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The Paradox of Leadership: Revealing the Driving Factors of Work Discipline in Local Wisdom-Based Start-Ups

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Abstract

The paper is intended to explain how the style of leadership, rewards, and punishments affect work discipline through motivation at PT. WDP, a local wisdom-based start-up company. Using a saturated sample of 34 employees and employing Partial Least Squares Structural Equation Modelling (PLS-SEM), the results show a paradox in that, whereas leadership style and motivation do not have a significant effect on work discipline, rewards and punishments turn out to be the crucial drivers. Moreover, motivation does not act as a mediating variable between leadership style, rewards, punishments, and work discipline. These findings run counter to conventional leadership paradigms that stress the importance of rewards aligned with culture and punishments being fair and consistent in disciplining. The study emphasizes the integration of local cultural values into human resource practices and suggests that participatory leadership, when tailored to an indigenous context, can further elevate employee performance. This research offers actionable insights for start-ups to effectively integrate leadership practices with local wisdom.

Keywords— Discipline; leadership; motivation; rewards and punishments; start-ups.

Abstrak

Naskah ini bertujuan untuk menjelaskan bagaimana gaya kepemimpinan, penghargaan, dan hukuman mempengaruhi disiplin kerja melalui motivasi di PT. WDP, sebuah perusahaan rintisan berbasis kearifan lokal. Dengan menggunakan sampel jenuh sebanyak 34 karyawan dan menggunakan Partial Least Squares Structural Equation Modelling (PLS-SEM), hasilnya menunjukkan sebuah paradoks, yaitu gaya kepemimpinan dan motivasi tidak memiliki pengaruh yang signifikan terhadap disiplin kerja, namun penghargaan dan hukuman ternyata menjadi pendorong yang krusial. Selain itu, motivasi tidak bertindak sebagai variabel mediasi antara gaya kepemimpinan, penghargaan, hukuman, dan disiplin kerja. Temuan ini bertentangan dengan paradigma kepemimpinan konvensional yang menekankan pentingnya penghargaan yang selaras dengan budaya dan hukuman yang adil dan konsisten dalam mendisiplinkan. Studi ini menekankan integrasi nilai-nilai budaya lokal ke dalam praktik sumber daya manusia dan menunjukkan bahwa kepemimpinan partisipatif, ketika disesuaikan dengan konteks adat, dapat lebih meningkatkan kinerja karyawan. Penelitian ini menawarkan wawasan yang dapat ditindaklanjuti bagi perusahaan rintisan untuk secara efektif mengintegrasikan praktik kepemimpinan dengan kearifan lokal.

Kata kunci— Disiplin; kepemimpinan; motivasi; penghargaan dan hukuman; perusahaan rintisan.

I. INTRODUCTION

In the dynamic business environment among start-up companies in Indonesia, company goals are achieved if human resources are well managed. One of the most significant ways of managing human resources is through ensuring work discipline among workers, thereby acting as a basis for achieving effectiveness within an organization. Work discipline refers to a standard behavior developed by the company's management through which employees stay productive and comply with the expectations set forth by the business (Tyler & Blader, 2005). The quality work of discipline is manifested by a sense of responsibility of employees and their

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commitment; this is indispensable to ensure continuity of organizational order. Essentially, it requires deliberate and focused approaches by leaders who have influential authority in shaping employee behaviors through assurance of adherence to organizational ideals and objectives.

Leadership plays a crucial role in shaping work discipline within organizations, especially in start-ups that function in dynamic and resource-limited settings. The leadership approach taken by organizational leaders has a profound impact on employees' readiness to engage, collaborate, and contribute towards the attainment of organizational goals (Hoon Song et al., 2012). Selection and implementation of an appropriate type of leadership style by a manager, in line with the cultural and operational set up in the organization, helps influence motivation among employees, instils energy, and commitment (Chowdhury, 2014; Nyengane, 2007). This is more specific for organizations that are based on native traditions, such as a start-up like PT. WDP, manufacturing controllers for electric vehicles, incorporating familial culture to build teamwork and friendship.

Motivation further complements the role of leadership in shaping work discipline. Motivation, as an amalgamation of internal drives and external influences, establishes the level at which an employee engages in their employment responsibilities and works toward meeting company goals. According to Wahjoedi (2021), when leaders motivate effectively, they create an environment where discipline is a natural, organic extension of employees' passion for their work. Various studies in the last ten years have underscored the relationship between intrinsic motivation and disciplined behavior in that motivated workers are likely to meet the standards and deadlines set by an organization (Ryan & Deci, 2000; Schunk & DiBenedetto, 2020).

Besides, reward and punishment mechanisms are the necessary tools to ensure discipline within organizations. Rewards, in the form of recognition and monetary benefits, serve as positive reinforcements for desired behaviors. Conversely, well-designed punishment structures enforce accountability and deter activities that could compromise organizational objectives (Shields et al., 2020).

Although these factors have been extensively studied in established organizations, how the leadership styles, motivation, rewards, and punishments interact in influencing work discipline in the unique ecosystem of Indonesian start-ups has not been fully captured. Start-ups face special challenges such as high uncertainty, rapid growth demands, and scarcity of resources, which render traditional approaches to leadership and motivational strategies less effective (Garvin & Levesque, 2006).

This study tries to fill the gap in understanding the paradox of leadership and its impact on work discipline in start-ups operating within a local wisdom-based framework. The research will contribute to the broader discussion of how to manage human resources in culturally embedded start-ups, using PT. WDP as a case study. It shows how leadership styles, motivational strategies, and cultural values interact in enhancing work discipline and therefore offers useful insights for both academia and practice.

In this journey, this research fits into the expanding body of literature that emphasizes context-specific strategies for enhancing organizational performance in start-ups. The study further offers practical suggestions for managers and leaders within Indonesia's start-up sector by focusing on culturally appealing leading practices that shape disciplined, motivated, and high-achieving teams.

II. LITERATURE REVIEW

The study investigates the paradoxical play of leadership styles, motivation, punishment, and rewards that shape employee work discipline within local wisdom-based start-ups. Leadership styles, especially transformational and transactional leadership, have gained great interest in the study of organizational behavior due to their perceived capacity to influence employee commitment, motivation, and discipline. According to Bass & Avolio (1994), transformational leadership inspires workers through vision, innovation, and giving them a sense of direction. This kind of leaders inspire employees to go beyond their self-interest for the common good; this is often followed by increased levels of work discipline and performance (Bono & Judge, 2004). Transactional leadership, on the other hand, is performance-based on rewards and punishment, creating an accountability system. This approach, according to Bass (1985), reinforces discipline through clearly stated expectations and consequences.

Transformational leadership has been considered important for facilitating the intrinsic motivation of employees by inspiring them, reinforcing the common vision, and giving employees the opportunity to go above and beyond their self-interest to achieve organizational goals (Bass & Riggio, 2006). Transactional leadership focuses on achieving certain targets by developed systems and defined consequences (Vroom, 1964).

H1: Leadership style influences employee work discipline.

H2: Leadership style influences motivation.

Motivation is a core psychological driver for work discipline. Deci et al. (1985) proposed Self-Determination Theory, which makes a distinction between intrinsic and extrinsic motivation. Intrinsic motivation is driven by inherent satisfaction, hence promoting sustained discipline and focus (Ryan & Deci, 2000). Extrinsic motivation, on the other hand, is shaped by rewards and recognition, hence providing clarity and direction, a factor that aligns with reinforcement theory (Skinner, 2019). In start-ups based on local wisdom, intrinsic motivation may be closely related to pride in one's culture and service to the community, while extrinsic motivation may come from such modern incentives as promotion or bonus systems. In this respect, motivation is a bridge that connects leadership, rewards, and discipline.

H3: Motivation influences employee work discipline.

H8: Motivation mediates the relationship between leadership style and employee work discipline.

Punishment is a tool for corrective behavior that may help improve discipline through the deterrence of rule violations. According to Skinner (2019), punishment decreases undesired behaviors if it is fair. However, too much punishment, according to Vroom (1964), leads to low morale and job satisfaction. Organizational justice theory by Greenberg (1993) has underlined that perceived fairness in punishment is important in order not to hurt trust while maintaining discipline. In culturally sensitive start-ups, aligning punishment with local values can further reinforce its effectiveness.

H4: Punishment influences employee work discipline.

H5: Punishment influences Motivation.

H9: Motivation mediates the relationship between punishment and employee work discipline

Rewards, on the other hand, are equally influential in shaping disciplined behavior. Expectancy theory by Vroom (1964) suggests that people are motivated when they perceive a belief in their efforts producing desirable outcomes. Reinforcement theory by Skinner (2019) adds to this that disciplined actions that are continuously rewarded will occur more frequently. In a start-up, rewards congruent with the intended culture will further strengthen belonging and ensure discipline, such as recognition ceremonies based on tradition.

H6: Rewards influences employee work discipline.

H7: Rewards influences motivation.

H10: Motivation mediates the relationship between rewards and employee work discipline.

Leadership styles, motivation, punishment, and rewards are the inseparable elements in developing work discipline in local wisdom-based start-ups. These will be understood from a more comprehensive approach using frameworks such as transformational and transactional leadership, Self-Determination Theory, reinforcement theory, and organizational justice theory. This research develops an understanding of leadership and motivation in culturally embedded organizational contexts and offers a conceptual framework that summarizes these relationships.

The conceptual framework for this research is shown in figure below.

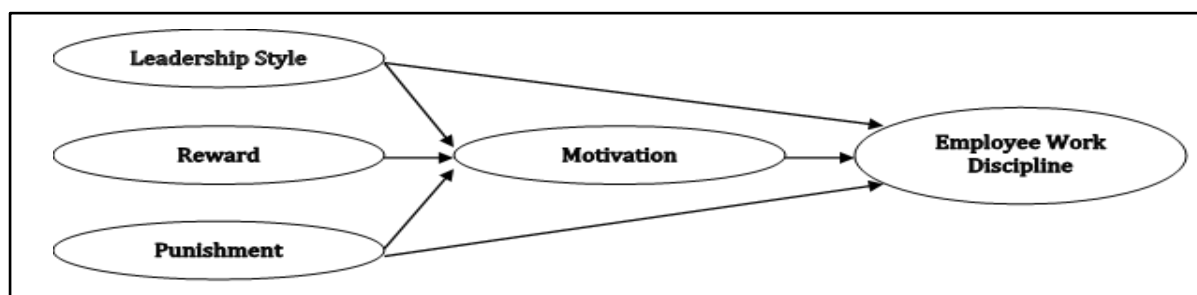


Fig. 1. Conceptual Framework (source: compiled by author)

III. RESEARCH METHODOLOGY

This research is quantitative in nature and the participants in this research are all workers at the new Indonesian start-up company PT. WDP Surabaya. The entire 34 employees of PT. WDP were surveyed through a saturated sampling technique. Although this is a small sample size, it does reflect the population so that it may be viable for small exploratory studies (Yamane, 1973; Sekaran, 2016). In small, homogenous populations (e.g., start-ups or classroom-based studies), full population surveys can be used to eliminate sampling error." (Saunders et al., 2003). For small populations (<100), a low error tolerance level (e.g. 5%) will result in a sample size that is nearly equal to the total population. Therefore, the use of the entire population (saturated sample) in this study is relevant (Yamane, 1973). In studies where the population is very small and affordable, saturated sampling methods, which involve the entire population, can be used to ensure complete representation (Sekaran, 2016). Data collection was carried out using a Google Forms survey with a Likert-5 scale ranging from "strongly disagree" to "strongly agree". This research involved five main factors assessed through 27 indicators. The dependent variable employee work discipline is evaluated using six indicators. The independent variable of leadership style is evaluated using seven indicators, the independent variable reward is evaluated using four indicators, the independent variable of punishment is evaluated using five indicators. Furthermore, the mediating variable, namely motivation, includes five indicators.

According to Mangkunegara (2011) work discipline can be measured by six indicators, namely: 1) On time coming to work; 2) Be on time to get home from work; 3) Compliance with applicable regulations; 4) Use of work uniforms according to predetermined regulations; 5) Responsibility in doing work; 6) Carry out work tasks according to the rules every day. Leadership Style Indicators according to Sitorus (2020): 1) Fair; 2) Giving suggestions; 3) Supporting goals; 4) Catalyst; 5) Creating a sense of security; 6) As a representative of the organization; 7) Source of inspiration. Rewards are considered to have a large influence on employee work discipline because with rewards, employees will compete to achieve the best performance in their respective fields of work (Suparmi & Septiawan, 2019). The following are the indicators: 1) Appropriate salary and incentives; 2) Equal awards; 3) Appropriate award level; 4) Equal treatment to every employee. Punishment are considered to provide their own encouragement so that employees can achieve maximum work performance results (Suparmi & Septiawan, 2019). The following are the indicators: 1) Reprimand or verbal warning; 2) Reduction or deduction of salary; 3) Postponement of promotion or rank; 4) Release or relinquishment of position or rank; 5) Termination of employee relations. According to Mangkunegara (2011) indicators of motivation are as follows: 1) Responsibility; 2) Work performance; 3) Opportunity to advance; 4) The desire to work to earn wages so that they can meet their own needs; 5) Challenging work.

This study employed Partial Least Squares Structural Equation Modelling (PLS-SEM), a method particularly suited for small sample sizes (Ghozali & Latan, 2015). This approach examines the relationship between variables using their respective indicators. The analysis covers various aspects, including outer loading, convergent validity, reliability, discriminant validity, inner model, and hypothesis testing. For external loading a threshold of 0.7 is applied. Discriminant validity was confirmed through cross loading with a threshold of 0.7. The Average Variance Extract (AVE) with a minimum threshold of 0.5 was used to evaluate convergent validity. Additionally, the reliability test uses a reliability criterion of 0.7 (Hair et al., 2011).

IV. RESULT/FINDING

A. Evaluation of Measurement (Outer Model)

The indicator is regarded as valid when the goal variable load factor exceeds the other variable:

Table 1. Cross loading.

Indicators	Employee Work Discipline	Leadership Style	Motivation	Punishment	Reward
EWD.1	0.787	0.750	0.736	0.728	0.770
EWD.2	0.850	0.818	0.728	0.813	0.734
EWD.3	0.904	0.836	0.853	0.852	0.903
EWD.4	0.854	0.712	0.796	0.799	0.848
EWD.5	0.872	0.768	0.871	0.800	0.749
EWD.6	0.840	0.752	0.839	0.823	0.795
LS.1	0.708	0.850	0.732	0.740	0.766
LS.2	0.705	0.884	0.760	0.753	0.752
LS.3	0.817	0.826	0.817	0.809	0.814

LS.4	0.707	0.877	0.750	0.772	0.745
LS.5	0.841	0.909	0.821	0.805	0.770
LS.6	0.738	0.875	0.712	0.717	0.780
LS.7	0.800	0.818	0.728	0.813	0.734
M.1	0.872	0.768	0.877	0.800	0.749
M.2	0.777	0.724	0.809	0.774	0.737
M.3	0.850	0.764	0.900	0.843	0.809
M.4	0.716	0.754	0.788	0.786	0.707
M.5	0.835	0.744	0.902	0.845	0.815
P.1	0.792	0.704	0.707	0.834	0.725
P.2	0.758	0.740	0.792	0.795	0.752
P.3	0.869	0.760	0.892	0.923	0.769
P.4	0.840	0.764	0.800	0.843	0.809
P.5	0.851	0.759	0.849	0.886	0.763
R.1	0.817	0.738	0.789	0.803	0.918
R.2	0.848	0.800	0.802	0.794	0.898
R.3	0.854	0.712	0.796	0.799	0.888

Source: output from Smart PLS

From the table above it can be seen that the load factor of the Reward indicator (R1 to R3) is greater than the other variables. For more details, it should be noted that the R1 load factor for Reward is 0.918 greater than the load factor for Punishment (0.803), Motivation (0.789), Leadership Style (0.738), and Employee Work Discipline (0.817). There is a pattern among the other markers. As a result, potential contracts are better able to predict one block indicator than another block indicator.

The evaluation of component dependability follows. Construction dependability serves as a proxy for latent variable development reliability. For a value to be considered trustworthy, it must be higher than 0.70. The reliability score is shown by the Cronbach Alpha value.

Table 2. Construct Reliability and Validity.

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Work Discipline	0.924	0.927	0.941	0.726
Leadership Style	0.943	0.945	0.953	0.745
Motivation	0.909	0.914	0.932	0.734
Punishment	0.909	0.915	0.933	0.735
Reward	0.916	0.916	0.940	0.798

Source: output from Smart PLS

Confidence in the reliability of measurements that accurately evaluate their underlying elements on a regular basis (Memon et al., 2017). Evaluation tools include Cronbach's Alpha and Combined Reliability. A composite reliability score > 0.7 and a predicted Cronbach alpha value > 0.7 , respectively, are required for dependability (Sarstedt et al., 2019). Additionally, each construct has a Cronbach's alpha value better than 0.7, as can be seen from the table above. Therefore, each build can be regarded as reliable. For instance, the latent variable Motivation has a Cronbach's alpha value of $0.909 > 0.7$. Motivation can be trusted. Similarly, for all other variables with a value greater than 0.7.

The rule that determines convergent validity states that factor measures must be sufficiently correlated (Ghozali & Latan, 2015). The Standard Deviation Extracted value is utilized to assess the reflex index configuration's convergence validity. At least 0.5 must be the AVE. An AVE value of 0.5 or above can, according to Sarstedt et al. (2019), 50% or more of the item variations from the previous table should be explained. Every

latent variable, as can be shown, has an AVE value greater than 0.5. The latent variable for employee work discipline, for instance, has an AVE of $0.726 > 0.5$. Therefore, employee work discipline is convergently legitimate. This also holds true for other variables with AVE values larger than 0.5.

B. Structural Model (Inner Model)

Once the external model's requirements are met by the inferred model. The structural model's internal models will then be looked at. The variables' R-square values are:

Table 3. R-Square.

Variables	R-Square
Employee Work Discipline	0.963
Motivation	0.905

Source: output from Smart PLS

The employee work discipline variable, which is displayed in the table above, has an R-square value of 0.963. This demonstrates that leadership style, rewards, punishments, and motivation can all be used to account for the variance in employee work discipline, which is 96.3%. In addition, Leadership Style, Rewards, and Punishments affect motivation by 90.5%. But the leadership style variable here has no significant effect.

Hypothesis test

Table 4. Hypothesis test result.

Relationship	Original Sample (O)	T Statistics ((O/STDEV))	P Values
Leadership Style → Employee Work Discipline	0.191	1.759	0.079
Leadership Style → Motivation	0.063	0.619	0.536
Motivation → Employee Work Discipline	0.158	0.843	0.400
Punishment → Employee Work Discipline	0.403	2.668	0.008
Punishment → Motivation	0.717	4.364	0.000
Reward → Employee Work Discipline	0.273	2.047	0.041
Reward → Motivation	0.199	1.268	0.205
Leadership Style → Motivation → Employee Work Discipline	0.010	0.353	0.725
Punishment → Motivation → Employee Work Discipline	0.113	0.822	0.411
Reward → Motivation → Employee Work Discipline	0.032	0.541	0.588

Source: output from Smart PLS

Based on the previous table. The following are the findings:

- Employee work discipline is not significantly impacted by leadership style due to P Values (0.079) > 0.05.
- Motivation is not significantly impacted by a leadership style due to P Values (0.536) > 0.05.
- Employee work discipline is not significantly impacted by motivation due to P Values (0.400) > 0.05.
- Employee work discipline is significantly impacted by punishment due to P Values (0.008) < 0.05.
- Motivation is significantly impacted by punishment due to P Values (0.000) < 0.05.
- Employee work discipline is significantly impacted by reward due to P Values (0.041) < 0.05.
- Motivation is not significantly impacted by reward due to P Values (0.205) > 0.05.
- Motivation cannot mediate the relationship between Leadership Style and Employee Work Discipline due to P Values (0.725) > 0.05.

- Motivation cannot mediate the relationship between Punishments and Employee Work Discipline due to P Values (0.411) > 0.05.
- Motivation cannot mediate the relationship between Rewards and Employee Work Discipline due to P Values (0.588) > 0.05.

V. DISCUSSION

Work discipline is one of the main pillars in the effort to build employee productivity within a local wisdom-based start-up environment. Strong work discipline will guarantee smooth operations and reflect employees' commitment to organizational goals. Leadership style, motivation, rewards, and punishment in this case become important instruments that could affect employee discipline behavior. This study tries to explore the complexity of the relationship between these variables, with particular attention paid to start-ups based on local wisdom values.

The findings of this study show an interesting paradox in that several relationships that were thought to be significant did not affect the expected impact. For example, leadership style did not significantly affect work discipline or employee motivation. This result is at variance with the traditional view that transformational leadership can drive employees to go beyond personal interests for the realization of common goals (Bass & Riggio, 2006). Transformational leadership has generally been regarded as one which can create a facilitating environment through inspiring vision, emotional support, and employee empowerment. Yet, as has been seen within the study of local wisdom-based start-ups, it would appear that this influence is weakened as more potent factors come into play with this method of leadership, such as reward and punishment.

The Paradox of Leadership Style

The insignificant relationship between leadership style and work discipline suggests that leadership itself may not be sufficient to directly affect work discipline in local value-based start-ups. One probable reason is that employees of a start-up are influenced more by the local social and cultural environment than by any formal directives from the leaders. This supports the idea that the intrinsic factors, related to work culture, such as a sense of collective responsibility and commitment to local values, may be more important in shaping disciplinary behavior.

Another interesting finding is the insignificant relationship between leadership style and motivation. The expectancy theory of motivation states that employees are motivated when they believe that their efforts will produce desired outcomes (Vroom, 1964). In this regard, a concrete reward system may have more influence on employee motivation than an abstract leadership style.

The Role of Motivation: Challenges and Limitations

According to the results of this study, the influence of motivation on work discipline has not been found to be significant, which is a finding that is quite unexpected and goes against the assumptions of the Self-Determination Theory (Ryan & Deci, 2000). One possible reason for such a deviation could be that the way the motivation was measured did not fit with the socio-cultural expectations of a local wisdom-based setting. In such cases, the motivation may be represented by the communal values, social harmony, and the symbolic recognition aspect of the people, the areas that are not fully revealed by the existing indicators. The researchers may find it very useful to improve the construct of motivation by including cultural concepts such as "gotong royong" or communal merit (Geertz, 1961) in their future studies.

This finding may indicate that there is a need to reconsider the motivational management approach in start-ups based on local wisdom. Employee motivation may be linked more to personal fulfilment through community contribution or cultural preservation than to financial rewards. This realization opens up avenues for devising reward systems that more closely align with local values, possibly incorporating symbolic recognition or accolades from the community.

The Importance of Rewards and Punishments

This study found that rewards and punishments have a significant effect on employee work discipline, which is in line with reinforcement theory (Skinner, 2019). In a work environment that adopts local values, rewards for disciplined behavior could reinforce the habit. For instance, awards in the form of recognition ceremonies that adopt local traditions not only motivate the workers but also strengthen their sense of belonging.

Punishment, in turn, has a corrective effect that is very important. The finding that punishment significantly influences employee motivation suggests that fair corrective action may lead to motivating employees to improve their behavior. However, this must be carefully done to avoid negative impacts on employee morale and trust in the organization. Organizational justice theory (Greenberg, 1993) stresses that perceptions of fairness in the application of punishment are particularly important. It also shows that punishment is deemed fair and acceptable and consistent with local norms, while serving to enhance discipline without damaging the relationship between employees and management.

Limitations of the Mediating Role of Motivation

The results of the study also show that motivation cannot mediate the relationship between leadership style, rewards, or punishments with work discipline. It means that motivation may play a more sophisticated role in bridging those variables than what has been believed so far. The probable reason is that, in the local value-based start-up context, cultural and social elements may be more influential than individual motivation in shaping work discipline. This thus suggests the need for a more holistic approach to the dynamics of motivation in such work environments.

Novelty and Practical Implications

The contributions of this study are, therefore, significant to the literature on leadership and organizational behavior in general and within the specific domain of indigenous start-ups. By demonstrating how rewards and punishments significantly outperform the impact of either leadership style or motivation, the study indicates that human resource management has to be much more adaptive. Furthermore, these findings emphasize that work discipline would be enhanced through the incorporation of local cultural values into the way management is practiced.

On the practical side, these results have implications for designing more appropriate management strategies in indigenous start-ups. For instance, using rewards that are based on the local cultural values for reinforcing disciplined behavior and punishing undisciplined behavior by applying fair but culturally consistent punishments. Besides, the more participatory leadership style, where employees are engaged in making decisions related to the local culture, would be more effective in bringing about an improvement in work motivation and discipline.

VI. CONCLUSION AND RECOMMENDATION

Successful revelations of the complex dynamics relating to leadership style, motivation, rewards, punishment, and work discipline in the perspective of local wisdom-based start-up organizations are done. These results challenge some traditional assumptions that relate to the role of leadership and motivation, at the same time underlining the significance of reward and punishment in shaping a disciplined behavior. Thus, this study provides new insight into how to effectively manage human resources within a work environment influenced by local cultural values.

Some limitations to the study include that the research sample came from a certain start-up with a small number of respondents. It has an effect on population representation and generalization. The present study did not take into account external environmental factors such as economic circumstances, governmental legislations, or market directions that may influence employee motivation to behave or act in a certain way. This may affect the relevance of the findings in changing contexts. For this reason, future research can be done with a larger number of respondents and a more heterogeneous sample to enhance the external validity and population representation. The longitudinal research will help in observing the changes in the dynamics of the relationship between the variables over a longer period of time. The explanation will be important in understanding the continued effects of leadership style, rewards, and punishments on work discipline.

The primary shortcoming of the research is the small sample size, that in a methodologically justified saturation sampling the generalizability of the results is limited. Due to these limitations of the study, the author recommend that further surveys apply more significant and various sample groups to verify the model in other organizational environments.

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