

CHAPTER I

INTRODUCTION

1.1 Background

Business today has become very complex and competitive. Companies are required to be able to maintain or even improve their performance from time to time. Then, surely this has been realized by every company. Moreover, the challenge will be more difficult due to the economic slowdown. So companies must provide extra effort especially financial institution like bank.

Bank Nagari as the only one regional bank in West Sumatra has become an important asset for the province of West Sumatra. Surely there are many expectations and demands for the bank that support the economy of West Sumatra. However, recently Bank Nagari is in the spotlight due to there are many issues or news about the declining of Bank Nagari's performance which marked by the declining of Bank Nagari's profit.

As it explained by Wiratno, (2017) that the profits of Bank Nagari fell 30.76% become 77.15 billion rupiah compared to the same period last year with a profit reached 111.44 billion rupiah. Not only that, it is also explained that Return On Asset (ROA) also fell to 1,65% and Return On Equity (ROE) decline become 13,35%. Based on those indicators that reflect the condition of Bank Nagari, it is clearly indicate that the performance is declining.

There are several factors that suspected become major contribution in the situation experienced by Bank Nagari. One of the factors is the leader of the company itself. It can be seen when the executive officers of Bank Nagari made a motion of no-confidence for several directors (Wiratno, 2017).

Company leader will act as a role model of the company that will determine the success or failure of the company. In this case the leadership style has an important role, moreover leadership style is considered as one factor that can affect the performance of employees and companies. As it explained by Nahvandi (2002) that organizational performance or effectiveness influenced by the leadership style.

In the theoretical explanation, Burns (1978) identified two types of political leadership: transactional and transformational (as cited in Kuhnert and Lewis, 1987). Both types of leadership are largely known and implemented year by year by having direct and indirect impact to the organization. However, many organizations have shifted the paradigms of leadership style to fulfill their strategies from a transactional to a transformational style (Howell and Avolio, 1993; Bass, 1999; Judge and Piccolo, 2004; Barling *et al.*, 2010; as cited from Jyoti and Dev, 2015).

As propagated by Bass (1985), transformational leaders are capable to encourage employee to create new way and solution for given problem (as cited in Mittal and Dhar, 2015). They are inspiring employees to achieve the vision (Mcshane and Glinow, 2003, p.429). It contributes to business outcomes greatly,

such as efficiency, effectiveness, performance, success, survival and sustainability (Jyoti and Dev, 2015).

On the other side, the employee should also get the attention. Because the employee is considered as one of the company's resource, then the employee is required to keep contribute to the company by improving their performance. The company and employees must pay attention to the aspects that related for the improvement of employee performance, one of them, learning orientation.

Learning orientation motivates an individual to develop his or her competence as an internal mind-set (Dweck, 1986, 2000; Dweck and Leggett, 1988; VandeWalle, Brown, Cron, and Slocum, 1999; as cited from Gong, Huang, and Farh, 2009). Moreover, learning orientation facilitates the generation of resources and skills essential for firm performance (Calantone, 2002). Thus, it is expected that through the application of learning orientation in the company, it can be boost the employee performance.

Based on the fact and background described above, researcher is interesting to investigate the impact of transformational leadership on employee performance with learning orientation as mediating role (Case: Head Office of Bank Nagari Padang).

1.2 Problem Statement

Based on the background described above, researcher formulates the problem statement as follows:

1. How does the impact of the transformational leadership on employee performance in Head Office of Bank Nagari Padang?
2. How does the learning orientation gives impact on employee performance in Head Office of Bank Nagari Padang?
3. How is the mediating role played by learning orientation between the transformational leadership and employee performance in Head Office of Bank Nagari Padang?

1.3 Objective of the Research

Based on the literature and the problem statement above, the objective of this research, as follows:

1. To analyze the impact of transformational leadership on the employee performance in Head Office of Bank Nagari Padang.
2. To analyze the impact of learning orientation on employee performance in Head Office of Bank Nagari Padang.
3. To explore the mediating role of learning orientation in the relationship between the transformational leadership and the employee performance in Head Office of Bank Nagari Padang.

1.4 Contribution of the Research

This research is expected to contribute on:

1. Understanding the impact of transformational leadership on employee performance. Henceforth leader know the application of leadership on employee performance appropriately.
2. Helping on understanding the role of learning orientation in the relationship between transformational leadership and employee. Thus, employee aware on using the learning opportunities to enhance their performance.

1.5 Scope of the Research

This research is expected to give information about the impact of transformational leadership on employee performance, and learning orientation on employee performance. Also the mediating role of learning orientation in the relationship between the transformational leadership and employee performance. The researcher limits the research context by focusing on Head office of Bank Nagari Padang.

1.6 Outline of the Research

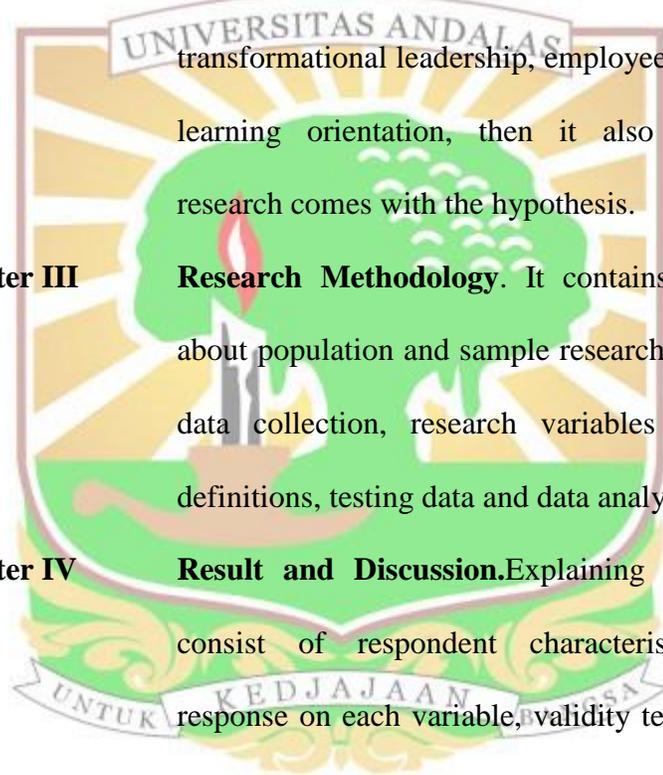
The outline of this research is divided into five chapters which make it becomes more systematic. The outline of the research, which are:

Chapter I Introduction.This chapter contains the background of the problem, the formulation of the problem, the aim of the research, the benefits of research, the scope of research and systematic writing.

Chapter II Literature Review. This chapter contains the theoretical foundation of the basic concept of transformational leadership, employee performance and learning orientation, then it also contains earlier research comes with the hypothesis.

Chapter III Research Methodology. It contains the explanation about population and sample research, the technique of data collection, research variables and operational definitions, testing data and data analysis techniques.

Chapter IV Result and Discussion.Explaining about result that consist of respondent characteristics, respondent response on each variable, validity test, reliability test, and discussion about the impact of transformational leadership on the employee performance, the impact of learning orientation on the employee performance, also the mediating role of learning orientation in the relationship between the transformational leadership and the employee performance.



Chapter V

Conclusion, Limitation, and Recommendation. In

this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research and recommendation for further research.

