

CHAPTER I

INTRODUCTION

A. Background

In this challenging environment, every organization has to face many pressures to change. Organization is demanded to give responses to survive and to be success in the present situation as well as in the future. These responses are answered by management that is demanded to provide a better performance, to hold and to increase the quality, and also to prepare competitiveness and flexibility to face further pressures and to make changes.

The company successfulness and unsuccessfulness to achieve goals and to grow continuously depend on human resource quality. Qualified human resource is human resource who has at least four characteristics (4C) as follow 1) Competence (knowledge, skill, abilities, appropriate experience), 2) Commitment to organization 2) always to act cost-effectiveness in every activity, and 4) Congruence of goals that is to act between individual and organization goals harmoniously. This qualified human resource will play the role of managerial works namely planning, organizing, coordinating, executing, leading, and controlling, and also empowering the organizational potencies to achieve organizational objectives (Lako and Sumaryati, 1980). Because of the central role of human resources, therefore they are called the most valuable assets (Likert, 1997 in Loko and Sumaryati, 2002) or as investor/human capital (Devenport, 1999 in Lako and Sumaryati 2002). A present and future employee with the right

combination of knowledge, skills, and motivation to excel represents human capital with the potential to give the organization a competitive advantage.

Thus, an organization needs committed employees to keep them stay in this organization and increase organizational effectiveness. The committed employee to an organization involves three attitudes: (1) a sense of identification with the organization's goals, (2) a feeling of involvement in organization duties, and (3) a feeling of loyalty for the organization. Research evidence indicates that the absence of commitment can reduce organizational effectiveness (Lee K., Carswell, Allen N. J., 2000 in Gibson, 2003). The organizational effectiveness consists of individual and group effectiveness. Through synergetic effects, organization obtains higher levels of effectiveness than the sum of their part. The term synergy refers to instances when the sum of individual contributions exceeds the simple summation of them. The term effectiveness derives from the term effect and we use the term in the context of cause-and-effect relationships. Committed people are less likely to quit and accept other jobs. Thus, costs of high turnover aren't incurred. In addition, committed and highly skilled employees require less supervision. Close supervision and a rigid monitoring control process are time-consuming and costly. Furthermore, a committed employee perceives the value and importance of integrating individual and organizational goals. The employee thinks of his goals and the organization's goals in personal term.

Moreover, other studies point to the vitality of employees' organization commitment in the effectiveness of an organizational commitment to the impact it is believed to have on turnover and absenteeism (Katz and Khan 1987 Koh *et al*

1995; Modway *et al.*, 1982). Committed employees are less likely to leave an organization than those who are uncommitted thus reducing the costs and losses that accrue from job turnover. Effective leadership has thus been urged to nurture organizational commitment if it will help the organization survive the turbulence of the changing times ahead.

It is from this point of view that leadership styles have been credited with the effectiveness or lack of effectiveness of an organization. A lot of the research on leadership has contrasted the transactional and transformational leadership styles, examining the contributions that each of styles offer and whether either style influences the other in organizational effectiveness. Bass (1985) sketched out a model suggesting that transformational leadership built on and augmented transactional leadership (although not vice versa) in contributing to subordinate effort satisfaction, and effectiveness.

In the public organization, a company is demanded to have quick respond and face the pressure of organizational changing and problems. The company has to proactive to those changing; grow the mind of the employees to be creative, smart, and optimist. The leader is needed to stimulate those for the development of the organization. They should not run the old path that does not fit anymore in this era such as leader force his/her opinion without considering others opinion. Especially in the insurance Company, the organization is really charged to be quick in responding the demand and the changing to keep them survive. They also have to be creative and innovative to attract customers. Then, this company faces really big challenges that are better facilities or income in the others company

which attract the employees to leave the organization. The leader in this office applies the spiritual, intellectual, emotional approaches to the employees. In the writer opinion, those indicate the transformational leadership style. The necessity of the company for the independent researcher to investigate the leader influence on organizational commitment of employees in this branch office is also considered to do the research in this company. Therefore, the writer investigates the organizational commitment in the Insurance Company that is PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta.

B. Problem Formulations

From the above background, the questions are as follows:

1. How is the influence of Charisma Variable of Transformational Leadership Style on Affective, Continuance, and Normative of The Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta?
2. How is the influence of Intellectual Stimulation Variable of Transformational Leadership Style on Affective, Continuance, and Normative of The Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta?
3. How is the influence of Individualized Consideration Variable of Transformational Leadership Style on Affective, Continuance, and Normative of The Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta?

Normative of The Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta?

4. How is the influence of Inspirational Motivation Variable of Transformational Leadership Style on Affective, Continuance, and Normative of The Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta?

C. Research Objectives

The purposes of the study are:

1. To examine the effect of Transformational Leadership namely Charisma, Intellectual Stimulation, Individualized Consideration and Inspirational Motivation on Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta.
2. To know the most dominate factors from four factors of Transformational Leadership on Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda

D. Expected Benefits

The benefits of the study are:

1. To give information and knowledge about the effect of Four Factors of Transformational Leadership Style on Three Components of Allen Meyer Organizational Commitment in PT Asuransi Umum Bumiputeramuda 1967 in Branch Office of Yogyakarta in order to be used by the company wisely.
2. To provide references and additional information to next researcher