

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Definition of Leadership**

According to Layonardo and Adiwijaya (2016, P.3), leadership style and organizational culture effects employee performance. According to Irham (2012, P.1), leadership is a process of guiding, influencing and to keep an eye on someone else to do its task according to what has been planned. According to Tanenbaum (2011, P.7) leadership is important because it guides and controls the employees to do half of its job to achieve the goal of the organization. From the above definitions, it can be concluded that leadership is an important aspect in influencing people to do their job right and to achieve the goal of the organization.

#### **B. Importance of Leadership**

According to Kompri (2018, P.5), the existence of leadership in the leaders soul is very important, because the leader is the figure of the group. According to Supriatna (2016, P.2) the role of a leader is very important, because the leaders role is to develop the organizations that the leader leads. So, a leader has to be charged of having a skill and also a vision to the future and create a performance management that can raise the passion of employees to perform better.

### **C. Principles of Good Leadership**

According to Wibowo (2014, P.2), the principles of a good leadership, is as follows:

#### **1. Decision Making:**

Making a decision, has to be made in the most effective way.

The leader should talk in the right time, being informative to the right person, the decision made is in the same path as the organization's purpose.

#### **2. Leadership:**

An organization develops a leader that shows high competence, increasing the trust and showing its best for itself and its surroundings.

#### **3. Communication**

The communication in the organization is the open organization type.

In which, all the individuals in the organization communicate and share their ideas, information and achievement.

#### **4. Appreciating Differences**

A leader should appreciate the differences of the employees. When there is a conflict because of differences, the leader has to accept the different opinions of employees by appreciating the differences of each employee.

#### **5. Personal Excellence**

A strong and successful organization is dependent on the strong individual and has personal excellence. Everyone is responsible for themselves, their co-workers and the organization. Personal excellence

is built upon high performance, knowledge, caring about themselves, motivating themselves and intend on respecting everybody.

#### 6. Business Success

A success in business will give strong financial prospect.

The leader will give a stable growth in the market, selling and profit.

A strong financial prospect, will benefit the employees, shareholders and society itself.

#### 7. Continuous Learning

A leader will give continuous learning for the present and the future.

A competitive organization, is implemented by the continuous improvement of the organization.

#### 8. Vibrant Workplace

The employees make a work culture that strengthens the team work, collective happiness, individual improvements in their career, while receiving financial awards and good balance between personal life and working life.

#### 9. Ethics

The leader should have good ethics, by doing everything right.

#### 10. Partnership

An organization works with a partner, in order to develop the organization.

Plenty of organizations work together with other partners in developing the organization.

#### 11. Planning and Organizing

Leaders plan and measure the organization, they also improve what has to be achieved. The Leader focuses on the plan of the organization, whether or not it is in the same path as the organization's purpose.

#### **D. Types of Leadership and their Strength and Weaknesses**

There are 6 types of Leadership Style, according to Arifin (2012, P.4), which are:

##### 1. Autocratic Leader

###### a. Strength:

This type of Leader demands the employees to follow them. This Leader makes and controls the policy and procedures, decides what goal need to be achieved, also directs and keeps an eye on every activity that are done in the organization without participating the employees. They are more focused, on the members in a team to finish the important task in time, on time, every time. These type of Leaders decide who will be the member in the team and how the team operates as a unit. If the goal is successful and/ or accomplished, then the Leader will be appreciated. Also vice versa, if the goal does not succeed/not accomplish, then the leader will be held responsible for it. When the team members follow the Leader and does a good job in it, the leader will give them a reward such as a bonus.

###### a. Weakness:

The employees are not involved in decision making by this type of leader. So, they feel irresponsible for their job, they will get the job done without thinking of the result of the task, whether it is good or not.

The Employees' creativity and innovation will be reduced or gone, because it is not being explored or used appropriately.

## 2. Militaristic Leadership

This type of leader has a high discipline and usually content with formal things. The leader often commands the employees or subordinates in giving tasks.

### a. Advantage:

This leader is strict and has no hesitation in deciding and in acting.

The employees will have the result of high discipline as well, because they follow the working style of the leader. The employees will feel safe and feel protected, because the leader keeps an eye on them.

### b. Disadvantage:

The working environment will be stiff because its formal. It is hard for the leader to accept advice and critiques from the employees. The employees will feel pressured and uncomfortable because of the plenty of rules that the leader makes and the hard character of the leader.

## 2. Paternalistic Leadership

This type of leader, thinks that the employees cannot be independent and constantly needs motivation in doing something or a given task. This type

of leader feels like he/ she knows everything, so they rarely give chances to the employees to make any decisions.

a. Advantage:

This type of leader has a strict character in decision making also makes the employees feel safe because they feel that they are protected.

b. Disadvantage:

The employees tend not to have any initiatives, because the leader makes all the decision for them. The decision that is made, is upon the leader's decision, without participating the employees to see whether the decision that has been made is right or wrong.

### 3. Charismatic Leadership

This type of leader is brilliant in leading the employees, whereas his/ her ideas and decisions cannot be disobeyed by the employees, because the employees will think that the decision made by the Leader is really good for the organization.

a. Advantage:

A charismatic leader can communicate the vision and mission clearly.

This leader can motivate the employees in working harder and better.

This leader can have plenty of followers because they are charismatic.

They know their advantage and can use it well.

b. Disadvantage:

A charismatic leader has easy to take risky decisions. This leader will always feel that their decision is always right, because the followers already trust the decision made by the leader. The employees are already

depending on the leader, so it will be hard to find another leader as replacement

#### 4. Democratic Leadership:

This type of leadership will coordinate with the employees in decision making. This type of leader will listen to the opinions of the employees before deciding something. After the leader listens, the decision is still made by the leader not together with the employees.

##### a. Advantage:

The relationship between the employees and the leader is not stiff but harmonious. The decision that is made, is done after the leader discusses with the employees, so the employees will feel appreciated and their presence is required or needed.

The creativity is improved, because the leader gets ideas from the employees. The employees will feel confident in showing their ability, because it is supported by the Leader and will do its best in finishing the task given from or by the Leader. Thus, employees will have more spirit in working because employees feel that the leader are giving them attention.

##### b. Disadvantage:

The decision that is taken will be done in a longer time, this because decisions need long discussions from the Leader and employees where both sides need to agree on the same thing. It is hard to achieve an understanding and/ or accord because the leader and all the employees have their own opinion on what will be done or how to solve a certain situation/ issue. There will be conflict, when there is no verbal

agreement made and shall the leader and all the employees feel that they have their best idea or decision made and as a result, they both hold on to their mutual agreement.

5. Laissez Faire Leadership:

A Laissez Faire leader is a Leader that lets the employees decide on everything. The leader does not take a role in decision making. The Leader lets the employees decide on what to do and does not give directions to the employees.

a. Advantage:

The decision made is by the employees, so the employees will be more confident in the decision making process, which results in the employees have more initiatives on what to do to solve a certain situation. The leader is not dominant. The employees will not feel pressured in finishing a task, because the employee decides when the task should be finished.

b. Disadvantage:

The leader lets the employees do what the employees want to do without controlling the employees. Whether they did a good job or not and/ or employees did something that affects the organization as a whole. There will be more clash in performing the job description, because the employees cannot depend on anybody, including their leader, for knowing what needs to be done.

The goal of the organization will be hard to achieve, if the employee



does not have initiative and high dedication in working for the common goal.

#### **E. Indicator of Leadership**

According to Martoyo (2015, P.497) the indicator of leadership is:

##### 1. Analytical Ability:

Is the ability, to solve a problem based on the information that is in facts and data that the leader has

##### 2. Skills

A leader has to have a skill, in order to lead the company.

The skills are:

##### a. Skills in Communicating:

A leader has to have a good communication skill, in order to instruct the employees in doing a task, for the employees to achieve the vision and mission of a company.

##### b. Skills in Problem Solving: A leader, has to have a good skill in solving a problem.

##### c. Agent of Change:

A leader has to change an organization, in order for the organization to reach the maximum result and become successful.

#### **F. Discipline**

According to Hamadi (2016, P.3), *Discipline* is a power that develops within a person and makes the person can adapt to the decisions that has been made. On the other hand, Handoko (2012, P.4) states that *Discipline* is the willingness of a person to follow all the rules in the organization. Further Rivai and Sagala (2013, P.7) are in the view that *Discipline* is a tool for managers to be able to communicate with their employees so that the employees are willing to change their behavior to follow and to obey the rules that is made in the organization. Setyaningdyah (2014, P.9) adds that work discipline is a wisdom that makes every individual become responsible to obey all the rules that has been made by the surroundings. From the above statements and definitions, it can be concluded that discipline is an important aspect for the organization to work well and run well. With discipline, employees feel responsible in doing their job well and rewarded accordingly.

#### **G. Indicators in Work Discipline**

According to Hasibuan (2014, P.5), there are a couple of indicators of discipline, which are as follows:

##### **1. Purpose and Skill**

The purpose and skill can affect the discipline of an employee. With a clear purpose and goals, that challenges the employees. In order for the employee to work in its peak performance and be discipline in working so , then the goal of the organization can and will be achieved.

##### **2. Leader as a role model**

The leader should be the role model , setting an example to the employees. The leader should also be discipline in working, so that the employees will follow the leader. The leader should have discipline, need to be honest, fair and to act the same way as he/ she said or commanded the employees to do so.

### 3. Remuneration

Remuneration is in the form of a salary from the organization to the employees. For the reason that the employees have given their services to the organization, as a compensation, the organization gives the employee remuneration in the form of salary. Remuneration also effects discipline, because remuneration will make the employee love their job and strive to do better in their performances. The better the organization gives their remuneration to the employees, the most likely the employees will have good work discipline.

### 4. Supervise

The supervisor always keeps an eye on the employees, watching the tasks and functions assigned to them; then eventually the employees will work in a more discipline manner, this way, the employees won't get reprimand or receive punishment from their supervisor.

### 5. Punishment

When the organization decide to give a high punishment to the employees for being undisciplined, then the employees will tend to work in a more discipline manner in order to avoid the aforesaid high punishment and as a result, may have a bad effect on the employees' career.

### 6. Responsible

Employees have to be responsible to their job and the task that has been given to them. The employees have to finish the task that have been given by the leader and when they finish it on time that means the employees have a good work discipline.

#### 7. Absent rate

When an employee has a high work discipline, he/ she will have a small absent rate. On the other hand, when the employee has a low work discipline, he/ she will have a high absent rate which can have a bad effect for the employees' performance in the future.

### **H. Performance**

According to Sedarmayanti (2011, P.1), performance means the result of the work that the employee has done. Moeheriono (2012, P.3) added that performance is the result of the work that the employee or a group has done in an organization quantitatively and qualitatively. According to what is authorized, the task and responsibility of each employee to reach the goal of the organization, must not be illegal and against the rule of law.

Bangun (2012, P.4) says that performance is a job result that has been achieved by someone according to the working standard, which is the expectation of employees to do their job and finish it and hence then be compared if the working performance match with the purpose or the target that the organization wants to achieve. According to Mangkunegara (2015,P.5), who says that performance is the result of a job that has been quantitatively and qualitatively accomplished by an employee that has done its task according to the responsibility that has been given to the

employee. Riniwati (2011, P.3) adds that an organization will not exist if there isn't any performance. Performance can be used to evaluate how the employees work. From all the definitions above it can be concluded that performance is the result of the work that the employees have done during their time of work. The performance of employees is considered good if it has reached the working standards of the organization. It is considered to have a bad working performance, if the employees have failed to reach the working standards of the organization.

The importance of Performance according to Tohardi (2012, P.44) is:

1. A high work performance will make the employees have low absent rate
2. A high performance makes the employees finish the task more faster
3. Organization receives benefit when the employees have good performance

#### **I. Indicator of Performance**

According to Hasibuan (2012,P.3) is :

##### 1. Quality:

An employee's quality, can be seen by how the employee finish its task.

This indicator is very important, to see the development or fall of the company.

##### 2. Quantity:

Quantity, is by how long the employee can finish its task, according to the target of finishing the task.

##### 3. On Time:

How an employee can finish its task and achieve the target, is by being on time.

##### 4. Effectively using its source :

When an employee can use its resources, such as technology, money, power and raw material and also have a good performance or the performance increase. Then the employee can be said to have a good work performance.

#### **J. Definition of Bank**

According to Undang Undang Perbankan No.10 Tahun 1998, bank is a business fund that raises from the community and distributes it to the community in the form of credit to increase the standard of living of the society.

#### **K. Function of Bank**

Bank is a financial institution that has the function to control the monetary of society and country. The bank gathers the money from the society in the form of a storage area (debit) and then gives it to the society in the form of a credit. Credit is the most important aspect, because it is where the bank gets the profit from. The more credit it gives, the more profit it gains and makes the bank develop. It also can make the customers fulfill their wants, by launching wants and good activities from the producer to the consumers.

Function of Bank according to Pasal 3 Undang Undang Nomor 7 Tahun 1998, is:

1. As a community fund collector

Bank carries out passive credit operations, meaning that banks receive funds from outside parties, especially from the public. The banks interest, in passive credit operation, is to be able to use public savings as a working capital in order to gain profits in lending.

2. Bank as a channel of money to the public. In this regard, the bank carries out operations active credit. Capital comes from savings from the community and from other parties distributed from the bank to the parties who need credit. In bank traffic payment, the function is:

- a. Distributors, bank receives funds and distributes it to the parties that need it.
- b. Issuer, bank issuing then cross payments and money circulation
- c. Guidance is to guide the recipient according to its purpose
- d. Center of activity, the bank becomes the center activities in payment. transactions and money circulation.

3. Bank as an institution that provide facilities and services. In practical, banks have facilities or service to the society. As an intermediary in the sale and purchase of securities, make money orders, collect, money orders and bills, providing space store valuables, issue, shares and bonds, as intermediary in the determination of insurance, provide guarantees, information and references.

4. Depository function. Bank is a place, where we use it for deposit, the purpose is as follows:

- a. **Working Balance.** This money is deposited by the owner, with a view to enter into a transaction. The bank has to save this kind of deposit in highly liquid instruments, because the customer can take the deposit anytime, to use it for sale/purchase transaction. Working balances are money balances that can unexpectedly be drawn by the owner for a good transaction, by individual, company or by organization.
- b. **Collect savings.** Commercial banks can accept savings. So, a saving bank that can do saving services, serve public savings, saving accumulation and pooling of savings carried out by commercial banks. With this function it is clear that banks will lend and carry out investment.
- c. **Support International Transaction.** Banks are also very much needed, for making the international transaction much easier, whether its capital/service transaction. Difficult transaction, between 2 parties will always arise because of geographical differences, culture and monetary system of each country.
- d. **Storage of valuables.** Society can keep valuables, such as jewelry, money and diplomas, in the boxes that are provided by the bank for rent. The improvement of the economy, at a high speed, has made the bank expand its service by storing securities.



## L. Previous Research

This previous research is used as a reference, so that the writer can increase the theory that will be used and applied for the research. From the previous research, the writer did not find a title that is the same as the title that the writer used. The writer just used the previous research as a reference. These are the previous researches that are connected to the research that the writer is doing: Page | 31

**Table 2.1.**

### Previous Research

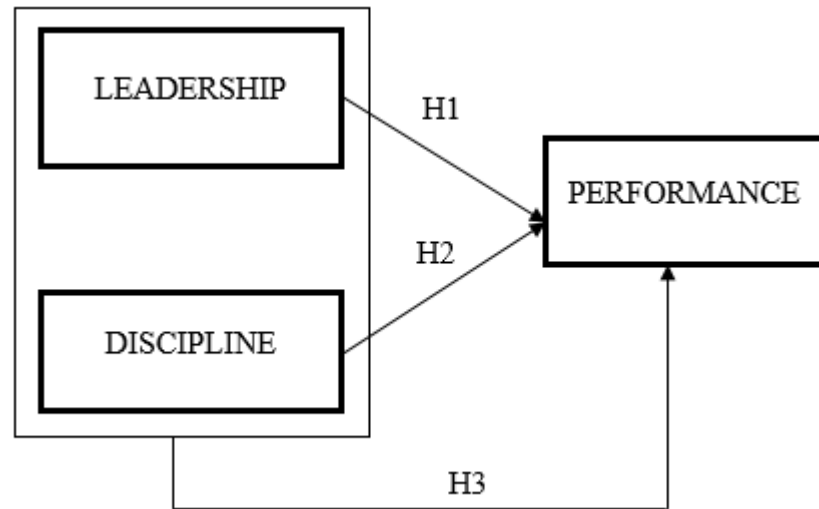
Name	Title	Variable	Result
Marsha Ayunita Irawati. (2012, Vol. 1, No. 1) 10.14710/jppmr.v1i1.360	The Influence of Leadership and Discipline on the employees in Bank Rakyat Indonesia Cabang Ungaran Kabupaten Semarang	Leadership, Discipline	The result is, the work discipline of employees is high. The leadership, brings a good effect on employees work performance.
Jeli Nata Liyas dan Reza Primadi. (2017, Vol. 2, No. 1) <a href="http://dx.doi.org/10.15548/a1-masraf.v2il.88">http://dx.doi.org/10.15548/a1-masraf.v2il.88</a>	The Influence of Discipline to Employees Performance in Bank Perkreditan Rakyat	Work Discipline, Performance	The employees have a low discipline in their work and less responsible.
Bachtiar Arifudin Husain. (2018, Vol.	The Influence of Discipline to	Discipline, Performance	The discipline brings a positive effect on the

Name	Title	Variable	Result
1, No. 1) <a href="http://dx.doi.org/10.32493/drj.v1i1.1650">http://dx.doi.org/10.32493/drj.v1i1.1650</a>	Employees Performance in PT.. Bank Danamon Cabang Bintaro		employee work performance .
Sari Veronica Jantitya dan Diana Puspita Sari. (2014, Vol. 3, No. 3) <a href="https://doi.org/10.37721/je.v19i3.23">https://doi.org/10.37721/je.v19i3.23</a>	Analysis of the Influence of Motivation, Discipline and Career Development in PT. Bank Mandiri Cabang Daan Mogot Jakarta	Discipline, Performance	The discipline has more impact rather than leadership. The discipline brings more effect rather than leadership in their work performance.
Vayakun El Ardano. (2020, Vol. 7, No. 9) <a href="http://dx.doi.org/10.15548/jebi.v2i2.98">http://dx.doi.org/10.15548/jebi.v2i2.98</a>	The Influence of Motivation, Leadership and Work Environment on the Employees in Bank BJB Surabaya	Leadership, Performance	The leadership brings a positive effect on employee work performance.
Michael D. Korua dan Johnny Lumolos. (2012, Vol. 8, No. 2) <a href="https://doi.org/10.52490/at-tijarah.v2i1.857">https://doi.org/10.52490/at-tijarah.v2i1.857</a>	Leadership Style and Motivation in Bank Negara Indonesia Kantor Cabang Manado	Leadership	The leadership style is democratic leadership that involves the employees in making a decision but the leader decides what to do, so its positive effect.
Nur Fanny Amelia. (2012, Vol. 2, No.1) <a href="https://doi.org/10.33062/jib.v11i2.265">https://doi.org/10.33062/jib.v11i2.265</a>	The Influence of Leadership and Motivation on the Employees in Bank Syariah Mandiri Cabang Tangerang-BSD	Leadership, Performance	Transformational leadership has a positive effect on employee performance.
Hariyanto R Djatola Djampangau. (2019, Vol. 1, No. 2) <a href="http://dx.doi.org/10.32493/drj.v1i1.1650">http://dx.doi.org/10.32493/drj.v1i1.1650</a>	The Influence of Leadership, Motivation and organization	Leadership, Performance	Leadership brings a positive and significant effect on employee

Name	Title	Variable	Result
32493/jk.v6i3.y2018.p49-58	culture on the employees performance in PT.Bank BNI Syariah Palu		performance.
Moh Imron. (2018, Vol. 4, No. 2) <a href="https://dx.doi.org/10.31599/jmu.v1i2.644">https://dx.doi.org/10.31599/jmu.v1i2.644</a>	The Influence of Leadership and Organizational Culture on the Employees Performance in BCA Singosari Malang	Leadership, Performance	Leadership brings a partial and simultaneous to the work performance o employees in Bank BCA
Asep Hardiansyah Soehardi dan Zahara Tussoleha Rony. (2019, Vol. 1, No. 2) <a href="http://dx.doi.org/10.30737/jimek.v1i2.309">http://dx.doi.org/10.30737/jimek.v1i2.309</a>	The Influence of discipline, motivation and compensation on the employees performance in Bank OCBC NISP bagian record management	Discipline Performance	The result is that, for the employees to be discipline and have good work performance is depend on the compensation given from the bank.

### M. Framework

The research framework describes the relationship of independent variables to dependent variable, in this case is the Leadership Style (X1) and Discipline (X2) are the independent variable, and Performance (Y) as dependent variable. The framework used is as follows:



**Figure 2.1.**  
**Framework**

**N. Hypothesis**

Hypothesis, is a temporary answer, on the case that is submitted.

H1: Leadership has influence to employee performance.

H2: Discipline has influence to employee performance

H3: Leadership and Discipline has influence to employee performance.