

GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE OF THE INFLUENCE OF LEADERSHIP STYLE ON FINANCIAL PERFORMANCE

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Abstract

This research is a quantitative research with an explanatory approach, namely an approach that uses a number of previous studies as the main reference so that the hypothesis presented by the researcher in this study can be proven. The data used in this article is primary data that researchers obtained from employees of the PUPR Ministry spread throughout Indonesia. The data were collected through a questionnaire containing five statements, namely strongly agree, agree, normal/so-so, disagree, and strongly disagree. The collected data were analyzed using the smart PLS 4.0 analysis tool. The result in this article show that each hypothesis that the researcher put forward in this article can be proven comprehensively because the P-Values are positive and below the significance level of 0.05, namely 0.003. In the first hypothesis, the Leadership Style variable can have a positive relationship direction and a significant influence on Company Performance because the P-Values value of 0.003 is positive and below the significance level. These results are due to a good Leadership Style that can make leaders and employees compact which can ultimately affect Company Performance. In addition, in the next hypothesis, the Good Corporate Governance variable can moderate the influence of the Leadership Style variable on Company Performance because of the same thing, namely the P-Values value is positive and is below the significance level of 0.05, namely 0.000, which is more significant than the direct test of 0.003. Thus, the first and second hypotheses in this article can be accepted.

Keywords : Good Corporate Governance, Financial Performance, Leadership Style

1. INTRODUCTION

A leader is an individual who leads, and leadership is a trait that a leader must have. Therefore, leadership is the ability to influence people to do and not do something (Yassin & Hasyim, 2022). Leadership is influence, the art or process of influencing people so that they will strive to achieve group goals with will and enthusiasm. (Rati Wulandari, 2019) think the same way in defining leadership. Northouse defines leadership as the process by which an individual influences a group of individuals to achieve a common goal while Johnson sees leadership as a process of social influence where the leader is the person who delegates or influences others to act in order to carry out certain goals.

Leadership according to (Handoko, 2000) is the ability possessed by a person to influence others to work towards achieving goals and objectives. Meanwhile, according to (Santoso et al., 2020) defines leadership as the process of directing and influencing activities related to the work of group members. This definition shows that leadership uses influence aimed at improving the

abilities of a subordinate. Based on this definition, it can be concluded that leadership is an effort to influence others by providing encouragement and guidance in working together to pursue goals that have been agreed upon together.

According to (Rakhmawati, 2014), operationally leadership functions can be divided into five main functions, namely: a. Instructive Function Where a leader functions as a communicator who determines what the contents of the order are, how to do a job, and where to do it so that decisions can be realized effectively. So that the function of the person being led is only to carry out orders. b. Consultative Function Where a leader can use the consultative function as two-way communication. This is used when the leader tries to make decisions that require consideration and consultation with the people he leads. c. Participation Function Where the leader tries to move the people he leads, both in making decisions and in implementing them. Each member of the group gets the same opportunity to participate in carrying out activities outlined in the main tasks, according to their respective positions. d. Delegation Function Where the leader gives the authority to make or determine a decision. So that there is a leader's trust in the person who is given the authority to carry it out responsibly. This function should be realized because the progress and development of the group cannot be realized by a leader alone. e. Control Function Where effective leadership must be able to manage the activities of its members optimally. In carrying out this function, leaders can realize it through guidance, direction, coordination, and supervision activities (Mulyani, 2018).

Leadership style can be defined as behaviors designed to integrate organizational goals with individual goals to achieve certain goals (Iverson & Dervan, 1 C.E.). Leadership style is a method used by a leader to influence the behavior of others. Each style has advantages and disadvantages. A leader will use a leadership style according to his abilities and personality. According to Gani Leadership style is a way for a leader to influence his subordinates. So leadership style is similar to the selection and use of the right elements in order to achieve and improve organizational performance. Leadership style is a way for a leader to influence other people or subordinates in such a way that the person is willing to do the leader's will to achieve organizational goals even though personally it may not be liked. Leadership style functions to influence, move, motivate and discipline others in working so that each leader has a different leadership style between one leader and another, and each subordinate certainly has a different perception of the existing leadership style (Rahmi Andini Nasution, 2023).

From a number of leadership literature, there are several leadership theories including according to (Rahmawaty, 2016): a. Trait theory Trait theory is a theory that questions what traits make someone a leader. From this theory it can be concluded that leaders are born. b. Group theory Group theory is a theory in an organization that is used to achieve its goals, so there must be a positive exchange between leaders and followers or subordinates. In this case, group theory is a shared theory. c. Situational theory and contingency model This leadership study starts from the assumption that a person's leadership is determined by various situational factors and interdependence with each other. d. Hersey and Blenchar'd's theory This theory focuses on followers of leadership that is successfully achieved by choosing the right leadership style, depending on the level of readiness or maturity of the followers. e. Leader-Member Exchange Theory Leaders create in-groups and out-groups, subordinates with in-group status have higher performance ratings, lower employee turnover rates and greater satisfaction with their superiors. f. Robert House's Path Goal Theory Among the theories of leadership, the Path Goal theory was first proposed by House (1971), which has been continuously revised and transformed into a more sophisticated model including situational variables of individual and environmental variables, systematized. This is a theory that explains the pathways that influence

subordinate satisfaction and performance according to how leadership behavior is given to subordinates using parameters and control variables (Sunarso, 2010).

Based on this explanation, researchers believe that Leadership Style can have a positive relationship direction and a significant influence on Employee Performance. There are a number of previous studies showing (Rati Wulandari, 2019); (Alfons Wodi et al., 2022); (Dien Sandra Rosuliana et al., 2022); (H, 2021); (Lastri, 2020) & (NIEL, 2013). Unlike the six studies above, this article adds the variable Good Corporate Governance as a moderating variable.

2. RESEARCH METHODS

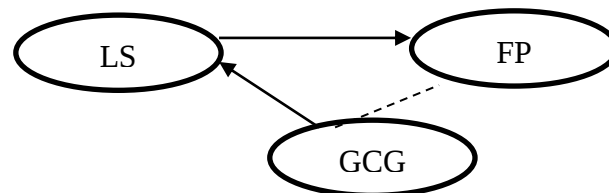


Figure 1
Model

Noted:

LS: Leadership Style

FP: Financial Performance

GCG: Good Corporate Governance

Hypothesis:

H1: The Influence of Leadership Style on Financial Performance

H2: Good Corporate Governance Can Moderates The Influence of Leadership Style on Financial Performance

Several previous studies (Rati Wulandari, 2019); (Alfons Wodi et al., 2022); (Dien Sandra Rosuliana et al., 2022); (H, 2021); (Lastri, 2020) & (NIEL, 2013) show that the Leadership Style variable can have a positive relationship direction and significant influence on Company Performance. In contrast to the studies (Rati Wulandari, 2019); (Alfons Wodi et al., 2022); (Dien Sandra Rosuliana et al., 2022); (H, 2021); (Lastri, 2020) & (NIEL, 2013) this article adds the Good Corporate Governance variable as a moderating variable which is believed to be able to strengthen the influence of the Leadership Style variable on Company Performance. This research is a quantitative research with an explanatory approach, namely an approach that uses a number of previous studies as the main reference so that the hypothesis presented by the researcher in this study can be proven (Jonathan Sarwono, 2016). The data used in this article is primary data that researchers obtained from employees of the PUPR Ministry spread throughout Indonesia (Sugiyono, 2019). The data were collected through a questionnaire containing five statements, namely strongly agree, agree, normal/so-so, disagree, and strongly disagree (Abdurahman, 2016). The collected data were analyzed using the smart PLS 4.0 analysis tool (Angioni et al., 2021).

3. RESULT AND DISCUSSION

Background Analysis

A leader is an individual who leads, and leadership is a trait that a leader must have. Therefore, leadership is the ability to influence people to do and not do something (Yassin & Hasyim, 2022) Leadership is influence, the art or process of influencing people so that they will

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Validity Test

The validity test stage is the initial stage that must be passed first in this study, namely validating each questionnaire submitted in this study. The questionnaire that will be submitted in this study contains 10 question items, namely 4 questions on the Leadership Style variable, 4 questions on the Financial Performance variable, and 4 questions on the Financial Performance variable, and 2 questions on the Good Corporate Governance variable. The ten question items were validated first with the validity test results below (Sarstedt et al., 2014):

Table 1
Validity Test

Variable	Question Item	Loading Factor
Leadership Style (X)	Leadership Style can affect Company Performance	0.874
	Leadership Style can make employees comfortable	0.885
	Employee Comfort can affect Company Performance	0.899
	Leadership Style can affect employee morale	0.892
Financial Performance (Y)	Company Performance can be affected by Leadership Style	0.905
	Company Performance can be affected by employee morale	0.915
	Company Performance can be affected by company comfort	0.924
	Company Performance can be affected by Good Corporate Governance	0.931
Good Corporate	Good Corporate	0.975

Governance (Z)	Governance can affect Company Performance	
	Good Corporate Governance can affect Leadership Style	0.988

Validity Test > 0.70

Reliability Test

Reliability Test is the second stage that must be passed after passing the validity test stage. The reliability test stage functions to analyze each variable used in this article whether it is reliable or not. The following are the results of the reliability test in this article (Ghozali, 2016):

Table 2
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Leadership Style	0.896	0.855	Reliable
Financial Performance	0.925	0.886	Reliable
Good Corporate Governance	0.945	0.905	Reliable

Reliable > 0.70

Path Coefisien

The last stage in this article is also the closing stage, namely the Path Efficiency stage. This stage serves to ensure that each hypothesis used in this article is acceptable or not. The following are the results of the Path Coefisien stage in this article (Supriyanto, 2019)

Table 3
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	LS->FP	0.003	Accepted
Indirect Influence	GCG*LS->FP	0.000	Accepted

Significant Level < 0.05

Based on the third table, the Path Coefficient in this article shows that each hypothesis that the researcher put forward in this article can be proven comprehensively because the P-Values are positive and below the significance level of 0.05, namely 0.003. In the first hypothesis, the Leadership Style variable can have a positive relationship direction and a significant influence on Company Performance because the P-Values value of 0.003 is positive and below the significance level. These results are in line with the six previous studies, namely (Rati Wulandari, 2019); (Alfons Wodi et al., 2022); (Dien Sandra Rosuliana et al., 2022); (H, 2021); (Lastri, 2020) & (NIEL, 2013). These results are due to a good Leadership Style that can make leaders and employees compact which can ultimately affect Company Performance. In addition, in the next hypothesis, the Good Corporate Governance variable can moderate the influence of the Leadership Style variable on Company Performance because of the same thing, namely the P-Values value is positive and is below the significance level of 0.05, namely 0.000, which is more significant than the direct test of 0.003. Thus, the first and second hypotheses in this article can be accepted.

4. CONCLUSION

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