

CHAPTER I

INTRODUCTION

1.1. Background

The key to the company's success in management systems is not solely dependent on technological advantages and plentiful finances. The contribution of Human Resources, on the other hand, is one of the significant pillars that contribute to the progress and success of the company. One of the organizational problems is developing effective and acceptable plans and strategies to produce human resources that have the potential to suit the company's needs. Companies can develop competent, dedicated, and positive human resources as one of their growth strategies. In general psychology, one of the behaviors that can support the development of a company in a positive direction is Organizational Citizenship Behavior (OCB). This can be strengthened with the theory from Organ (1997) which stated that OCB is a behavior that has an aggregate approach, which means if it is engaged by one person, it will not have a significant impact on the advancement of a company. If it is engaged by a group, unit, department, or organization, the effect will be very real. According to Thakre (2016), employees with high OCB will be more committed and productive at work, and they will have high aspirations for their future employment with the organization.

One of the factors that can be a company's tool in creating high OCB is leadership style. Regarding the leadership style, according to Kurniatami (2014), management and leadership principles and theories are necessary for managing an organization, including managing its human resources. No matter the level of responsibility, every leadership skill must be intimately linked to a manager or leader. This is because without the capacity of a manager or leader in leading their employees, it will be impossible for them to successfully do their duties and in order to cope with the increasing pressures and expectations of being a leader, the leader must function with certain leadership concepts (Bolden, 2004). On the other hand, the most frequently mentioned leadership concepts tend to focus too much on leader behavior rather than its effect on employees. In contrast, Inclusive

Leadership is one type of leadership that emphasizes the importance of leadership as a process of social construction between leaders and subordinates (Bolden, 2004). According to Bourke *et al.* (2012), from the point of view of Inclusive Leadership, an inclusive leader is someone who actively seeks different points of view and can actively build a workplace where diverse talents are nurtured and different teams can reach their full potential. This new behavioral focus can be used to pursue signals that inclusive leaders can create, such as ensuring deep insight and solid judgment. Therefore, inclusion is about making a conscious effort to promote workplace cultures, everyday work practices and diverse populations. It is also about recognizing how to develop new behavioral habits and work practices that will benefit individuals and organizations.

In addition to leadership style, one of the variables that can help organizations improve employee OCB is the reward system (Saputra *et al.*, 2019; Santi *et al.*, 2018). Employees see intrinsic and extrinsic rewards as valuable things that they achieve for the work they complete. The results of this study are also in line with the research of Lavena *et al.* (2020), Santi *et al.* (2018), Alkahtani (2015), and Saputra *et al.* (2019). However, according to a study conducted by Yin (2018), rewards have no impact on OCB. When employees perform OCB behavior, they do not care about the rewards they receive, but psychologically they will feel that they receive more benefits from the organization and feel grateful. This will make them work more actively without expecting anything in return.

The inconsistent nature of research findings offers evidence and chances for this study's review with a mediating variable. Employee work engagement will be the variable that this study uses as a mediating variable. The distinctive and individual conduct of organizational members in relation to their different roles is known as employee work engagement (Saks, 2006). Engagement is defined by Kahn (1990) as the use of organizational members for their work activities. Engagement is characterized as an individual expressing themselves physically, mentally, and emotionally throughout a performance. Engaged employees will be more productive, earn more money, and are less likely to leave their employer or

company (Wagner *et al.*, 2006). In terms of the relationship between the reward systems, Agusta *et al.* (2019) found that there were differences in employee work engagement before and after implementing the optimal reward system. The results showed an increase in employee work engagement when the company paid performance-based rewards based on employee work engagement in achieving the target. This means that the proportion of the reward system that is regulated has a positive effect on employee work engagement which can lead to an increase in OCB. In relation to OCB, according to Schaufeli *et al.* (2003), one of several factors that can increase OCB is employee work engagement. Employees with a high level of engagement will have a strong emotional commitment to the company, which will affect their ability to complete tasks and produce adequate quality work. However, the results of the study above contradict the research conducted by Affandi *et al.* (2018) which states that employee work engagement cannot significantly increase OCB.

Based on the background above, the researcher also finds that there are very few empirical studies that empirically examine the concept of Inclusive Leadership. According to Shore *et al.* (2021), research on Inclusive Leadership has only recently received attention. In addition, the research result from Najmaei *et al.* (2019) stated that there is a scarcity of research on the factors that impede inclusion and the development of inclusive leadership. Other than that, according to Tran *et al.* (2019), few studies have been conducted to investigate the impact of inclusive leadership on OCB. Therefore, the researcher wants to examine the relationship between Inclusive Leadership, reward systems, employee work engagement, and OCB in one research model by choosing PT Wahanapatra as the object of the research.

The selection of PT Wahanapatra as the object of research is because the researcher found a phenomenon that related to OCB which can be observed and analyzed profoundly. According to Fadhilah (2014), creating a high OCB among employees is essential for a company's success in achieving its vision and goal as well as moving the company into a positive pace. In order to find out the OCB problems experienced by each of the employees at PT Wahanapatra, the

researcher conducted interviews and simple observations with a number of employees from each division as representations of the OCB phenomena at PT Wahanapatra that they felt among employees in order to learn about the OCB problems faced by each employee at PT Wahanapatra.

Based on the results of the initial research data recap with interviews and observations, it is discovered that the OCB phenomenon from technical support for BBM depot filling Pontianak, Sintang, and Ketapang as well as the field staff, and drivers, most of the employees in carrying out their duties tend to wait for orders first before taking initiative to do the work. Additionally, it was discovered that some employees purposefully reduce the amount of oil when they transport it to the clients which give a negative impact to the company. For OCB in Sales & Marketing division, when they face promotion and sales problem, the sales and marketing employees tend to be more comfortable to discuss it directly with the leader and rarely discuss it together first in order to find out what problems must be overcome either in terms of sales or the promotion. In addition, as a provider of information and a source of answers for all matters related to finance, employees in the accounting divisions tend to have good cooperation with each other. It can be seen when there is a problem in the cash calculation process of one of the accounting employees, the other employees in the same division will be more responsive and agile in helping to solve the problem in order to avoid major problems that can harm the company. For human resource employees, when other employees face problems such as work performance, welfare, and enthusiasm, human resource employees carry out their job descriptions such as providing solutions or suggestions directly for their teammates and when outside of working hours they also tend to personally take the initiative to provide counseling voluntarily in order to increase the motivation of the employee concerned.

According to Bakker (2011), in this current era of globalization, top HR professionals must take employee work engagement into account in order for the company to survive and grow. From the research result, high employee work engagement has a positive link with the accomplishment of company goals and it will create a highly beneficial outcomes. Other than that, it is stated that

companies are no longer just seeking for candidates with above average ability; they are also looking for candidates that can completely commit to the task, proactive in work outside of the job description, and have a high dedication to quality performance standards. In accordance with the aforementioned statement, quantitative studies based on the findings of Bakker & Wilmar (2003) shown that work engagement can have a positive impact on a work team, such as being able to communicate from one partner to another. When correlated to the aforementioned theory with the existing phenomena, based on the interview with the General Manager of PT Wahanapatra there is still a lack of employee work engagement.

Employees at PT Wahanapatra tend to work only in accordance with their job descriptions and there is a lack of ambition shown by some employees. According to Robbin (2001), employees who are not enthusiastic at work will tend to complain, disobey the rules, and evade their work responsibilities. If those employees do not receive any attention and clear handling from the superior, this will result in disruption of the process of achieving company goals. In addition, some employees also stated that they did not get a challenge at work so that boredom tended to come and make employees complete their work in a modest or less optimal level. According to Beck (2015), the involvement of an individual in work is determined by the ambition of the person. A person who is proficient but has no inner drive will only complete as many tasks as needed, but someone who has a strong drive will get more work done in a more creative and fun way than someone who doesn't. Other than drive, according to Kurniawati (2014), tenure is one of the factors that can be used to gauge an employee's level of work engagement at their job. According to Madyaratri *et al.* (2021), employees who have been employed for more than 2 years exhibit the traits of high levels of work engagement. Inconsistent with the aforementioned studies, according to Avery *et al.* (2007), the level of employee work engagement tends to decline as the employee's tenure increases. Long-term employees often experience a sense of less satisfaction and stagnation with their work. Moreover, Robbins & Judge (2015) and Brim (2002) stated that the decline in employee work engagement

along with the increase of tenure duration will lead to a significant difficulty that could be detrimental to the company. Correlate with the existing phenomena in PT Wahanapatra, employees who have worked there have an average tenure of more than 2 years which can be strengthened by an interview from the General Manager who said that the last time they opened a job vacancy was in January 2018 and at that time they recruited 1 admin accounting.

Table 1.1

Characteristics of Employees in PT Wahanapatra

Characteristic		Total of Employees
Age	20-25 years old	12
	26-31 years old	17
	32-37 years old	38
	38-43 years old	36
	≥ 44 years old	22
Gender	Male	72
	Female	53
Length of Work	> 2 years	25
	6 - 9 years	27
	> 10 years	73

Source: PT Wahanapatra, 2022

In reality, according to Hanking (2005), organizations' reward systems have shifted over time, going from merely providing financial reward to additionally motivating personnel at work. The goal of a company's reward system should be to boost employees' performance and increase their level of engagement, dedication, and productivity. According to Widodo *et al.* (2020), leaders and managers who are able to manage and develop affective, normative, and

continuance commitments also have a great deal of potential to encourage the emergence of additional roles like OCB, with reward systems serving as one of the key antecedents of OCB. Looking at the reward system that is implemented at PT Wahanapatra, there are several reward systems implemented by PT Wahanapatra.

Table 1.2
Data of the Extrinsic Reward System regulate in PT Wahanapatra

Reward	Regulation
Overtime pay	The calculation of hourly overtime pay at PT Wahanapatra is calculated by $1/173 \times 100\%$ of the monthly salary of the employees based on their division and position.
Overtime bonus	Employees that conduct overtime activities will be given another bonus besides overtime pay. The calculation is $10\% \times 100\%$ of the monthly salary of the employees based on their division and position.
Promotion	There is promotion every 3 years.

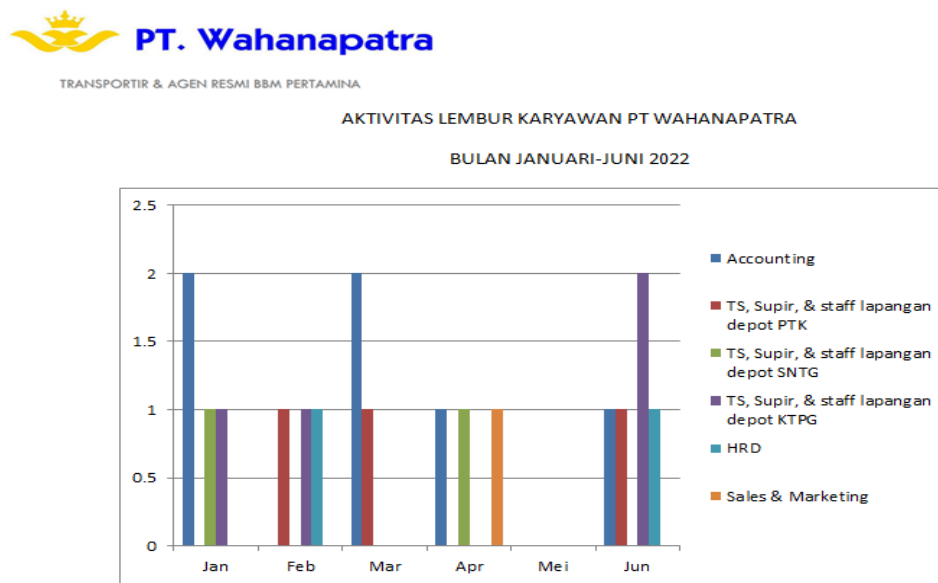
Source: PT Wahanapatra, 2022

Based on the data, PT Wahanapatra regulates 3 extrinsic reward systems. In term of receiving the reward systems, all of the employees have the same opportunities to receive the reward system. Whenever there is overtime activity, PT Wahanapatra give bonuses to their employees besides the overtime pay. In fact, for overtime activities, PT Wahanapatra rarely orders employees to work overtime and according to the General Manager of PT Wahanapatra, so far the company has never imposed overtime activities more than 3 times in a month. In term of intrinsic reward, there is a verbal appreciation shows by the manager whenever the employees achieving certain goals and there is also a training that is conducted by the organization to improve the human resource qualities within the

employees. According to Marhamah (2014) in doing their work, employees will respond with high OCB if the organization implements a good reward system.

Figure 1.1

Overtime Activities Data of PT Wahanapatra Employees 2022



Source: PT Wahanapatra, 2022

According to Javed *et al.* (2018), Inclusive Leadership is a necessity today because it is very important for a company to move beyond a leader-centered approach. It is a reductionist approach for leaders to get the desired results to tell others what to do. Success in achieving the desired goals is also connected by workplace bonds between leaders and employees which will later create collective leadership and connect in the work environment. In relation with the prior studies, Inclusive Leadership is a strategy that offers chances to encourage connected leadership in businesses.

In line to the aforementioned theory, the General Manager of PT Wahanapatra focuses more on a leadership style that is open to problems, fair in making decisions, open to change and innovation from various individuals, and appreciates the diversity of employees who have diverse backgrounds in order for the employees to provide good output for the company. The leadership style that is implemented by the General Manager is include to Inclusive Leadership which can be strengthened by the theory of Choi *et al.* (2015) which states that Inclusive

Leadership is characterized by openness and adaptability. This type of leadership style is effective in increasing employee work engagement in the workplace. To create open and harmonious communication between leaders and employees, leaders and organizational policies may need to change to adopt an open and adaptive leadership style. In addition, according to Arokiasamy (2021), as the employee work engagement increase, it will lead to an increase of Organizational Citizenship Behavior (OCB). In line with the aforementioned statement, according to Blau's Social Exchange Theory, when employees believe themselves to be involved in an social exchange that can be trusted and paid attention by the organization in which they work, they experience a feeling of obligation that invites reciprocity through attitudes and behaviors that will give advantage to the organization like giving an extra favorable role for the organization (Dartey *et al.*, 2019).

Table 1.3
Division and Number of PT Wahanapatra Employees in 2022

Division	Amount of Employees
Technical support for BBM depot filling Pontianak	3
Technical support for BBM depot filling Sintang	1
Technical support for BBM depot filling Ketapang	1
Sales	1
Marketing	1
Accounting	4
Human Resource	3
Field Staff	55
Driver	56
Total	125

Source: PT Wahanapatra, 2022

Based on the preceding phenomenon, analysis, and existing research gap, the researcher would like to conduct the research to determine whether the current Inclusive Leadership and the implementation of the reward system at PT Wahanapatra could give a significant effect that can foster the sense of employees' OCB in PT Wahanapatra through employee work engagement. The researcher would like to take the title of the thesis about "The Role of Employee Work Engagement as Intervening Variable on The Influence of Inclusive Leadership and Reward System towards Organizational Citizenship Behavior (OCB)".

1.2. Formulation Problem

1.2.1. Problem Statement

Besides the availability of abundant assets and capital, one factor that can give influence a company's success is human resources behavior. Positive human resources behavior towards companies such as Organizational Citizenship Behavior (OCB) can bring the company to experience a positive and significant change, especially if all employees have a sense of OCB. According to the existing theories, several variables such as Inclusive Leadership, reward system, and employee work engagement are believed could give an influence toward Organizational Citizenship Behavior (OCB). However, there are several theories that show the existence of research gaps with each other. Given the phenomena and gaps between existing studies, the researcher intends to further examine how significant the influence of Inclusive Leadership, reward system, and employee work engagement on Organizational Citizenship Behavior (OCB).

1.2.2. Research Problems

According to the research title above in identifying The Role of Employee Work Engagement as Intervening Variable on The Influence of Inclusive Leadership and Reward System toward Organizational Citizenship Behavior (OCB) in PT Wahanapatra, the research problems on this research are:

1. Does Inclusive Leadership have a significant effect on Employee Work Engagement in PT Wahanapatra?
2. Does Reward System have a significant effect on Employee Work Engagement in PT Wahanapatra?
3. Does Inclusive Leadership have a significant effect on Organizational Citizenship Behavior (OCB) in PT Wahanapatra?
4. Does Reward System have a significant effect on Organizational Citizenship Behavior (OCB) in PT Wahanapatra?
5. Does Employee Work Engagement have a significant effect on Organizational Citizenship Behavior (OCB) in PT Wahanapatra?
6. Does Employee Work Engagement significantly mediate the influence of Inclusive Leadership on Organizational Citizenship Behavior in PT Wahanapatra?
7. Does Employee Work Engagement significantly mediate the influence of Reward System on Organizational Citizenship Behavior in PT Wahanapatra?

1.3. Research Objectives

The objectives of this research are:

1. To test and analyze the effect between Inclusive Leadership on Employee Work Engagement in PT Wahanapatra.
2. To test and analyze the effect between Reward System on Employee Work Engagement in PT Wahanapatra.
3. To test and analyze the effect between Inclusive Leadership on Organizational Citizenship Behavior (OCB) in PT Wahanapatra.
4. To test and analyze the effect between Reward System on Organizational Citizenship Behavior (OCB) in PT Wahanapatra.
5. To test and analyze the effect between Employee Work Engagement on Organizational Citizenship Behavior (OCB) in PT Wahanapatra.
6. To test and analyze the effect of Employee Work Engagement in mediating the influence of Inclusive Leadership on Organizational Citizenship Behavior (OCB) in PT Wahanapatra.

7. To test and analyze the effect of Employee Work Engagement in mediating the influence of Reward System on Organizational Citizenship Behavior (OCB) in PT Wahanapatra.

1.4. Research Contribution

1.4.1. Theoretical Contribution

1. The theoretical results of this research are expected to add insight about Inclusive Leadership, reward system, employee work engagement, and Organizational Citizenship Behavior (OCB).
2. The research is expected to amplify previous research and theories regarding Inclusive Leadership, reward system, employee work engagement, and Organizational Citizenship Behavior (OCB) so that it can be used as a reference in future research in the field of Organizational Behavior and Human Resource Management.

1.4.2. Practical Contribution

1. For Company
 - a. As a guideline for the companies in actualizing leadership style that match the needs of the organization and the implementation of reward system so that the employees can give a high work engagement which can lead to an increase of Organizational Citizenship Behavior (OCB).
 - b. This research is expected to be used as input for companies in determining the right strategy in improving their employee Organizational Citizenship Behavior.
2. For Community
 - a. Adding information, suggestions, and thoughts to the community about how important the role of employee work engagement as an intervening variable on the influence of Inclusive Leadership and reward system on Organizational Citizenship Behavior (OCB).

1.5. Research Contextual Overview

In collecting data, the researcher will use PT Wahanapatra as the object of the research. PT. Wahanapatra was established on November 29, 2005. It is a company that engaged in Industrial Fuel Transportation Services and Pertamina's Official Industrial Fuel Agent. As a company that engaged in transportation services for industrial fuel and an authorized agent for industrial fuel, PT. Wahanapatra employs 125 employees and is equipped with a fleet of 72 tank cars, 9 barges, and 6 ships that are ready to serve their customers.



Figure 1.2. Organizational Structures of PT Wahanapatra

Source: PT Wahanapatra, 2022

PT. Wahanapatra has an expectation toward their human resources in term of providing the best quality service because for the company, customer satisfaction is a priority. The way that PT Wahanapatra does to fulfill its vision is to always pay attention to the quality of the work of each employee with performance appraisals that are carried out regularly, provide training for employees every 3 months in order to improve the quality of human resources, and pay attention toward the safety and health of their employees. In addition, PT Wahanapatra has a mission in contributing giving services to the entire national community such as compiling the need for goods/services by taking into account priorities, economy, and time management.