

## CHAPTER I

### INTRODUCTION

#### 1.1. Background

Recently, the manufacture industry is skyrocketing. In spite of its rapid enhancement, some aspects took place behind its framework (e.g. good governance, performance, and structure). This phenomenon, in fact, couldn't stand alone without a decent Human Resource. Human resource development is the process of preparing individuals to assume different or greater responsibilities within an organization, which is typically tied to strengthening intellectual capacities to perform better jobs (Putri Elisa et al., 2022).

Quintessentially, a decent Human Resource organization can boost industry's Employee Performance (Tampi, 2014). It is clear, and of course that, well-organized Human Resource equals to good quality of Employee Performance, it will strengthen industry's output, afterwards. Employees are important assets for the company, and various factors must be taken into account to enhance their performance. Achieving high productivity is one of the organization's aims, which requires good performance. In order to attain optimal performance, various internal

and external elements must be taken into consideration, such as personality, work motivation, leadership, and leadership style (Putri et al., 2023)

What's more, the Employee Performance is either affected by the senior's leadership. The Authentic Leadership, as one of the leadership method, can acquire a good *Organizational Citizenships Behavior* (OCB). Authentic Leadership sets idealistic leadership resonant which shall appear in industry such as insight sharing and avoidance on a misuse of leadership (Ihsan, 2021; Waisanen, 2021). With the "Selflessness" and "Morality" characteristics possessed by Authentic Leadership, it can be considered to be a strong "value-added" characteristic of leadership; this is what makes great leaders and Authentic leaders have an internalized moral perspective. This level of relational transparency is based on authentic leaders having an internalized moral perspective so they regulate their behavior according to their moral values.

Authentic Leadership, notably in industry, shall be linear to the employee's work motivation, per Yamak and Eyuoglu (2021). Employees are human beings with numerous intrinsic wants that are included in individual actions; nonetheless, employees will engage in specific ways that contribute to meeting employee needs based on more powerful reasons. Employees are driven to accomplish their jobs based on the forces and motivations that influence them, particularly how much leadership they gain (Diana Amalia, Mulyadi, 2024).

OCB plays significant role in industry. First, as Iszatt-White et al (2021), OCB may cohere Authentic Leadership to tighten normative yet "intersubjective"

leadership moral to prioritize organizational outcomes/ -outputs. Subsequently, OCB and Authentic Leadership integrates a rationale route-back and juxtaposition for good relationship between the leader and employee (Bradley-Cole, 2021). OCB itself cannot be prosecuted by force. Employees cannot be forced to perform or exhibit OCB. Likewise with employees do not or cannot expect any formal reward for exhibiting OCB. Therefore, Under Authentic Leadership, the opportunity to generate OCB is great.

Based on the development of manufacturing companies in Indonesia, especially in Kalimantan, PT.WNL from Bumitama Gunajaya Agro Group (BGA Group), a company operating in the Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) industry, holds a market share of around 40 million tons annually. Given this context, the establishment of a competitive advantage becomes imperative in order to fulfill the company's vision and goal. The company's ambition is to become a globally renowned organization, while its mission is to promote the well-being of its shareholders, employees, and the nation.

One of important aspect influencing the company's effectiveness and success is the phenomenon of leadership style and its impact on employee performance. With a diverse range of backgrounds, company leaders are required Leaders should be able to make a good decision, able to find solution, and able to create new leaders . In their leadership behavior, leaders are expected to provide socio-emotional role models and support and to adjust their employees' level of mental and behavioral maturity. At PT.WNL BGA Group Region II Area 3A, 90% of leadrs are able to

carry out appropriate leadership styles, and 10 % of them are still need to be training and coaching.

Various approaches to leadership styles in Indonesia have different effects on each company. One of the most popular leadership styles is authentic leadership. Authentic leadership is a leadership style that focuses on integrity, sincerity, honesty, and exemplary leadership from its leaders. Authentic leadership is an important issue affecting employee performance at a manufacturing company especially in PT.WNL BGA Group Region II Area 3A, Central Kalimantan. In this company, most of the managers and other positions at the same level have implemented authentic leadership well.

In a dynamic manufacturing company environment, Employee performance is one of the benchmarks for the company's success (Diana Amalia, Mulyadi, 2024). In this case, PT.WNL BGA Group Region II Area 3A faces several challenges in managing the performance of its employees. While several employees have shown good performance, the company still experiences employee turnover, which is still below the target. This year's turnover expectation is 3%, but in reality, it stands at 5%. One of the causes of this turnover is poor employee performance. Work motivation also plays a significant role in employee performance, and currently, some employees lack high work motivation. Reasons for the loss of work motivation among employees include failure to achieve targets and failure to receive promotions. Consequently, the company is actively conducting training and

improvement initiatives to effectively manage employee motivation and performance.

This research scrutinizes the study by (Ihsan, 2021; Risda pengestu & Kustiawan, 2023; Wong & Laschinger, 2013) proved that Authentic Leadership has a significant influence on employee performance. However, There are still contradiction in (Purwanto et al., 2020) found that Authentic Leadership has not significant effect on Employee Performance. Meantime, This study is a modification of previous research from (Ihsan, 2021) that has explored the effect of authentic leadership and work motivation on employee performance. However, in this study, the model used has been developed by including OCB as a mediating variable and work motivation as a moderating variable.

In this study, the authors tries to discuss in detail the problem of how Authentic Leadership influences Employee Performance by being mediated by OCB and moderated by Work Motivation. OCB plays an important role in mediating the relationship between authentic leadership and employee performance. Because OCB refers to voluntary and extra-role behaviors performed by employees outside of their main duties that contribute to the overall effectiveness of the organization.

In this context, OCB can be a relevant bridge between authentic leadership and employee performance. With authentic leadership that focuses on integrity, honesty and exemplary, employees will feel supported and treated well by authentic leaders and then tend to be more motivated to actively participate in OCB behavior. They will be more likely to put in additional effort, help colleagues, share knowledge,

and contribute to organizational goals outside of their main duties. Meantime, it will affect the overall performance of employees. When employees voluntarily make positive contributions to the organization, work productivity and efficiency increase, work relationships become more harmonious, and team collaboration becomes stronger. In addition, OCB behavior also helps create a more favorable work environment for growth and innovation, which in turn improves overall organizational performance.

Work motivation is the moderator variable in this study because it plays a crucial role and can influence the extent to which authentic leadership impacts employee performance. Based on the resulting impact, employees with high work motivation tend to be more sensitive and respond positively to authentic leadership styles. In contrast, employees with low work motivation may not respond as strongly as highly motivated employees to the same leadership style.

Authentic leadership, which demonstrates integrity, honesty, and serves as an exemplary example, can be a key factor influencing employee engagement. Employees who have high levels of motivation are likely to generate a similar level of engagement in their work, and authentic leadership can further enhance this engagement. As a moderator variable, work motivation can alter the intensity of the influence of authentic leadership on the level of employee engagement.

Furthermore, the level of employee motivation also influences their performance. Strong work motivation is positively correlated with better performance. When employees feel motivated and passionate about their work,

they tend to achieve higher levels of performance. Authentic leadership that values and supports employees can further boost this motivation. As a moderator variable, work motivation will determine the extent to which authentic leadership contributes to improving employee performance.

## **1.2. Research Questions**

The problems were formulated as follows:

1. Does Authentic Leadership effect to Employee Performance?
2. Does Authentic Leadership effect to OCB?
3. Does *OCB* effect to Employee Performance?
4. Can OCB Mediates the effect of Authentic Leadership on Employee Performance?
5. Can Work Motivation Moderates the effect of Authentic Leadership on Employee Performance?

### **a. Research Purposes**

This research has following purposes:

1. To analyze and determine the effect of Authentic Leadership on Employee Performance
2. To analyze and determine the effect of Authentic Leadership on OCB
3. To analyze and determine the effect of OCB on Employee Performance

4. To analyze and determine the effect of Authentic Leadership on Employee Performance with OCB as a Mediation variable
5. To analyze and determine the effect of Authentic Leadership on Employee Performance with Work motivation as a Moderator Variable

#### **a. Benefits of Study**

Below are some expected research benefits:

##### 1. Theoretical Benefits

This research aims to enhance the advancement of concepts in Human Resources management, specifically by deepening our awareness of the significance of Authentic Leadership. This study seeks to expand theoretical frameworks and provide a more thorough understanding of leadership dynamics in organizational settings by analyzing the impact of Authentic Leadership on Employee Performance and Organizational Citizenship Behavior (OCB). These insights can facilitate the development of more streamlined and productive management procedures in firms.

##### 2. Practical Benefit

Benefits for the author:

- 1) Gain expertise and perspective in conducting research.

The anticipated outcomes of this study are poised to offer valuable contributions and insights for subsequent scholars.