

CHAPTER 1

INTRODUCTION

1.1 Research Objective Overview

1.1.1 Company Profile

Figure 1.1

PT. Top Growth Futures Indonesia Logo



Source: <http://www.topgrowthfutures.com/en/tentang-topgrowth-futures/>

PT. Topgrowth Futures is a futures company engaged in financial services and investment both in the Forex futures and index. PT. Topgrowth engaged in financial services using Hang Seng Index, it giving the opportunity for investors to achieve real gains (Real Profit) in this business. Topgrwoth established in line with the growth in the field of futures trading has been very rapid in foreign countries. Great support from the Jakarta Futures Exchange (JFX) and Kliring Berjangka Indonesia (KBI) create a level of confidence of investors to PT. Topgrowth to become the number one broker company in Indonesia, which is trusted by customers for providing security services and the most good, and be a partner who can be trusted by customers.

Today, in the sprawling wilderness of the Asia, Indonesia is fast becoming a trading oasis for markets as diverse as gold, silver, commodities, stocks, foreign exchange and derivatives. The establishment of sophisticated, modern financial markets is undoubtedly very recent and new but Indonesia has been the focal point for investors and traders from all around the globe ever

since its inception. To control and monitor Futures trading activities the Ministry of Trade has formed BAPPEBTI (Badan Pengawas Perdagangan Berjangka Komoditi) or CoFTRA (Commodity Futures Trading Regulatory Agency) based on Act No. 32 year 1997. CoFTRA is exist to ensure that Futures Trading activities are carried out in an orderly, fair, efficient and effective way and in accordance to the policies made by Ministry of Trade and legal regulators.

PT. Topgrowth makes its debut in Indonesia bringing with it years of expertise in online trading for foreign exchange and commodity. The company brings to Indonesia its unique expertise in the foreign exchange market. Foreign exchange and commodity is the most vibrant and liquid of all financial markets enabling traders from all over the world to capitalize upon trading opportunity round the clock.

1.1.2 Company Product

1.1.2.1 Hang Seng Index

The Hang Seng Index (HSI) is a market indicator that shows the level of stock prices of 33 stocks Hang Seng (Hong Kong). The influence of each stock in the index performance is in direct proportion to the relative market prices. To - 33 this stock is classified in the category Financial, Utility, Property and Commerce & Industry. To meet the growing demand on the stock market in Hong Kong and the increased demand for equipment related to hedging, the Hong Kong Futures Exchange introduced the Hang Seng Index Spot and Futures in May 1986. The difference between the Hang Seng Index and the Hang Seng Futures Spot (other company product) is at the time of delivery contract. Hang Seng Spot Index very close to the time of delivery or as soon as possible, while the Hang Seng Index futures for delivery time will come (Future). Period of Hang Seng Index Futures contract expires at the end of each month.

1.1.2.2 Forex

Forex trading online is one of the most popular financial markets for now. With the rapid price movements and the development of increasingly sophisticated technology, PT. Topgrowth offer the chance to discover the real power of Forex through them.

1.1.2.3 CFD

Online CFD trading through Topgrowth offers the investors one of the most flexible tools to take advantage of market movements without tying up funds by trading the underlying instrument. CFDs can be bought and sold, which enables all investors to seek profit from falling as well as rising market prices unlike traditional stock trading. CFDs offer the opportunity to build a diverse, multi-product portfolio from one account with PT. Topgrowth.

1.1.2.4 Commodity

Futures contracts are standardized contracts where the amount, quality, type, place, and the delivery time has been set in advance. Because of its standards, then the “negotiations” left was just the price alone. Performance or “fulfillment” Futures Contract in accordance with the specifications set forth in the contract, secured by a special agency namely Clearing House. Under Law No.32/1997 on the Commodity Futures Trading, futures trading is everything related to buying and selling commodities with later delivery on Futures Contracts and Options on Futures Contracts. Futures trading is conducted on the Futures Exchange to trade commodities futures contracts. A place to trade the futures contract is also called the futures market. Commodity prices are established in Bursa/Exchange, took place in a transparent manner. Thus, the price would reflect the strength of the actual supply and demand.

1.1.3 Regulatory Oversight Regulated & Licensed

To control and monitor Futures trading activities the Ministry of Trade has formed BAPPEBTI (Badan Pengawas Perdagangan Berjangka Komoditi) or CoFTRA (Commodity Futures Trading Regulatory Agency) based on Act No. 32 Year 1997. CoFTRA is to ensure that Futures Trading activities are carried out in an orderly, fair, efficient and effective way and in accordance to the policies made by Ministry of Trade and legal regulators. PT. Topgrowth is a company incorporated in 2003, and authorized and regulated by the BAPPEBTI or CoFTRA with License No. 300/BAPPEBTI/SI/III/2004. Besides, PT. Topgrowth holds memberships of the following:

1. Broker Membership of Jakarta Futures Exchange (JFX) SPAB-059/BBJ/01/04
2. Broker Membership of Indonesia Commodity & Derivatives Exchange (ICDX) 047/SPKB/ICDX/Dir/IX/2010
3. Clearing House Membership of Indonesian Derivatives Clearing House (KBI) 21/AK-KBI/III/2004
4. Clearing House Membership of Identrust Security International Clearing House 012/SPKK/ISI-TF/X/2010

1.1.4 Core Business (Automation, Flexibility & Price Transparency)

PT. Topgrowth provides online trading facilities in the global foreign exchange and derivatives market. It also plans to tap the potential of the commodities market for which Indonesia is so famous for ever since its inception. With Indonesia investor community already exposed to high sophisticated online trading technology, PT. Topgrowth considers its core expertise in online trading being very well poised in meeting a sufficiently responsive target market. The company's heritage in building up its core business comes from the vast and rich experience of its management team which is at the helm of the phenomenal evolution of automated execution. Automation,

flexibility and price transparency are the hallmarks of the PT. Topgrowth trading system.

1.1.5 Vision and Mission

1.1.5.1 Vision

The vision of PT. Topgrowth is “Promote trade in the futures industry in Indonesia and become the market leader in the business field.”

1.1.5.2 Mission

The missions of PT. Topgrowth are as follows:

1. Become a Dynamic Partner.
2. Become Effective Catalyst for South East Asia financial industry.

1.2 Research Background

A company is set up with few expectations to be achieved in the future. An owner of the company wants the company to grow rapidly and has a high performance (Kepakisan, 2011). The Objective of the company depends on employees who run the company's activities. According to Paracha *et al* (2012), employee performance is heavily relying on leadership and it can play a vital role in determining the performance of employees. Futures company is a company engaged in investment advisory services on futures derivatives market which serve foreign exchange spot trading transactions, or better known as forex. According to data from Badan Pengawas Perdagangan Berjangka Komoditi (BAPPEBTI), the number of futures companies to date reaches 67 companies (www.bappebti.go.id). This shows the high level of competition among futures companies in Indonesia. The number of futures companies has resulted in an increasingly tight competitive conditions between companies. One of the efforts that must be made by a futures company in enhancing competitiveness is through increasing the performance of its human resources in this case is a sales force that called the trader.

According to Abbas & Yaqoob (2009), employee performance is an important building block of an organization and factors which lay the foundation for high performance must be analyzed by the organizations. Since every organization cannot progress by one or two individual's effort, it is collective effort of all the members of the organization. In a futures company, performance of the trader plays an important role for the company, because each trader performance is a contribution to the achievement of corporate performance. Trader in the futures company is the spearhead of the successful marketing of product and service companies that creates futures for the success of the company.

According to Hasan (in Kepakisan, 2011), leaders determine leadership style to fit the circumstances. The leadership style also affects the organization's success in achieving the objectives. For that employees should be well managed, so that employees can contribute to the advancement of the company actively. Mohammed et al (2014) said, there is a widely held belief that leadership is one of the factors that determines whether a group, an organization or even a nation will be successful. Therefore the consideration that should be done by the company to achieve improved performance trader is create a harmonious relationship between leaders and workers, it is the manager of the company with its traders. Leadership represents a combination of behaviors exhibited by one who occupies an elected, appointed, or designated position of influence in a social system (Babatunde, 2015). A leader is therefore officially obligated either formally or informally to guide and direct to those who recognize in his or her power.

According to Susilaningsih (2008), the success of a company is determined by factors of leadership, because leadership affect the performance of employees especially in raising employee morale. There is influencing factor that need to be considered such as leadership in Topgworth office. Whenever that factor is threatened, employees begin to lose morale resulting in decrease performance and satisfaction rates and causing an ineffective organization.

When there are good relations between the leader and employees, there will be contributions to team communication and solidarity, also encouragement of subordinates to accomplish the mission and objectives assigned by the organization, which resulting the factors to enhance performances. According Pradana *et al* (2012), leadership describes the relationship between the leader and the led, and how a leader directing led. Leaders can influence the behavior of subordinates through human management approach. For that organizations need leaders who can become the motor of organizational change and capable leaders set specific targets, monitor progress, and identify awards received by employees when the targets can be achieved.

PT Topgrowth is a futures company, trader or marketer in the futures company is slightly different than the marketing power of other companies. On the other companies, marketing division has been fully tied to the company, they get salaries and allowances on a regular basis either weekly or monthly but this does not apply to the futures company, compensation is given based on how much margin they get. At that point, the trader will receive a commission based on the number of transactions from the customer that they coached. So that the income of traders is very flexible. Of course, with a system like this, surely will get a different response depending on each person. People think it is a challenge to earn unlimited income, but on the other hand have argued that this means no security guarantee income for traders. PT. Topgrowth businesses face a various challenges. As the company grows, different problems and opportunities demand different solutions, and many of their trader is resigning from the company and the customer investment is decrease. The statement above is strengthened with Indonesian regulation stated in table 1.1

Table 1.1

Indonesian Regulation of Futures Trading in Futures Transaction

<p>LAW OF THE REPUBLIC OF INDONESIA NUMBER 32 OF 1997 CHAPTER VII IMPLEMENTATION OF TRADING FUTURES</p>	<ol style="list-style-type: none">1. Broker, before carrying out the transaction for the customer Futures Contract, shall draw Margin of Customer to guarantee the transaction.2. The margin referred to in paragraph (1) may be in the form of cash and / or specific securities.3. Broker shall treat the Customer Margin, including additional funds from customer transactions are concerned, as the funds belong to the Customer.4. The fund belongs to the Client as specified in paragraph (3), must be deposited in a separate account from the account at the bank Broker approved by Bappebti.5. Customer's funds can only be withdrawn from the separate account, as referred to in paragraph (4), for the payment of commissions and other fees in connection with the transaction of futures contract and / or for other purposes upon a written
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	<p>order of the Customer.</p> <p>6. If the Broker is declared bankrupt, the funds belonging to the Customer which are in possession Broker couldn't be used to meet the obligations Broker against third parties or creditors.</p>
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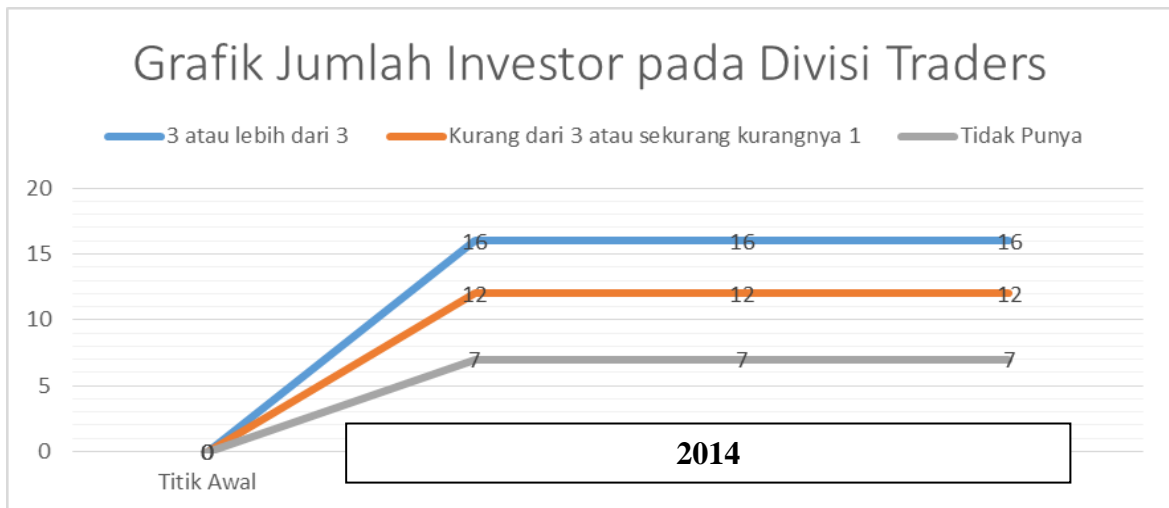
*Source: Kementerian Perdagangan RI
(bappebti.go.id/id/regulation/laws/detail/21.html)*

According to Indonesian regulation years 1997 in trading futures, PT. Topgrowth will need to turn some avoidable mistakes into opportunities, recognizing and overcoming the common pitfalls associated with growth is essential if the business is to continue to grow and stand because they will be taking care of their trader according to the regulations. Crucially, PT. Topgrowth needs to ensure that the step they take today doesn't create additional problems for the future.

Katerina et al (2013) stated that the most commonly used methods of employee performance appraisal in organizations is predefined goal-based performance appraisal. Katerina also said that performance appraisal oversight the system through organizations goals, performance standards, assign and evaluate work. On the other hand, PT Topgrowth set a regulation for its trader or marketing division to at least have 3 investor in order to increase their income with the margin up. Actually this decision can be considered good regarding regulation of trading in 2007, it can also raise the income of the traders itself because PT Topgrowth only take several person of the margin up from each trader or marketer. Below is presented the target of PT Topgrowth for its traders

as long as they work for PT Topgrowth Futures in an unlimited time period in figure 1.2, data were taken from 35 traders of PT Topgrowth Futures Bandung.

Figure 1.2
Quantity of Traders and each Investor Amount



Source: PT Topgrowth Futures Bandung

Data above shows the traders that has below 3 or at least 1 investor is 12 people and traders which has zero or no investor is 7 people which make the people who doesn't reach the target is 19 people, and only 16 people are currently on target. In current condition of a trading business in PT. Topgrowth, employee performance often having a major problem in term of creativity, innovation to gain a new investor. Leader effectiveness found in pilot study result shows in-effective leader characteristic, this is because the relation and current characteristic of leadership style in trader division of PT Topgrowth Futures Bandung is not enough to boost the employee work performance. Previous research also had been done by Utami *et al* (2010), the result shows that leadership with employee performance has a positive and significant relationship.

The observations is made in PT Topgrowth Futures Bandung and gained some views on the trader implicit complaints against marketing manager leadership style that emphasized only in margin-ins. In the high-margin set by

the company also affects the level of self-efficacy trader. There are some traders who have problems with the level of confidence in the ability of low self-esteem so that they couldn't reach the target margin specified in the company, and some have not received the customer at all. But there are also some traders who have high self-efficacy so that they believe will be its ability to market forex products so that they can reach the target set by the company. By looking at that point, it is needed to analyze the current leadership style and determine whether it is the most appropriate leadership style or not.

According to Antonakis, Avolio, & Sivasubramaniam (2003), Transformational leadership theorized to comprise the following five first-order factors: (a) Idealized influence (attributed) refers to the socialized charisma of the leader, whether the leader is perceived as being confident and powerful, and whether the leader is viewed as focusing on higher-order ideals and ethics; (b) idealized influence (behavior) refers to charismatic actions of the leader that are centered on values, beliefs, and a sense of mission; (c) inspirational motivation refers to the ways leaders energize their followers by viewing the future with optimism, stressing ambitious goals, projecting an idealized vision, and communicating to followers that the vision is achievable; (d) intellectual stimulation refers to leader actions that appeal to followers' sense of logic and analysis by challenging followers to think creatively and find solutions to difficult problems; and (e) individualized consideration refers to leader behavior that contributes to follower satisfaction by advising, supporting, and paying attention to the individual needs of followers, and thus allowing them to develop and self-actualize.

On the other hand, transactional leadership is an exchange process based on the fulfillment of contractual obligations and is typically represented as setting objectives and monitoring and controlling outcomes. Transactional leadership is summarized to comprise the following three first-order factors: (a) Contingent reward leadership refers to leader behaviors focused on clarifying role and task requirements and providing followers with material or

psychological rewards contingent on the fulfillment of contractual obligations; (b) management-by-exception active refers to the active vigilance of a leader whose goal is to ensure that standards are met; and (c) management-by-exception passive leaders only intervene after noncompliance has occurred or when mistakes have already happened, stated by (Antonakis, Avolio, & Sivasubramaniam, 2003). The last leadership style that researcher want to test in order to get the best phenomena in PT Topgrwoth is Laissez-faire leadership. Robbins (in Abdul Q. & Husnain J., 2012) explained the laissez-faire style as “Abdicate responsibilities avoid making decisions”. Laissez-faire leadership shows the absence of a transaction of sorts with respect to leadership in which the leader doesn’t want to make decisions, run from responsibility, and does not use their authority.

To identify the current leadership type in PT Topgrowth Bandung, several simple questions are given to 10 employees of PT Topgrowth. The questionnaire is consist of questions with factor that will determine which leadership styles is used in PT Topgrowth Futures Bandung. Take a look at table 1.2

Table 1.2
Questionnaire Result in Determining Current Leadership Type

Questions	Yes	No
Leader gives a good suggestion	30 %	70%
Leader favoritism to a subordinate leader	40%	60%
Leader show huge interest to his work	40%	60%
Leader give a reward to any subordinate who can achieve the target	20%	80%
<i>Leader mind his own problem</i>	70%	30%
<i>Leader often leave the office alone in worktime</i>	80%	20%

Source: PT Topgrowth futures Bandung Marketing (Trader) division.

By looking at table 1.2, the 2 last questions is a factor that showing a laissez faire leadership characteristic. 70% and 80% for each factors is can be determined as dominant from 10 person that questionnaire. PT Topgrowth Futures Bandung set a number of investor as requirement like other futures company per-trader, with that kind of responsibility the trader want or not want in order to must have at least 3 investors for each trader. In this case the leadership method is important because leadership itself is an activity with a vast appeal which most of the people are directly or indirectly, consciously or unconsciously, involved in the process of being influenced or influencing others within the process. "People are always interested in knowing the components that contribute in making an ordinary person a great leader" said Bateman & Snell in (Bodla, 2010).

PT. Topgrowth starts to expand and grow in Bandung, developing and continuing this simply becomes more difficult. As people move further away from company leadership, it is harder for them both (leader and employee) to express their ideas and be listened to. The tried and tested route for an organization to respond to these challenges is to try and impose some structure and control through greater approach. However the problem is, particularly for a growing company, the flexibility of people start to become harder to maintain. Creativity and innovation become harder to nurture, the company starts to become diffused and in short the organization starts to turn into just another (loss identity) company.

The reason why researcher chooses PT. Topgrowth because it has a problem in achieving its target. Researcher wants to know whether PT. Topgrowth are practicing the most suitable leadership style for its subordinates. According to Hameed & Waheed (2011), employee is a valuable resource (asset) of the organization. The success or failure of the organization depends on employee performance. To complete the task or job, one must have a degree of willingness and a certain level of ability. The willingness and skills of a person

is not effective enough to do something without a clear understanding of what will be done and how to do it.

Based on a preliminary survey by Mohammed *et al* (2014), it shows that the unique achievement of a leader is a human and social person who can understand the fellow workers and the through building a relationship between individual goal and the group goal, it means the transformational leadership. Research on the effects of leadership style to the performance also had been done by Munawaroh (2011), transformational and transactional leadership styles together to impact the performance of the Catholic school teachers Wijana Jombang. The first hypothesis (H1) in this study that says that the transformational leadership style and transactional jointly impact the performance of Catholic school teachers in Wijana Jombang is proven true. In addition to leadership style is quite high, then the thought of how is the overall factors that affect the performance of each employee is become measurable. Also based on research conducted by Pradana et al (2012), transformational leadership style variable (X1) partially have a significant impact on employee performance variable (Y). Transactional leadership style variable (X2) partially have a significant impact on employee performance variable (Y). Simultaneously transformational leadership style variable (X1) and transactional leadership style (X2) has a significant influence on employee performance (Y).

1.3 Problem Statement

With the large number of futures company in Indonesia, the competition is become tight among the company and it has the direct impact to the company traders. For trader to achieve company goal, it is a must to set good relationship with his or her manager. Because leadership style often become a major problem in organizational growth regarding the employee performance especially when the competition is tight in same area of business. This study is conducted to determine the current status of PT. Topgrowth leadership effect on its employee performance, also possibility of any modification to the existing condition.

Marketing or traders in a futures company often occurs a problem because they paid based on margin up (commission). Therefore, it is needed a type of leadership other than hands off leadership to improve the performance of PT. Topgrowth Futures traders division. PT Topgrowth Futures Bandung set a number of investor as requirement like other futures company per-trader, with that kind of responsibility the trader want or not want in order to must have at least three (3) investors for each trader. In this case, the leadership method is important because leadership itself is an activity with a vast appeal which most of the people are directly or indirectly, consciously or unconsciously, involved in the process of being influenced or influencing others within the process. Creativity and innovation become harder to nurture, the company starts to become diffused and in short the organization starts to turn into just another (loss identity) company. Based on that problem, researcher conduct a research with title **“The Influence of Leadership Styles toward Employee Performance (Case Study at Marketing Division of PT. Topgrowth Futures Bandung)”**

1.4 Research Questions

Based on the problem statement above, there are some research questions as follows:

1. How is transformational leadership style in traders or marketing division of PT. Topgrowth Futures Bandung?
2. How is transactional leadership style in traders or marketing division of PT. Topgrowth Futures Bandung?
3. How is the employee performance in traders or marketing division of PT. Topgrowth Futures Bandung?
4. How is the influence of transformational and transactional leadership style toward employee performance in traders or marketing division of PT. Topgrowth Futures Bandung partially, stimultainously?

1.5 Research Objective

Based on the research question above, there are some research objectives as follows:

1. To analyze transformational leadership style in traders or marketing division of PT. Topgrowth Futures Bandung.
2. To analyze transactional leadership style in traders or marketing division of PT. Topgrowth Futures Bandung.
3. To analyze the employee performance in traders or marketing division of PT. Topgrowth Futures Bandung.
4. To analyze the influence of transformational and transactional leadership style toward employee performance in traders or marketing division of PT. Topgrowth Futures Bandung partially, simultainously.

1.6 Research Benefit

1.6.1 Theoretical Aspect

1. Author

This paper is a requirement in achieving Bachelor in Management of International ICT Business.

2. Educational Institution

This research will give in-depth understanding for students to understand about the effect of leadership style toward employee performance.

3. Researcher

The researcher can also have a benefit from this paper on how understanding company. In the future they could make a deeper and better analysis of this paper and generates this to everyone who needs it.

1.6.2 Practical Aspect

In practical terms, the results of this study are expected to be input for PT. Topgrowth Futures Bandung to improve employee performance and determine the factors and actions that must be done to overcome the existing shortcomings and improve the actual situation to be better again. The results could be used as contribute ideas and input for PT. Topgrowth Futures in Bandung to improve the performance of traders primarily by the leadership style, for all traders / marketing division members.

1.7 Research Scope

The scope of this research in term of leadership will be limited on transformational, transactional leadership only. Even if there is a broad range of leadership theories and measurement. Researcher limit his study on analyzing the leadership factors using transformational leadership style and how its impact the employee performance, also using transactional leadership style and see how it will impact the employee performance. The reason researcher choose only transformational and transactional style among many variety of leadership style is to limit this research and focused only in transactional and transformational to get deeper analysis. Meanwhile, transformational and transactional leadership style are the most common styles that ever conducted by many researcher based on previous researcher. The research is only taking traders or marketing division man and woman included and all of the marketing traders is included.

1.7.1 Location and Object

The object of this research is at PT. Topgrowth Futures where researcher wants to know about the leadership styles in PT. Topgrowth futures. The location of this research is in Bandung area, located in Jl. Asia Afrika No. 94 Bandung 40261. The reason researcher choose current object in Bandung is because the access availability which is the location of the company is not to far

from researcher place in Gegerkalong and this easy access become one of the advantages to researcher because the operational cost will be reduced and time management could be well maintained.

1.7.2 Time and Period

This research is started in 2015 and will be more or less take a six months period. This year is chosen regarding one of a necessity for a researcher to graduate as a last semester student and the period chosen is from academic regulation and valid for all of International Student of Telkom University.

1.6 Final Project Systematics

The writing structure is arrange to provide a general overview about research performed with the following structures are:

I. CHAPTER I INTRODUCTION

This chapter contains a review of the object study, the background, formulation matter, purpose of study, benefit of research, and research outline.

II. CHAPTER II LITERATURE REVIEW AND SCOPE OF RESEARCH

Chapter II describes the theories that will support this research. This part also contained the Research Framework of this project.

III. CHAPTER III RESEARCH METHODOLOGY

In this chapter, the subject matters are Research Methods, approaches, and analysis techniques to explain and answer the problem

IV. CHAPTER IV ANALYSIS AND RESULT

This chapter contains discussion and explanation regarding this research based on the analysis that done in this project, and elaborates the theories that already stated in Chapter II.

V. CHAPTER V CONCLUSION AND RECOMMENDATION

Consist of restatement of the problem, brief description and procedure, principal findings and conclusions, and recommendations for a further research.