

Rising Company's Performance through Leadership Role: Culture, Strategies, and Management System as a Marine State

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Abstract: This research aims to learn the direct influence of transformational and transactional leaderships on Indonesian company's performance through company's culture, strategy, management accounting and control system as a marine state. This research involves descriptive and inferential designs in solving the research problem. To test the model and the hypothesis, SEM analysis is used. The populations of this research are companies registered in Indonesian stock exchange in 2012. The sampling technique uses purposive sampling. The data of the research are obtained from questionnaires distributed to respondents. The respondents are companies' managers represented by accounting and finance managers with the positions 1 and 2 levels below top management team who have direct communication with the top management. The results of the research show that transformational leadership influences company's performance directly, but not the transactional leadership. The company's culture is not the mediation variable in indirect influence on the company's performance, either in transformational or transactional leadership. On the other hand, management control system proves to be the mediation in transactional leadership on the performance but not for transformational leadership. Meanwhile, management accounting system proves to be the mediation variable in the influence of transformational and transactional leaderships. Except the variables of company's culture, strategy, management accounting system and management control system, each directly influences the performance.

Keywords: leadership, transformational, transactional, and system.

1. Introduction

It is known that one of the ways to find out a company's performance comprehensively is using CGPI measurement (Corporate Governance Perception Index). CGPI is the ranking of good corporate governance (GCG) in Indonesia's companies through research designed to support companies to increase quality in applying corporate governance (CG) through continuous improvement by evaluating and benchmarking (The Indonesian Institute for Corporate Governance, 2012:2). In reality, the performance of a company increases and decreases from time to time. The below graph shows the CGPI score of some influential companies in Indonesia which are not stable.

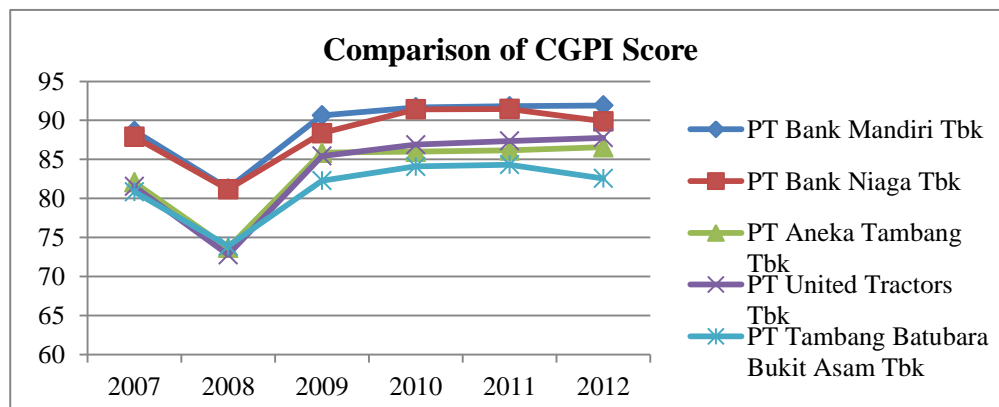
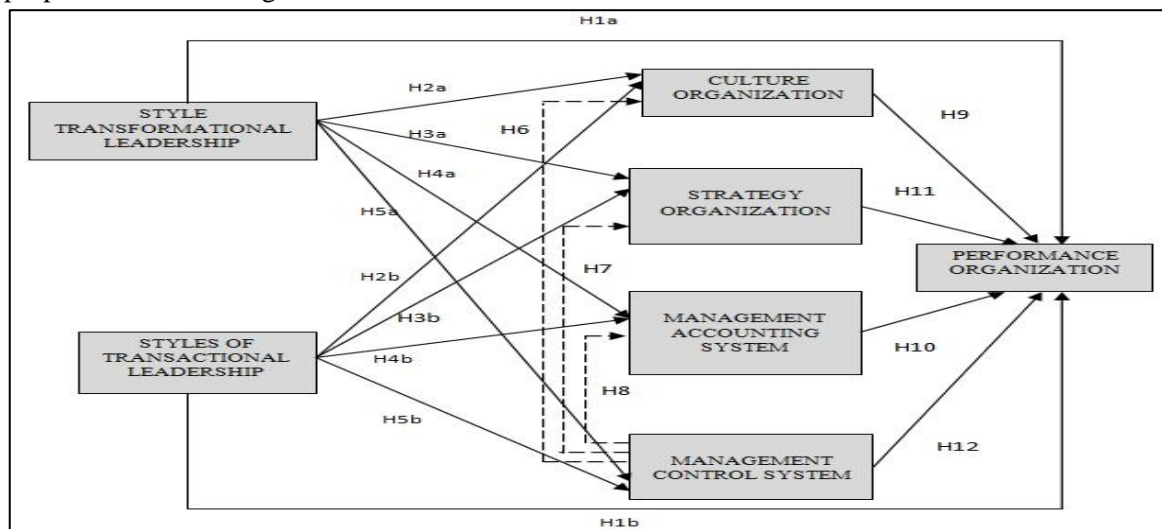


Figure 1: Graph CGPI Some Companies Year 2007-2012.

Therefore, related to the explanation above, some problems are identified that Company's performance is not stable, seen from the instability of CGPI score of some companies. Nevertheless, The unstable CGPI score shows the instability of some aspects judged by CGPI including leadership. Moreover, Leadership is an important part dealing with human resource related to company's performance, but here's no conclusive research about the influence of leadership on a company's performance. Therefore, in this research, the problem is limited to a direct relation between leadership and company's performance. Besides, it involves contextual variables (culture, strategy, management accounting system, management control system). This study seen several problems that needs to underlie.

However, the main objective of this research is to analyze whether transformational and transactional leadership with contextual variables influence company's performance. Therefore this study consider to propose the *Contingency Theory* states that strategy in line with external business environment determines the company's sustainable performance to overcome the problem. Mangkunegara (2016) urges that performance can be defined as the working results qualitatively and quantitatively achieved by an employee in doing his/her job parallel to responsibility given to him/her. Nevertheless, leadership is a process to influence others to understand and to agree with what should be done and how the job is done effectively and process to facilitate individual or collective to reach the aim together. Changing business environment needs a leader who functions as changing catalysator instead of manager who administrative works and control it. Moreover this study proposed the following framework to overcome the situations.

**Figure 2:** Research Framework

2. Research Methodology

First, description, i.e., research which aims to get a description of the characteristics of research variables. Second, inferential, i.e., to test the causal hypothesis on research model through data collecting. The research data are obtained from questionnaires distributed to respondents. The respondents of this research are companies' managers represented by accounting and finance managers with level 1 and two below the top the top management team who have direct communication with top management. Data collecting is done by using research instrument, i.e., questionnaires which use Likert scale 1-5. This research is done by using primary data, collected through a survey by sending them via post, facsimile, email or giving them direction.

The research hypothesis is tested by using Structural Equation Model (SEM) which develops and has similar function with double regression with multiple latent independents in which each is measured by some indicators. This SEM uses program or LISREL software. The research data are obtained from questionnaires distributed to respondents.

The respondents of this research are companies' managers represented by accounting and finance managers with level 1 and two below the top the top management team who have direct communication with top management. The numbers of respondents are 400 managers (from 80 companies) who work in companies registered in Indonesian stock exchange.

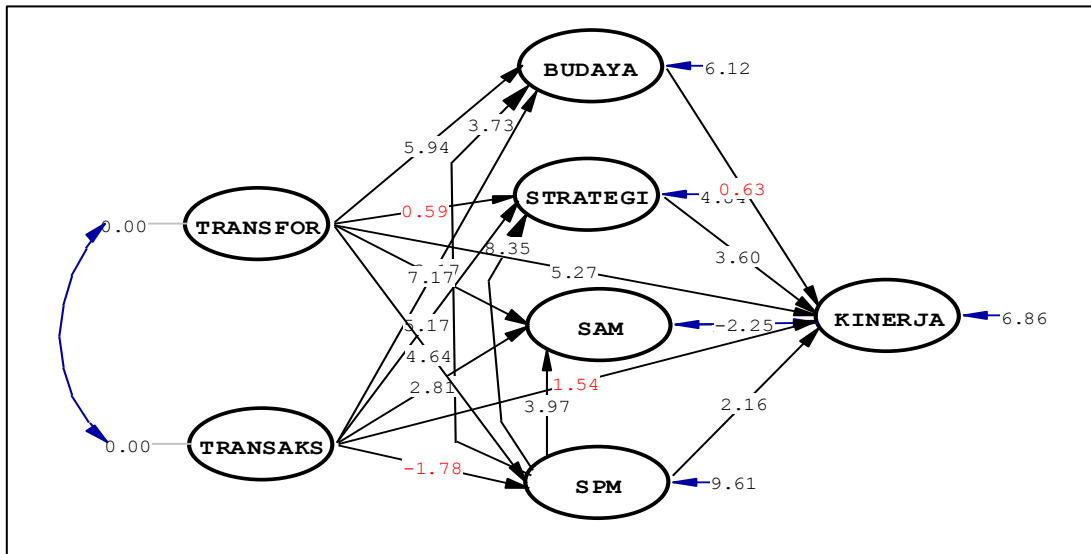


Figure 3: Lisrel Output Model

3. Research Result And Discussion

Transformational leadership influences company's performance directly. It means transformational leadership can result from better performance. Transactional leadership does not influence company's performance directly. It means transactional leadership does not motivate better performance. In this research, the indirect influence of leadership to company's performance cannot be seen from company's culture. The research results show that transformational leadership does not influence company's performance through company's culture. It means there is no influence of company's perception on the increasing or decreasing of company's performance.

The research done proves that transactional leadership does not influence company's performance through company's culture. That's why the hypothesis that states that leadership influences company's performance is not proved. The influence of transformational leadership on company's performance through company's strategy is rejected. So, the company's strategy does not strengthen or weaken the influence of transformational leadership on company's performance.

These research results show that the indirect influence of transformational leadership on company's performance occurs through management control system. This result opposes the previous research done by Muchlis (2009) whose research proved that management control system, on one side, can give negative influence on performance. In this case, Muchlis's research showed that socialization process influenced negatively by controlling power, not as intervening variable. Research hypothesis which states that there is an influence of management control system on company's performance through company's culture is rejected. This research shows that management control system can not indirectly influence company's performance through company's culture. Research conducted by Chow et. al., (1999) showed that culture influenced company's design and employees' performance on management control theoretically. Chow et.al.,(1999)

Different from this research, Lekatompessy (2012) found out that company's culture strengthened the relationship between management control system and company's capability. From this idea, it can be concluded that management control system indirectly influences company's performance through company's culture and this is supported by some previous researchers.

4. Conclusion,

The result of the research can be used as the reference in giving the suggestion, particularly for company's leaders to pay attention to mediation variables to optimize the influence of leadership on company's performance. Related to that, the implications of this research are as follows:

- 1) This research finds out that there is the direct influence of transformational leadership on performance, but not transactional leadership. So, to increase company's performance it is needed to apply the elements of transformational leadership which can give positive impact optimally to the company's performance.
- 2) This research also finds out that the most dominant indirect influence of leadership to performance is transformational leadership through management control system. It means that management control system is the most active mediation variable to increase production. So, the companies' leaders can pay more attention to management control system to increase the influence of transformational leadership on the performance optimally.

Managerial ideas that can be recommended related to the result of the research are as follows:

- 1) Hypothesis test result proves that indirect influence of transactional leadership on performance through management control system is the smallest influence. So, the effort is needed to increase this in the order it can give bigger influence to increase performance.
- 2) For Hypothesis test result also proves that direct influence of management control system on company's performance is the smallest. So, the effort is needed to increase the influence of management control system on performance, particularly those related to controlling the action management to be parallel with the goal or for the sake of the owner.

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