



The Impact Of Democratic Leadership Style And Work Conflict On Employee Performance At PT. Victory International Futures Spazio Surabaya

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Abstract. *The objective of this study is to analyze how the democratic leadership style and work conflict impact the performance of employees at the Surabaya Branch of PT Victory International Futures. This study adopts a quantitative methodology by gathering primary data through questionnaires using Google Form, employing a 5-point Likert scale. The data was collected from 74 respondents and interviews were conducted with the HRD of PT Victory International Futures Spazio Surabaya. Secondary data is gathered from various sources like books, articles, journals, and theses that delve into this particular research topic. The data was analyzed through Partial Least Square (PLS) which revealed that the performance of employees is mainly impacted by factors such as democratic leadership style and work conflict, while other variables beyond the research model also play a role. The findings revealed that the democratic leadership style contributes positively and significantly to performance, while work conflict also has a positive and significant impact on performance.*

Keywords: *Democratic leadership style; Work conflict , Performance*

1. INTRODUCTION

As an effort to support the company's success in achieving its planned goals, human resources are the most important factor that must be developed. Every human resource in the company is required to be able to complete the assigned tasks. Tasks that have been well completed have an influence on increasing the value of the company. This is in line with the opinion according to Mangkuprawira (2017) which reveals that one of the keys to the success of a company is highly dependent on the performance of human resources who directly or indirectly contribute to the company.

PT Victory International Futures is a company engaged in online investment (trading) with a focus on investment products such as forex, gold, currency, oil. The company was founded in 2003 in Surabaya and until now has 22 branches spread throughout Indonesia. It is found that based on interviews with HRD and target reports, the leader of PT Victory International Futures Spazio Surabaya uses a democratic leadership style, where the leader has a high caring spirit, listens to the opinions of his employees, has contributed to providing learning about understanding the company profile or marketing procedures to attract customers. In the company, this will be good because it involves employees in contributing so that employees feel valued and get the right to have an opinion. According to Nuzulla (in Pratiwi & Manafe, 2022), a democratic leadership style can be used if the group members are strong and actively involved in problem solving and decision making with their superiors.

Democratic leadership strongly emphasizes group involvement and communication between organizational members, with the leader as the center of group discussion and decision making.

Leaders are an important part of improving employee performance, the expertise that must be possessed is able to influence and motivate employees to complete the responsibilities given, because this correlates in managing and controlling functions within the company to remain consistent with company goals. As an overview of employee performance at PT Victory International Futures Spazio Surabaya, one of the most important employee performance is measured by the targets achieved each year, can be seen in the following table.

Tabel 1. Revenue Target of PT Victory International Futures Spazio

| Year | Employee Performance | | Percentage (%) |
|------|--------------------------|------------------------|----------------|
| | Revenue Target (Billion) | Total Revenue (Milyar) | |
| 2021 | 12.000.000.000 | 3.000.000.000 | 25% |
| 2022 | 12.000.000.000 | 5.000.000.000 | 41% |
| 2023 | 15.000.000.000 | 10.000.000.000 | 67% |

Based on the table above, it shows that employee performance from 2021-2023 at PT Victory International Futures Spazio has not reached the maximum target. This is also exacerbated by the increasing number of competitors in the world of Forex investment, making PT Victory International Futures Spazio have problems in meeting the targets set by the company.

Indicating that the application of this democratic leadership style has not been very effective due to the absence of affirmation and lack of consistency in sanctions given by leaders at PT Victory International Futures to their employees in pressing existing targets. In addition, employees underestimate the warnings given by the leader. This is what makes it incompatible with the company's goals in increasing targets in supporting company growth, because employees feel less motivated to achieve existing targets.

In the development of companies that always strive to provide support for their employees, it is also undeniable that company management is experiencing problems with turnover which is quite high.

Tabel 2. Employee Turnover at PT Victory International Futures Spazio

| Year | Employee Sign-in | Employee Leaves | % Employee Leaves |
|-------------|-------------------------|------------------------|--------------------------|
| 2022 | 47 orang | 21 orang | 44% |
| 2023 | 66 orang | 30 orang | 45% |

Based on the table above, the performance of employees at PT Victory International Futures Spazio is still relatively high, from the table above the employee data for the last 2 years there are employees who have left and entered the company. Turnover increases from each year easily.

The work conflict that occurs is because existing employees do not feel suitable in the world of marketing, this happens because the company is lacking in the process of checking the background of prospective employees. Second, frequent misunderstandings between employees with each other in summarizing the intentions of superiors. Third, employees are required to get prospective customers who have incomes above the average according to the criteria, Fourth, there is dishonesty between employees in the calculation of bonuses made in teams. This is what gives rise to work conflict. According to Hasibuan (in Pratiwi & Manafe, 2022) unhealthy competition in the workplace motivated by ambition and emotional responses to success is called work conflict.

Some of the conflict phenomena that make the entry and exit of employees at PT Victory International Futures Spazio so high, if things like this are allowed to continue.

2. LITERATURE REVIEW

Human Resource Management

According to Saputra and Wibawa (in Mahayani et al., 2022) Human resources are the most valuable assets owned by an organization or company, because the human element has a very large role in the success of an organization.

Every organization strives to obtain human resources that can help achieve its goals (Sandi, 2019). According to Hasibuan (in Hasanudin & Santico, 2023) Human Resource Management is the science and art of managing labor relations and tasks to be successful and efficient in achieving the goals of the company, employees, and society.

Performance

Sedarmayanti (in Ali & Riyadi, 2019; Susan, 2019) performance is the end result of employee work and the overall management process, the results of employee work need to be shown in a measurable and real way. According to Wenur et al., (2018) explained that in

general, employee performance in a company does not always increase, sometimes, even decrease, which results in business profitability in a company that is lower than ideal. This is caused by several things that cause decreased employee performance, including disputes (conflicts) in the workplace and stress that must be faced by employees. According to Bernardin and Russel in Budiasa (2021: 26) states that to measure employee performance with the following indicators quality, quantity, timeliness, effectiveness, supervision, relationships between employees.

Democratic Leadership Style

According to (Waedoloh et al., 2022) leaders are people who use their authority and leadership to direct others and are responsible for their efforts to achieve goals. According to (Yosua Ferdian Kurniawan, 2018) states that democratic leadership style is defined as a leadership style that provides opportunities for its members to develop themselves and work together to achieve organizational goals. According to Irdyanti et al (in Pratiwi & Manafe, 2022) there are several indicators of a democratic Democratic Leadership Style, namely as follows, decisions are made together, respect the potential of subordinates, accept criticism, suggestions or opinions from subordinates, collaborate with subordinates.

Work Conflict

According to Mangkunegara (Lombu & Bangun, 2022) the discrepancy between expectations and reality regarding events involving ourselves, others, and the company where we work can result in work conflict. Meanwhile, according to Wirawan (Pertiwi et al., 2021) conflicts in the workplace arise due to differences in goals, aspirations, and points of view. According to Piana (in Utomo, 2019), there are several indicators in conflict, namely communication errors, differences in goals, interdependence of work activities, differences in judgment, and errors in affection.

3. METHODS

This study employs quantitative research methodologies. The sample employed in this study utilized a saturated sampling technique, which constitutes a method of sample selection whereby all individuals within the population are included in the sample. Hence, the sample size for this study consisted of 74 participants, comprising both primary and secondary data analysis. The primary data was collected through interviews and by distributing questionnaires via Google Form to the relevant employees, measured on a Likert scale of 1 to 5, and also included interviews with the HRD of PT Victory International Futures Spazio Surabaya. Secondary data is acquired from various sources of literature, including books, articles,

journals, and theses that pertain to the subject of this research. The data acquired was subsequently analyzed utilizing Partial Least Squares (PLS).

4. RESULTS

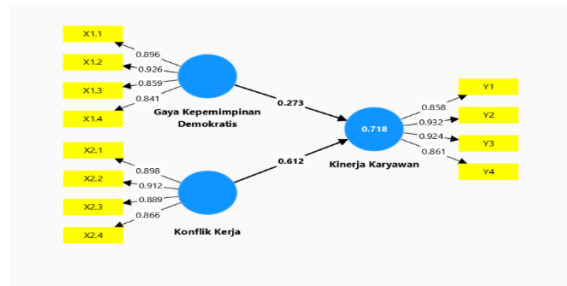


Figure 2. Outer Model Graph

In the PLS output image displayed above, it is noticeable that the loading factor values for each indicator exceed the arrow that connects the variable and the indicator. In the image above, you can also observe the magnitude of the path coefficients. Arrow lines are drawn to represent the relationship between exogenous and endogenous variables. Hence, the Democratic Leadership Style indicator reveals its strongest loading coefficient in Appreciating the Potential of Subordinates (X1. 2), which boasts the highest factor loading of 0. 926. In addition to the factor loading of the Work Conflict indicator, particularly Goal Differences (X2. 2), which holds the highest factor loading at 0. 912. In terms of employee performance, the most significant factor is Quantity (Y. 2) with a factor loading of 0. 932.

Tabel 3. Outer Loading

| | Democratic Leadership Style | Work Conflict | Performance |
|-------------|-----------------------------|---------------|-------------|
| X1.2 | 0.926 | | |
| X1.1 | 0.896 | | |
| X1.3 | 0.859 | | |
| X1.4 | 0.841 | | |
| X2.2 | | 0.912 | |
| X2.1 | | 0.898 | |
| X2.3 | | 0.889 | |
| X2.4 | | 0.866 | |
| Y2 | | | 0.932 |
| Y3 | | | 0.924 |
| Y4 | | | 0.861 |
| Y1 | | | 0.858 |

The indicator's validity is determined by examining the Factor Loading value in relation to the variable, as shown in the table. A Factor Loading value exceeding 0.6 indicates satisfactory validity. Among all the indicators surpassing 0.6, it can be affirmed that the validity is satisfactory.

Tabel. 4 Cross Loading

| | Democratic Leadership Style | Work Conflict | Performance |
|-------------|------------------------------------|----------------------|--------------------|
| X1.1 | 0.896 | 0.741 | 0.724 |
| X1.2 | 0.926 | 0.671 | 0.684 |
| X1.3 | 0.859 | 0.708 | 0.659 |
| X1.4 | 0.841 | 0.698 | 0.616 |
| X2.1 | 0.718 | 0.898 | 0.735 |
| X2.2 | 0.752 | 0.912 | 0.764 |
| X2.3 | 0.692 | 0.889 | 0.757 |
| X2.4 | 0.688 | 0.866 | 0.707 |
| Y1 | 0.628 | 0.701 | 0.858 |
| Y2 | 0.691 | 0.789 | 0.932 |
| Y3 | 0.734 | 0.79 | 0.924 |
| Y4 | 0.673 | 0.686 | 0.861 |

Through cross loading data analysis, the results reveal that the loading factor values for each indicator on the variables of Democratic Leadership Style (X1), Work Conflict (X2), and Employee Performance (Y) surpass the loading factor values of other variables. Thus, it is evident that all indicators in this research study demonstrate satisfactory validity.

Tabel 5. Avarage Variance Extracted (AVE)

| | Composite Reliability (Rho_C) | Average Variance Extracted (AVE) |
|---|--------------------------------------|---|
| Democratic Leadership Style (X1) | 0.933 | 0.776 |
| Work Conflict (X2) | 0.939 | 0.795 |
| Performance (Y) | 0.941 | 0.800 |

The AVE value (>0.5) indicates that more than half of the indicator variance is explained by the underlying construct, thus indicating good convergent validity. Based on the table, the leadership style variable AVE = 0.776 (good convergent validity), work conflict AVE 0.795, and employee performance AVE 0.800 (good convergent validity). All variables in this study

produced AVE values above 0.5, which indicates that all constructs have good convergent validity.

A composite reliability value exceeding 0.8 indicates high construct reliability. Meanwhile, if it reaches more than 0.6, the construct is considered moderately reliable. The generally accepted standard for the level of composite reliability is ≥ 0.7 . Based on table 5, each variable has a value, leadership style 0.933 (good reliability), work conflict 0.939 (good reliability), and employee performance 0.941 (good reliability). All composite reliability values on each variable in this study are above 0.8, indicating that all constructs have good reliability.

Tabel 6. R-Square

| | R-square |
|--------------------|-----------------|
| Performance | 0.718 |

The R^2 value is 0.718, indicating that the model effectively explains 71.8% of the variance in Employee Performance, considering factors such as leadership style (X1) and work conflict (X2). The remaining 28.2% of the explanation is attributed to other variables not considered in this study, aside from leadership style and work conflict.

Tabel 7. Path Coefficients (Mean, STDEV, T-Values)

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|--|----------------------------|------------------------|-----------------------------------|--------------------------------|-----------------|
| Democratic Leadership Style -> Performance | 0.273 | 0.281 | 0.118 | 2.328 | 0.010 |
| Work Conflict -> Performance | 0.612 | 0.600 | 0.118 | 5.184 | 0.000 |

From the table above, it can be concluded that the hypothesis that states:

Hypothesis 1: Democratic Leadership Style (X1) positively impacts Employee Performance (Y). This can be supported by path coefficients of 0.273, a t-statistics value exceeding 1.96 (from the table value $Z_{\alpha} = 0.05$) or with p-values of 0.010, indicating significance.

Hypothesis 2: Work Conflict (X2) may positively impact Employee Performance (Y), which is supported by a path coefficient of 0.612 and a t-statistics value of 5.184, exceeding 1.96 (as per the $Z_{\alpha} = 0.05$ table value) or with p-values of 0.000 (below 0.005), thus indicating significance (Positive).

5. DISCUSSION

The Effect of Democratic Leadership Style on Performance

The study revealed that the democratic leadership style has an impact on the performance of employees at PT Victory International Futures Spazio Surabaya. The key factor affecting Employee Performance at PT Victory International Futures Spazio is the act of acknowledging and valuing the capabilities of subordinates. Recognizing the potential of these employees results in appreciating and entrusting them with responsibilities in their work. When employees are appreciated for their hard work in task completion, it fosters a sense of value and motivation within them to successfully reach company objectives.

This research is in line with research conducted by (Ramadani et al., 2022) with the results showing that democratic leadership style is positively related to employee performance.

The Effect of Work Conflict on Performance

According to the research findings, it was discovered that work conflict has an impact on employee performance at PT Victory International Futures Spazio Surabaya. The indicator which significantly influences employee performance at PT Victory International Futures Spazio is goal discrepancies. It is normal for each person to have different goals, but if not resolved appropriately, this can lead to a prolonged conflict for the company. This will also affect the work environment negatively, creating disharmony and hampering collaboration between teams.

This research is in line with research conducted by Kurniawan et al., (2018) with results showing that work conflict is positively related to employee performance.

6. CONCLUSION

The results of tests examining the impact of leadership style and work conflict on employee performance at PT Victory International Futures Spazio have revealed significant insights. Specifically, it was found that the Democratic Leadership Style has a positive influence on the performance of employees at PT Victory International Futures Spazio Surabaya. The results indicate that the employees' performance at PT Victory International Futures Spazio Surabaya, whether high, low, or satisfactory, is directly impacted by the leadership style adopted by the leader. Moreover, work conflicts affect the performance of employees at PT Victory International Futures Spazio Surabaya. The outcomes elucidate that the varying levels of performance among employees at PT Victory International Futures Spazio Surabaya are impacted by ongoing work conflicts.

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