature. It provides studies on leadership style, organizational communication, employee performance, and job satisfaction.

#### **Chapter III: RESEARCH METHOD**

This chapter describes the methods and procedures used in the research. The chapter comprises presentation of the utilized techniques for data collection and research

methodology. Similarly, it also contain a discussion on the used techniques in data analysis as well as the tools used to acquire the said data.

#### Chapter IV: DATA ANALYSIS AND DISCUSSION

This chapter describes an analysis on the tabulated data. After the tabulation done, the data are statistically treated in order to uncover the relationship of the variable involved in the research. With the data, the chapter seeks to address the statement of the problem noted in the first chapter.

#### Chapter V: CONLUSSIONS AND RECOMMENDATIONS

This chapter comprises three sections, the summary of the findings, the conclusions of the research, and the recommendations. With the three portions, the chapter is able to address the verification of the hypothesis stated in the initial chapters of the research.

