

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

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Abstract

This research is a quantitative study with an explanatory approach, namely an approach that relies on any previous research as the main reference, namely research to produce new innovations, namely the addition of the Good Corporate Governance variable in this study. The data used in this article is a type of primary data obtained through direct interviews with employees in the financial sector of Bank Rakyat Indonesia throughout Indonesia which contains 10 question items from three types of themes using a multiple-choice method containing statements strongly agree, agree, normal/so-so, disagree, and strongly disagree. The data used in this article is analyzed using the smart PLS 4.0 analysis tool with the hypothesis below.

Keywords: *Leadership Style, Financial Performance, Good Corporate Governance*

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 (Yulianti et al. 2022). Leadership is influence, the art or process of influencing people so that they will strive to achieve group goals with will and enthusiasm (Yassin and Hasyim 2022). Northouse (2018) and Johnson (2017) in (Setiawan 2017) 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 (Nuraeni et al. 2017) is the ability possessed by a person to influence others to work towards achieving goals and objectives. Meanwhile, according to Priyono (2010) 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 (Rakhmawati 2014).

According to (Iverson and Dervan 1AD), 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.

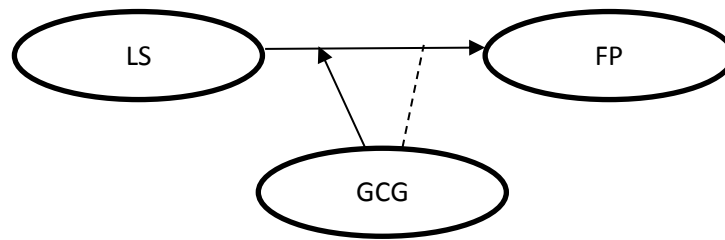
Leadership style can be defined as behaviors designed to integrate organizational goals with individual goals to achieve certain goals (Depitra and Soegoto 2018). Leadership style is a method used by a leader to influence the behavior of others. Each style has advantages and disadvantages. A leader will use a leadership style according to his abilities and personality (Faizal Roni 2019). According to (Fiorincia and Widayati 2020), 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 (Erman and Fahroby 2022).

Based on the above explanation, researchers believe that a good Leadership Style can improve Financial Performance. Financial performance is a description of every economic result that can be achieved by a company in a certain period through company activities to generate profits efficiently and effectively, which can be measured by analyzing financial data reflected in financial reports (Onoyi 2021). The financial performance indicators that can be used as signals to inform the quality of a company's financial performance. According to Lopez, Poen, Ordaz (2005) financial performance indicators include 1. Sales growth: is a manager's assessment of the company's ability to achieve targeted sales growth. (Hatane, 2015). 2. Profit growth: is a manager's assessment of the company's ability to achieve profits according to targets (Hatane 2014). 3. Sales margin: is a manager's assessment of the company's ability to control market share (Hatane 2014). 4. Profitability: is the manager's assessment of the company's ability to achieve net profit according to target (Hatane 2014). The indicators above can be used to represent the information contained in the financial performance report.

Research (Krisnadi and Tarigan 2016) shows the same purpose and intent if Leadership Style can have a positive relationship direction and significant influence on Financial Performance. Different from research (Krisnadi and Tarigan 2016), this study 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

From the first picture above, it can be concluded that this article aims to analyze the influence of Leadership Style on Financial Performance with the variable Good Corporate Governance as a moderating variable (Nur Laily 2016). This objective is in line with previous research, namely (Krisnadi and Tarigan 2016). The difference in research is only in the addition of the Good Corporate Governance variable in this study. This research is a quantitative study with an explanatory approach, namely an approach that relies on any previous research as the main reference, namely research (Krisnadi and Tarigan 2016) to produce new innovations, namely the addition of the Good Corporate Governance variable in this study. The data used in this article is a type of primary data obtained through direct interviews with employees in the financial sector of Bank Rakyat Indonesia throughout Indonesia which contains 10 question items from three types of themes using a multiple-choice method containing statements strongly agree, agree, normal/so-so, disagree, and strongly disagree (Hair 2010) & (Sugiyono 2019). The data used in this article is analyzed using the smart PLS 4.0 analysis tool with the hypothesis below (Jonathan Sarwono 2016).

Hypothesis:

H1: The Influence of Leadership Style on Financial Performance

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

3. 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 (Yulianti et al. 2022). Leadership is influence, the art or process of influencing people so that they will strive to achieve group goals with will and enthusiasm (Yassin and Hasyim 2022). Northouse (2018) and Johnson (2017) in (Setiawan 2017) 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.

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According to (Iverson and Dervan 1AD), 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.

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margin: is a manager's assessment of the company's ability to control market share (Hatane 2014). 4. Profitability: is the manager's assessment of the company's ability to achieve net profit according to target (Hatane 2014). The indicators above can be used to represent the information contained in the financial performance report.

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Validity Test

In the use of primary data on smart PLS 4.0 software, several stages must be passed sequentially, namely the validity test stage, the reliability test stage, and the path coefficient stage. Because the first stage is the validity test, the following are the results of the validity test in this article (Sugiyono 2019):

Table 1
Validity Test

Variable	Question Item	Loading Factor
Leadership Style (X)	Good Leadership Style can make company management good	0.872
	Leadership Style can make employees enthusiastic in working	0.871
	Employee enthusiasm in working can improve Corporate Performance	0.859
	Financial Performance can be influenced by Leadership Style	0.877
Financial Performance (Y)	Financial Performance can be influenced by Good Leadership Style	0.912
	Financial Performance can be influenced by employee enthusiasm in working	0.908
	Financial Performance can be influenced by loyalty in working	0.899
	Employee Performance can be influenced by Good Corporate Governance	0.932
Good Corporate Governance (Z)	Good Corporate Governance can influence Leadership Style	0.945
	Good Corporate Governance can influence Fin	0.957

Valid > 0.70

Reliability Test

The stage that cannot be overlooked and must be passed after passing the validity test stage which functions to test each data used in this study and before reaching the Path Coefficient stage is the reliability test stage. Therefore, here are the results of the reliability test in this article (Ghozali 2016):

Table 2
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Leadership Style	0.872	0.835	Reliable
Financial Performance	0.916	0.875	Reliable
Good Corporate Governance	0.952	0.912	Reliable

Reliable > 0.70

Path Coefisien

The final stage is the Path Coefficient stage which can only be passed after the researcher has passed the validity test stage and the reliability test stage. This stage functions to find out each hypothesis used in this article whether it can be successfully proven or not. Based on this, here are the results of the Path Coefficient in this article (Sarstedt et al. 2014):

Table 3
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	LS->FP	0.005	Accepted
Indirect Influence	GCG* LS->FP	0.000	Accepted

Significant Levell < 0.05

From the third picture of the Path Coefficient in this study, a concrete conclusion can be drawn if the researcher's assumptions can be accepted and proven scientifically. This is because the results of the first row of the third table above are in line with the researcher's first hypothesis, namely that the Leadership Style variable can have a positive relationship direction and a significant influence on Company Performance because the P-Value value is positive and is below the significance level of 0.05, namely 0.005. These results are in line with previous research, namely (Krisnadi and Tarigan 2016). These results are because Leadership Style is closely related to employee enthusiasm, employee loyalty, company management, and other things that can ultimately affect Financial Performance. In addition, the second row is also in line with the second hypothesis of researchers that the Good Corporate Governance variable can strengthen the influence of the Leadership Style variable on Employee Performance because the P-Values are positive and below the significance level of 0.05, namely 0.000. These results are because Good Corporate Governance can affect Leadership Style and Employee Performance. Thus, the first and second hypotheses in this article can be accepted and proven.

4. CONCLUSION

From the third picture of the Path Coefficient in this study, a concrete conclusion can be drawn if the researcher's assumptions can be accepted and proven scientifically. This is because the results of the first row of the third table above are in line with the researcher's first hypothesis, namely that the Leadership Style variable can have a positive

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