

Analysis of Investment Managers Representatives' Performance in the Indonesian Financial Industry Sector Influenced by Transformational Leadership and Competence through Work Discipline

Ayu Puspitaningtyas

Lecture of Faculty of Economics, Universitas Krisnadwipayana, Indonesia

DOI: <https://dx.doi.org/10.47772/IJRISS.2023.7855>

Received: 09 July 2023; Revised: 04 August 2023; Accepted: 10 August 2023; Published: 09 September 2023

ABSTRACT

This research aims to analyze the performance of investment manager representatives influenced by leadership and competence and mediated by work discipline. The research population is the Investment Manager Representatives in Indonesia. The sampling technique uses the Slovin method to obtain 165 samples. This research uses primary data. The data collection uses surveys and questionnaires. The analytical method used to analyze the data is a structural equation model (SEM/Structural equation modeling). The hypothesis testing findings show that (1) transformational leadership significantly and positively influences work discipline; (2) competence has a significant effect on work discipline; (3) transformational leadership significantly and positively affects performance; (4) competence has a significant and positive effect on performance, and; (5) work discipline significantly and positively influences the performance.

Keywords: employee performance, investment manager representatives, transformational leadership, competence, work discipline

INTRODUCTION

The company's establishment aims to achieve or obtain maximum profits for its owner, maintain its survival, and realize community welfare as a social responsibility. However, to achieve these goals, the company must carry out its functions properly in finance, marketing, human resources, and operations. A good and stable performance is vital for consumers, employees, government, and suppliers. The suppliers include creditors and investors as the funds' sources (Puspitaningtyas, 2018). Based on the Financial Services Authority Regulation Number 17 of 2022, an investment manager manages securities portfolios for customers or collective investment portfolios for a group of customers, except for insurance companies, pension funds, and banks which carry out business activities based on statutory provisions. The companies that run these business activities have the names Investment Management, Investment Management, or Asset Management. Some examples are *Danareksa* Investment Management, *Panin* Asset Management, *Mandiri* Investment Management, and *Manulife* Asset Management. The permitted companies are Investment Managers (MI), while permits for personnel working in them are called Investment Manager Representatives (WMI). The Financial Services Authority is the only agency that permits MI and WMI. The process is not simple. There is a series of fit and proper tests for ensuring that the permit recipients have good ability and strong integrity.

Leadership strongly influences the success and failure of an organization (Thoha, 2004). Leaders with a transformational style will provide increased performance in the companies they lead (Nafila & Utomo, 2017). In this case, the transformational leadership model plays a role in every organization. Transformational leadership reflects an ability to inspire and motivate subordinates to achieve better results

than initially planned and for internal rewards. This includes developing closer relationships between leaders and followers. It is not just about agreements but more about trust and commitment (Zhu and Avolio, 2004). Leaders have the privilege of influencing subordinates. Based on their desires, the leaders can spread positive influence, set an exemplary example to subordinates, provide inspiration, create progress for the company, guide them to develop and grow optimally, think creatively, and invite them to have stronger loyalty (Pebriyanto & Utomo, 2022). Besides leadership, another thing that matters is competence. Competence can sharpen and broaden work capabilities. Someone who works on the same job for a long time will have better skills and be faster to get his job done. Those who have managed different tasks will also have richer and broader work experiences that allow for improved performance (Simanjuntak, 2005). Competence shows the types of work a person has done and provides more opportunities for him to get a better result. Broader work experiences mean more skills than someone possesses at work. He can also create better patterns and attitudes in acting to achieve the goals set (Abriyani, 2004).

Competence influences performance. Individuals with high competence in knowledge, skills, and abilities (based on the positions they are holding) will always be motivated to work effectively, efficiently, and productively. This is because the competence possessed can make them more skillful in managing the tasks assigned. It should be that competent individuals will improve the organizational performance. The competence level of the investment manager employees reflects the status, recognition, and fulfillment of needs in society. Therefore, in managing their competence, the investment manager employees must have applicable policies to prevent enthusiasm and performance decrease. Work discipline can also affect individual performance. Low work discipline can run in the phenomena that arise among Investment Managers. There might be a lack of understanding of existing regulations. This issue will trigger different perceptions, leading to a lack of individual awareness to comply with applicable regulations in the capital market and a lack of responsibility towards work. Unstable working conditions will lead to absenteeism, resulting in decreased work performance.

The Investment Managers do not yet show optimal leadership, competency, and individual work discipline. Therefore, they have not been able to carry out their function to manage the portfolio optimally and have not played a significant role in running business activities in the capital market. These problems and complaints can reduce work productivity and high individual turnover. This causes a decrease in organizational productivity.

METHODS

This research uses descriptive and inferential analysis using structural equation modeling (SEM/Structural equation modeling). SEM examines causality hypotheses directly and indirectly on the observed variables or constructs. It is also to check indicators that contribute to construct formation. The next step is determining the number of samples using the Slovin rule. The tolerance value is 7%, so the magnitude and causality relationship among the observed variables or constructs becomes more informative, complete, and accurate. The data collection process uses a survey technique questionnaire (Sanusi, 2011). The research takes place at 5 (five) of the best investment managers in Indonesia in Jakarta, with 165 investment manager representatives as respondents.

• ANALYSIS RESULTS

Results of Structural Equation Modeling (SEM) Analysis

Confirmatory Analysis of Exogenous and Endogenous Variables

Table 1 Factor Loading Indicators on Exogenous and Endogenous Variables

Variable	Indicator	Factor Loading
1. Exogenous		

Transformational leadership (X ₁)	Idealized influence (X ₁₁)	0,814
	Inspirational motivation (X ₁₂)	0,802
	Intellectual stimulation (X ₁₃)	0,791
	Individualized consideration (X ₁₄)	0,773
Competence (X ₂)	Motives (X ₂₁)	0,690
	Traits (X ₂₂)	0,642
	Self-concept (X ₂₃)	0,702
	Skill (X ₂₄)	0,764
	Knowledge (X ₂₅)	0,900
2. Endogenous		
Work Discipline (Y ₁)	Obedience to the rules (Y ₁₁)	0,804
	Presence (Y ₁₂)	0,750
	Responsibility (Y ₁₃)	0,950
	Punctuality (Y ₁₄)	0,652
	Work Result (Y ₁₅)	0,911
Performance (Y ₂)	Quality of work (Y ₂₁)	0,802
	Quantity of work (Y ₂₂)	0,712
	Working time (Y ₂₃)	0,933
	Cooperation (Y ₂₄)	0,981
	Supervision (Y ₂₅)	0,862
Source : Primary data, 2022		

The idealized influence indicator has the highest factor loading value for exogenous variables for transformational leadership. It is an indicator that contributes to transformational leadership. The respondents stated that idealized influence is vital for growing transformational leadership. As for knowledge competence, it contributes to observing an employee's competency.

Responsible work is the endogenous variable with the highest factor loading value for work discipline. Responsibility reflects the main contribution to work discipline. Meanwhile, performance can be reflected by cooperation indicators. It means that responsibility and cooperation are two preferred indicators to identify employees' work discipline and performance.

Structural Model

Figure 1 presents the combination of exogenous and endogenous variable models in a standardized model.

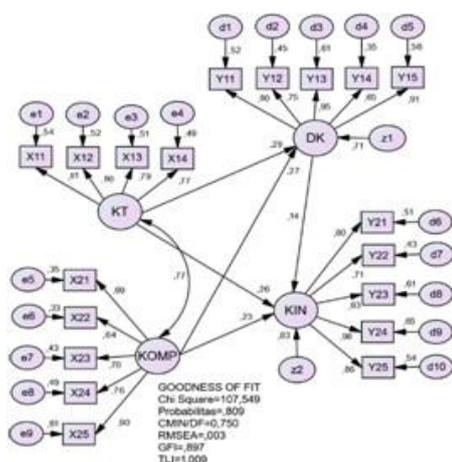


Figure 1 Full Standardized Model

The structural equation model can systematically be written as follows:

$$Y_1 = 0,294 KT + 0,270 KOMP$$

$$Y_2 = 0,261 KT + 0,233 KOMP$$

$$Y_2 = 0,144 DK$$

where Y_1 is work discipline (DK), Y_2 is performace, X_1 is transformational leadership (KT) and X_2 is competence (KOMP).

SEM Assumption Tests

- Normality test

The normality of the assessment value obtained on the skewness value (Z-value) is equivalent to the CR value at a significant level table of 1% (± 2.37). Based on the critical skewness value ratio in the assessment of normality table, the CR value is 1.872. It is on the multivariate normality test for normally distributed data distribution. In general, the research data can be a basis for further analysis.

- Outlier

The outlier test in this research considers the value of the Mahalanobis distance at a significant level ($P < 0.001$) to Chi-Square (χ^2) in the degree of freedom of the number of indicators. The Mahalanobis distance to the nineteen indicators of the research variables generates the value of χ^2 (19; 0.001) of 43.820. The results show that there is no value higher than 43.820, meaning no outliers in the research data.

- *Multicollinearity and Singularity*

The Multicollinearity test is identified by looking at the determinant value of the sample covariance matrix. The results generate the determinant value of the sample covariance matrix of 217,000. It is much higher than zero. Therefore, all the data used in this research are feasible for further analysis.

The Goodness of Fit Index

The goodness of fit index shows that the value of χ^2 – Chi-Square (df = 146) is 107.549, lower than the criterion (<175.198). Therefore, the value is good. The probability value is 0.809 (higher than 0.05). The CMIN/DF value is 0.750 (lower than 2.00). The RMSEA value is 0.003 (lower than 0.08). The TLI value is 1.009 (higher than 0.95). The Chi-Square, Probability, CMIN/DF, RMSEA, and TLI values are included in the good criteria, but the GFI value (0.897) is relatively lower than the criterion (0.90). However, it is categorized as marginal. All values indicate that the structural model in this research has met the criteria of Goodness of Fit Index, except for the GFI with a marginal value. Thus, the proposed model is accepted.

Hypothesis testing

Table 2 The Result of Hypothesis Test for Direct Influence

Variable		Coef.	C.R.	P	Information
Work Discipline	β Transformational leadership	0,293	2,613	0,006	Significant
Work Discipline	β Competence	0,270	2,421	0,010	Significant

Performace	β	Transformatioal leadership	0,262	2,303	0,014	Significant
Performace	β	Competence	0,234	2,287	0,023	Significant
Performace	β	Work Discipline	0,144	2,033	0,041	Significant
Source : Primary data, 2022						

Table 2 shows the results of direct effect tests. The coefficient value of transformational leadership on work discipline is 0.293, with a CR of 2.613 and a p-value of 0.006. This indicates that transformational leadership significantly and positively affects work discipline. The competency coefficient on work discipline is 0.270, with a CR of 2.421 and a p-value of 0.010. This shows that competence has a significant effect on work discipline. The coefficient of transformational leadership on performance is 0.262, with a CR of 2.303 and a p-value of 0.014. It shows that transformational leadership significantly and positively affects performance. The competency coefficient on performance is 0.234, with a CR of 2.287 and a p-value of 0.023. This shows that competence has a significant and positive effect on performance. The coefficient value is 0.144, with a CR of 2.033 and a p-value of 0.041. It means that work discipline significantly and positively influences performance. Therefore, the results of statistical tests prove that transformational leadership and competence have a significant and positive effect on work discipline. Transformational leadership and competence have a significant and positive influence on performance, and work discipline has a significant and positive effect on performance.

Table 3

Variable			Regression Coefisien			
Exsogenous	Mediation	Endogenous	Direct Effect		Indirect Effect	Total
			Coef.	Prob.		
transformational leadership	work discipline	performance	0,293	0,006	0,293 x 0,144 = 0,042	0,262 + 0,042 = 0,304
Competence	work discipline	performance	0,270	0,010	0,270 x 0,144 = 0,039	0,234 + 0,039 = 0,282
Source: Primary data, 2022						

The direct effect of transformational leadership on performance is 0.262, and the total influence of transformational leadership on performance through work discipline is 0.304. The direct influence of transformational leadership on performance is 0.262, and the total effect of transformational leadership on performance through work discipline is 0.304. It means that work discipline can be an intervening variable that mediates transformational leadership on performance. The direct effect of competence on performance is 0.234, and the total effect of competence on performance through work discipline is 0.282. Thus, work discipline can be an intervening variable mediating competence on performance. These results provide evidence that transformational leadership and competence positively and significantly affect performance through work discipline. Transformational leadership in this model has a stronger influence (coefficient value of 0.304) on performance through work discipline than competence.

DISCUSSIONS

Employees who can completely manage their jobs efficiently and effectively are those who have good job performance. Transformational leadership can affect their performance reflected sequentially through idealized influence, inspirational motivation, intellectual stimulation, and individualized considerations.

This finding is in line with Bass et.,al (2005) and Humphreys (2002) who found transformational leaders can change the value system of subordinates to achieve goals. Besides transformational leadership, competence also influences employee performance (Gannon, 1979; Amstrong; et., al, 1998; Inayatullah & Jehangir, 2012; Riva'i, V; et., al, 2005; Wibowo, 2007; Johnson & Elaine, 2006; Barinto, 2012). The core competence includes knowledge, skills, self-concept, motives, and traits. Competence can also mean main characteristics must be possessed by individuals so that they can achieve professional success (Kessler, 2011); (Judge, 2015). Besides influencing the performance of investment manager representatives, transformational leadership and competence also affect the discipline. Leaders with good ideals and provide motivation can strengthen their employees to be more responsible for their work. Meanwhile, those having good knowledge and adequate skills and competencies make employees become individuals with a high level of discipline. In another aspect, work discipline shows its role as a mediator of transformational leadership and competence in improving the performance of investment manager representatives. This result is similar to Utari (2015), Syahrial Nuryadin (2016), Permi (2017), Mulyani (2019), Ramli (2019), and Sari et al. (2019). Work discipline can be described as responsibility, work results, obedience to regulations, attendance, and timeliness. The work discipline system illustrates the implementation of behavior modification for problematic or unproductive employees (Mathis & Jackson, 2002).

CONCLUSION AND RECOMMENDATION

Conclusion

The analysis results show that individual competence can be seen from the individual ability to get things done. It includes a combination of motivation and nature, self-image or social role, skills, and knowledge in improving performance. Next, in terms of transformational leadership, improved performance is reflected in the leaders who always encourage their subordinates to make the leaders role models, inspire subordinates to focus on common goals, behaviors that seek to encourage subordinates' attention and awareness of the problems they face, and understanding and attention to the potential and capabilities possessed by each employee. Work discipline includes high responsibility, better work results, obedience to regulations, attendance, and punctuality. The results show that leaders can use work discipline to communicate with employees. Therefore, they will be willing to change their underperforming behavior and increase awareness to comply with all rules and norms that apply to Investment Managers.

Recommendations

The improvement of the investment manager representatives' performance can be directly influenced by competency and transformational leadership. To be more effective in improving performance, work discipline should be a mediator for competence and transformational leadership to realize rapid impacts on improving performance. The competency factor to consider for improving performance is traits. Meanwhile, in transformational leadership, individualized consideration plays a vital role.

The variables used to look at performance in this study have been shown to have an influence, but other variables outside this study are indicated to have an influence, so it is suggested that further research can examine using other variables such as compensation and organization culture to obtain more diverse results and work on existing theory. This study uses structural equation modeling, but it may be different if future research conducts research using different methods or measurement tools such as multiple linear analyses.

BIBLIOGRAPHY

1. Abriyani, Puspaningsih. (2004). "Faktor-faktor yang berpengaruh Terhadap Kepuasan Kerja Dan Kinerja Manajer Perusahaan Manufaktur", *Jurnal Akuntansi dan Auditing Indonesia*, Jakarta.
2. Amstrong; et.al. (1998). *Performance Management : The New. Realities*, Institute of Personnel and

- Development. New York.
3. Barinto. (2012). Hubungan Kompetensi Guru dan Supervisi Akademik dengan Kinerja Guru SMP Negeri Se-Kecamatan Percut SEI TUAN. *Jurnal Tabularasa PPS UNIMED*. 9(2), 201-204.
 4. Bass, B. (2005), *Leadership and Performance Beyond Expectations*. New York : The free Press.
 5. Dewan Perwakilan Daerah RI. (2006). *Untuk Apa DPD RI*. Jakarta: Kelompok DPD di MPR RI.
 6. Gannon, M. J. (1979). *Organizational Behavior: A Managerial and Organizational Perspective*. Boston-Toronto: Little Brown and Company.
 7. Hakim, A. (2015). Contribution of Competence Teacher (Pedagogical, Personality, Professional Competence and Social) On the Performance of Learning. *The International Journal Of Engineering And Science*. 4, 01-12.
 8. Humphreys, J. H. (2002), Transformational leader behavior, proximity and successful services marketing : *Journal of Services Marketing*, 16(6), 487-502.
 9. Inayatullah, A., & Jehangir, P. (2012.). Teacher's Job Performance: The Role of Motivation. *Journal of Social Sciences*.5(2), 81.
 10. Isra, Saldi. (2010). *Pergeseran Fungsi Legislasi: Menguatnya Model Legislasi Parlementer dalam Sistem Presidensial Indonesia*. Jakarta: PT RajaGrafindo Persada.
 11. Johnson, B., & Elaine. (2006). *Contextual Teaching & Learning*, terjemahan Ibnu Setiawan. Bandung: MLC.
 12. Kessler, R. (2011). *Competency Based Performance Reviews* (terjemahan bahasa Indonesia). Jakarta: PPM.
 13. Mathis, R. L. dan Jackson, J. H. (2002). *Manajemen Sumber Daya Manusia*. Jakarta: Salemba Empat.
 14. Mulyani, R. (2019). Pengaruh Gaya Kepemimpinan Dan Disiplin Kerja Terhadap Kualitas Pelayanan Masyarakat Pada Polsek Kebonpedes Polres Sukabumi Kota. *Jurnal Ekonomak*, 5(9), 1689–1699.
 15. Nafila, N., & Utomo, F. C. (2017). Pengaruh Gaya Kepemimpinan dan Motivasi Terhadap Kinerja Karyawan Pada Departemen Network Monitoring Center PT Pasifik Satelit Nusantara. *Jurnal Manajemen Bisnis Krisnadwipayana*, 5(3), 91–97. <https://doi.org/10.35137/jmbk.v5i3.151>
 16. Pebriyanto, D., & Utomo, F. C. (2022). Gaya Kepemimpinan dan Motivasi Berpengaruh Terhadap Kinerja Karyawan PT Citra Wasphtowa. *Jurnal Ekonomi Dan Industri*, 23(2), 388–399. <https://doi.org/10.35137/jei.v23i2.726>
 17. Peraturan Otoritas Jasa Keuangan Nomor 17 Tahun 2022.
 18. Permadi, I. (2017). Pengaruh Lingkungan Kerja Dan Disiplin Terhadap Kinerja Pada CV Alam Hijau Sukabumi. *Jurnal Ekonomak*, 3(1), 24–31.
 19. Puspitaningtyas, Ayu (2018). Pengaruh Struktur Modal, Beban Bunga dan Beban Pajak Terhadap Kinerja Perusahaan : Studi Kasus Pada Perusahaan Sektor Otomotif dan Komponennya yang Tercatat di Bursa Efek Indonesia, 2009-2015. *Jurnal Akuntansi dan Bisnis* 5 No. 1, akses <https://ojs.ekonomi-unikris.ac.id/index.php/JABK/article/view/242>
 20. Ramli, M. (2019). Pengaruh Reward Dan Punishment Terhadap Peningkatan Disiplin Kerja Karyawan Pada PT . London Sumatera (Perusahaan Ekspor Karet) Di Bulukumba. *Mandar (Management Development and Applied Research Journal)*, 2, 8–16
 21. Riva'i, V; et.al. (2005). *Performance Appraisal*. Jakarta: Rajawali Pers.
 22. Sanusi, Anwar. (2011), *Metode Penelitian Bisnis*, Salemba Empat, Jakarta
 23. Sari, N. I., Amin, M. J., & Hasanah, N. (2019). Pengaruh Pengawasan Melekat Terhadap Muara Ancalong Kabupaten Kutai Timur. *EJournal Pemerintah Integratif*, 7(1), 1–10.
 24. Simanjuntak. (2005). *Manajemen Dan Evaluasi Kinerja*. Jakarta: Fakultas Ekonomi Universitas Indonesia.
 25. Syahrial Nuryadin, A. dan D. S. (2016). Pengaruh Kepemimpinan, Pengawasan Dan Sanksi Hukuman Terhadap Kedisiplinan Kerja Pegawai Di Sekretariat Daerah Kota Bima. *Jmm Unram – Master of Management Journal*, 5(2), 1–14.
 26. Thoha, Miftah. (2004). *Perilaku Organisasi, Konsep Dasar dan Aplikasinya*. Jakarta: Raja Grafindo Persada.
 27. Utari, K. (2015). Pengaruh kepemimpinan dan pengawasan melekat terhadap disiplin kerja pegawai di dinas pertambangan dan energi kabupaten kutai timur. *Pemerintahan Integratif*, 3(1), 31–45.

28. Wibowo. (2007). *Manajemen Kinerja*. Jakarta: Raja Grafindo Persada.
29. Zhu, W., May, D. R., & Avolio, B. J. (2004). The impact of ethical leadership behavior on employee outcomes: The roles of psychological empowerment and authenticity. *Journal of Leadership & Organizational Studies*, 11(1), 16-26.