

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Every business has its main purpose and goals. Improving company's performances is one of the main issues that everyone faces to be able to have long-term sustainability. When sustainability is achieved, the company will prosper, and all its stakeholders will benefit from it. Although all companies want to sustain their company in the long run, the road to sustainability remains difficult. The problem lies in the inconsistency of many factors such as quality of products, management system, human resources, and many more. Such inconsistencies will affect company's overall performance.

Human resource is one of the major factors that determines how the company will perform. Every business has human resources to manage the whole business process. These days, job vacancies in Medan could be find anywhere and they keep increasing. One of the reasons causing the blooming job vacancy is because the organization is lack in maintaining internal forces, employees come and go easily without long term commitment. The main issue in maintaining internal forces is the environment inside the company, which refer to the implied leadership style to control the company's development.

The role of leadership in a company is very crucial followed by the conducted leadership style. Leaders nowadays should do their best to cooperate with their colleagues and understand the positive impact of collaborations (Dyer, 2015). There are several well-known leadership styles and Democratic Leadership is one of them where this leadership style gathers feedbacks from other parties (employees), building up creativity and individual skills and knowledge of each team members. It also brings high productivity and job satisfaction, and also in sales performance.

A company's main goal has to be clear and fixed by its vision and mission. Thus, to reach the goal, the company should generate positive rate of sales performance as the steppingstone.

Every situation and workflow in a company depends on the leader, followed by the employee's contribution and to meet the customer's expectation. The highlighted topic in this research is the leadership style that leads the employee to show good performance and customers to meet good expectation in order to achieve expected sales volume.

The research object is PT. Sarana Panen Perkasa which is located at Kawasan Industri Medan III Jl. Pulau Bunaken Blok A No. 15B Kel. Tangkahan, Kec. Medan Labuhan, Medan. The main business of the company is producing harvesting tools for agriculture industry. Customers and clients could be another company or individuals with different purpose.

PT. Sarana Panen Perkasa is a company runs by Mr. Eddyko as the leader. It has been a tradition in the company that the working system is democratic which directly involves employees in selling products.

In fact, the sales performance is influenced by the leadership style, this research will be analysing on how democratic leadership impact sales performance at PT. Sarana Panen Perkasa. Every flow of organization's process of generating sales starts from how the leader act. Martin (2015) stated that "People are an organization's greatest asset and, as frontline salespeople continue to take the spotlight when it comes to financial targets, leaders must step-up to the plate and help them deliver." This research will define how important the role of leadership in a company in order to increases sales volume. Regarding PT. Sarana Panen Perkasa is a small size business where the leader keep communication several times more than large size firm, it is crucial to choose and conduct a matching leadership style to its firm.

In the year 2014 – 2018, the fluctuating sales in PT. Sarana Panen Perkasa is shown as below:

Table 1.1 Sales of PT. Sarana Panen Perkasa; Year 2014 -2018

Year	Amount of sales (Rupiah)	% Change
2014	Rp 17,735,352,915	-
2015	Rp 20,248,595,177	12.41%
2016	Rp 20,501,572,225	1.23%
2017	Rp 21,324,243,275	3.86%
2018	Rp 28,101,629,590	24.12%

Source: Prepared by the writer (PT. Sarana Panen Perkasa, 2019)

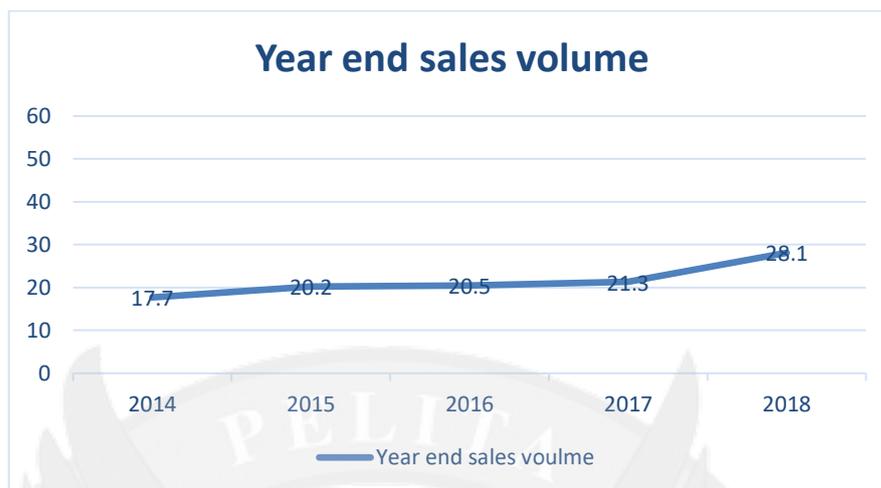


Figure 1.1 Sales of PT Sarana Panen Perkasa; Year 2014 -2018
 Source: Prepared by the writer (PT. Sarana Panen Perkasa, 2019)

The writer sees a constant rise on the sales performance of PT Sarana Panen Perkasa for the past 5 years. Hence, the writer is interested to find out more whether the sales performance increment in Rupiah is contributed by the democratic leadership style through this research with the title of “**Analysis on the Impact of Democratic Leadership Style on Sales Performance at PT. Sarana Panen Perkasa**”.

1.2 Problem Limitation

Due to the limitation of time, budget and experiences the writer will limit the scope of study by focusing on the relationship between democratic leadership style and sales performance at PT. Sarana Panen Perkasa up to year 2018.

1.3 Problem Formulation

Some organization might not really give concern about the leadership style of their leader, and some could not see the fact that leadership style actually give impact in company’s sales performance. Therefore, below are some of the problem formulation related to the statement above.

- a. How does the company apply democratic leadership style in the workplace?
- b. How is the organizational structure at PT. Sarana Panen Perkasa?

- c. How does democratic leadership style bring impact on sales performance at PT. Sarana Panen Perkasa?

1.4 Objectives of Research

The purpose of this research is to assess democratic leadership style and its impact towards sales performance at PT. Sarana Panen Perkasa. Below are objectives research of this study.

- a. To explain about the application of democratic leadership style in the workplace.
- b. To analyze the organizational structure at PT. Sarana Panen Perkasa.
- c. To analyze the impact of democratic leadership style towards sales performance at PT. Sarana Panen Perkasa.

1.5 Benefits of Research

The benefits of this research are the contribution that will be given by the concerned research result, whether from a theoretical aspect and a theoretical aspect which are as follows.

1.5.1 Theoretical Benefit

This research is hopefully could be used as theories development, the broad meaning behind the democratic leadership and its relation between sales performance in the company.

1.5.2 Practical Benefit

This research is hopefully could be used not only to provide insight to any company about the influence of democratic leadership towards sales performance in the company, but also to be used as reference material for other writers in the same subject of study.

- a. For company : To obtain the solutions to the problems that occur in the company regarding democratic leadership style.

- b. For writer : To know more how leadership style could impact sales performance in the company.
- c. For other researchers : To gain more knowledge and as further references related to the research.

1.6 Systems of Writing

This Applied Research Project consist of five chapters which each chapter will be divided into supporting sub chapter. The systematic outline of writing will be as follows:

Chapter 1 – Introduction

This chapter describes study background, problem formulation, research objective, research benefit, theoretical benefit, practical benefit and systems of writing.

Chapter 2 – Literature Review & Hypothesis Development

This chapter contains review of relevant literature on the topic discussed, previous research, hypothesis development, research model, and framework of thinking.

Chapter 3 – Research Methodology

This chapter describes research design, population and sample, data collection methods, operational variables and data analysis methods.

Chapter 4 – Data Analysis and Discussion

This chapter describes the general view of research object, results of data analysis, descriptive statistic, result of data quality testing and hypothesis testing, and discussions.

Chapter 5 – Conclusion

This chapter summarized the following result of this research by giving conclusion, implication, and recommendation.