THE EFFECT OF LEADERSHIP STYLE AND ORGANISATIONAL CULTURE TO COMPANY PERFORMANCE THROUGH STRATEGY OF INNOVATION AS INTERVENING VARIABLE IN PT. BINTANG SARANA EKSPRESS

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ABSTRACT

This research represents about leadership style and organisational culture mediated by PT. Bintang Sarana Ekspress to improve company performance. The purposes of this research are acquiring and analyzing leadership style and organisational culture which should be executed to acquire favorable company performance. In this research leadership style and organisational culture used as independent variable, company performance (organization) used as dependent variable and strategy of innovation as intervening variable. This research used quantitative research approach by applying survey research method with primary data collection utilizing questionnaire. Sample used in this research were obtained by sample taking technique (non probability sampling) with saturated sampling. Populations used in this research were middle management and staff. Data processed by using Structural Equation Modelling (SEM) by applying software program of Partial Least Square (PLS). The result of research indicates that (1) leadership style affects positively and significantly to company performance, (2) organisational culture does not affect to company performance, (3) leadership style affects positively and significantly to strategy of innovation, (4) organisational culture does not affect to strategy of innovation, (5) strategy of innovation affects positively and significantly to company performance.

Key Words: Leadership Style, Organisational culture, Strategy of Innovation, Company Performance, Structural Equation Modeling (SEM), Partial Least Square (PLS)

INTRODUCTION

Sector of transportation plays key role in the sustainability of industries in Indonesia regarding to distribution of goods as the result of production. This case is evidenced by Data of Indonesian Truck Entrepreneurs Association (Data Asosiasi Pengusaha Truk Indonesia) (2014) indicating that nowdays there were 5,1 millions fleet of trucks in Indonesia and also Data from Lembaga Riset Frost and Sullivan (2015) that showed market growth of Transportation and Logistic increased as high as 15,2 % from the previous year. Each industry has to be capable to have strategy of innovation to be able to compete to show the best performance for its consumers. Innovation can be created as main indicator in an organization to achieve competitive

excellence. Innovation is the effective way to create different thing not only create added value for its consumers. Emergence of strategy of innovation is caused by leadership style in the company. Leadershidp style based on innovation has to have evolution in accordance with its environment development. Leader with her or his leadership style has to be intrepid to think differently to create opportunity and actualize purpose of organization. Leadership style is very decisive for the success of an organization in developing capability and its competency to win the rivalry sustainably by showing the best performance. Leadership style with organisational culture have a close relation. Leadership style and organisational culture are a highly dependent phenomenon, since each aspect from leadership style finally establish organisational culture. Tendency of organization in order to encounter global rivalry has to be addressed well since it can cause impact to the company practice. Compatibility between organisational culture and values owned by member will create facvorable performance. This case issues need of organization for innovative organisational culture which is able to direct and develop company to manage and control in order to survive constantly to global rivalry. This research was conducted in PT. Bintang Sarana Ekspress with reason (1) that trust given by Direktur Utama to Direktur Komersial to lead PT. Bintang Sarana Ekspress (2) existence of reshuffle of organization structure in the early 2016 (3) this trucking company does not have differentiator compared to its competitors. Based on theory and previous research result, it can be seen that few researchers investigates direct effect between leadership style and organisational culture to company performance and they have not indicated consistent result in relation among variables. This research was conducted to find whether there is effect of leadership style and organisational culture to company performance through strategy of innovation.

LITERATURE REVIEW
Previous Research
One of research which can be created as reference is research conducted by Romadon and Hanifah (2015). This research aimed to test effect of leadership style, technology and rivalry to strategy of innovation and company performance (organization). Leadership style, technology and rivalry used as dependent variable, organization performance as independent variable and strategy of innovation as intervening variable. Data was processed by using SEM method by utilizing PLS software. Result of this research indicated that leadership style affected positively to strategy of innovation, advanced manufacturing technology affected positively to strategy of innovation, rivalry affected positively to strategy of innovation and strategy of innovation affected to company performance (organization). Research which can be created as referenece is research by Marta dan Suharnomo (2011). The research aimed to ascertain effect of leadership style, organisational culture to organization performance with responsiveness as intervening variable in CV. Enggal Jaya. Result of this research indicated that leadership style affected positively to organization performance and organisational culture affected positively to organization performance.

Company Performance
Measurement of performance can be conducted by evaluating by comparing performance set to realization. Result of the measurement can be used to ascertain how high the deviation occurs and how far the improvement has been achieved so that further action on performance measurement results can be taken (Hartini,2012:84). Tika (2010:121) defined performance as work or activity of someone or group in an organization orienting to result and the performance was affected by various factors to achieve the purpose of organization. Assessment of success in achieveing the purpose can be ascertained from implementation of work result. Simbolon (2015:92) opined that company performance was success level of management in company resources management in order to create value for stockholder.

Strategy of Innovation

Strategy of innovation is as a form of formal plan regulation and it develops long term strategy of organization to achieve purpose and target of organization (Sidow and Ali, 2014:114). Strategy of innovation is new paradigm, different focus and new tools. The outcomes are differentiation in form of new market, new business model, dan increased value which will yield new growth (Sniukas, 2014:1). Nurjanah (2015:28) opined that innovation has been known as noteworthy factor in escalating profit, positioning and performance for company in encountering market dynamics. By performing innovation, organization shows off to transformation of dynamic market to create or maintain its competitiveness.
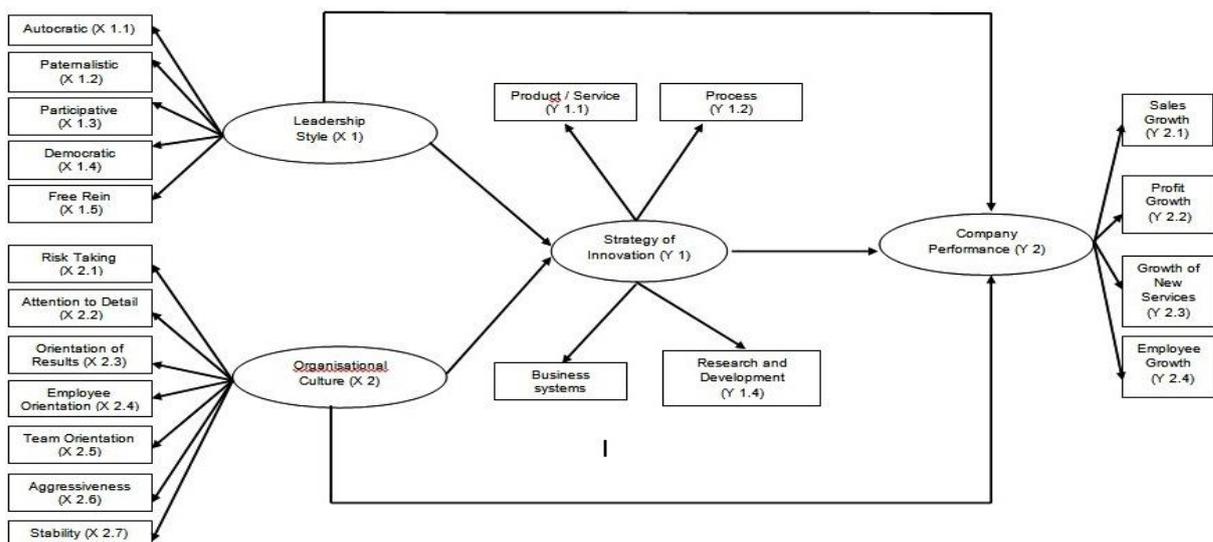
Organisational culture

Sutrisno (2010:2) defined that organisational culture as device of values system, trust, assumptions, or norms which have stood protractedly, agreed and followed by the members of an organization as guidance of attitude and behavior and solution of problems of its organization. Tika (2010:14) opined that the main function of organisational culture was as differentiator limit to organization, as adhesive among employees in organization, to promote stability of social system, as control mechanism in uniting and establishing behavior of employees, as integrator, as medium to solve main problems of organization, as reference in company, as reference in establishing company plan and as communication device.

Leadership Style

Leadership style is pattern of leader behavior in affecting attitude, behavior and others for her or his followers. Leadership style of a leader can vary depend on quantity and quality of the followers, situation and culture of social system. A leader can use a number of different pattern or style in affecting her or his followers (Wirawan, 2013:352). Sengupta and Sunita (1997) *in* Mas'ud (2004) *in* Marta dan Suharnomo (2011) stated that leadership style consisted of four dimensions of leadership style namely: Authoritarian Style, Nursery Style, Task Oriented Style and Participative Style. Behavior of leadership style was interaction ways of a leader in executing activity of her or his employees. Behavior style and action style will emerge from ways of the leader while executing work (Soekarso, dkk. 2010:44).

CONSEPTUAL STRUCTURE

Hypothesis

1. There is effect of leadership style which is significant to company performance of PT. Bintang Sarana Ekspress.
2. There is effect of organisational culture which is significant to company performance of PT. Bintang Sarana Ekspress
3. There is effect of leadership style which is significant to strategy of innovation of PT. Bintang Sarana Ekspress
4. There is effect of organisational culture which is significant to strategy of innovation of PT. Bintang Sarana Ekspress
5. There is effect of strategy of innovation which is signigficant to company performance of PT. Bintang Sarana Ekspress

RESEARCH METHODS
Variable and Definition of Operasional Variabel

Definition of operasional variable is required in order to measure a concept. As for the definition of operasional variabel from each variable of this research namely:

Variables	Definition	Indicator
Leadership Style (X1)	The pattern of behavior of a leader in influencing attitudes, behaviors and his followees (Wirawan, 2013:352)	Wirawan (2013) describes leadership style indicators consisting of : • Autocratic • Paternalistic • Participative • Democratic • Free Rain
Organisational Culture (X2)	A system of values, beliefs, assumptions, or long-standing norms, agreed and followed by members of an organization as a code of conduct and solving its organizational problems (Sutrisno, 2010:2)	Hakim (2015) describes organisational culture indicators consisting of: • Risk Tasking • Attention to Detail • Orientation of Results • Employee Orientation • Team Orientation • Aggresiveness • Stability
Strategy of Innovation (Y1)	Conceptualizing activities as well as problem solving ideas by bringing economic value to the company and social values to society and can realize the company in achieving economies of scale that can be used to reduce costs to lower and get higher revenue (Soleh, 2008:41)	Crespell and Hensen (2008) ; Sartika (2015) describes strategy of innovation indicators consisting of: • Product /Service • Process • Business System • Research adn Develompment
Company Performance (Y2)	The work or activity of a person or group within an organization that is result oriented and performance is influenced by various factors to achieve organizational goals (Tika, 2010:121)	Kusumawati (2010) describes company performances indicators consisting of: • Sales Growth • Profit Growth • Growth of New Service • Employee Growth

Population and Sample

Writing of this thesis used quantitative research approach. Samples used in this research were obtained by sampling technique of probability sampling with saturated sampling. Populations used in this research were middle management and staff which were created as sample, so that it can be stated that samples in this research were saturated sample. Quantity of samples which were created as respondents in this research was 20 people. Reason of sampling of middle management and staff was fixed since a) was executive of summit management decision who was able to interact with employees and summit management and b) often involved directly with policies implemented by summit management.

Data Collection Method

Data source used in this reseach originated from primary data and secondary data. Primary data obtained by using data collector tool by utilizing questionnaire as data collector tool and secondary data was monthly financial report of company. Questionnaire in this research used closed question format with alternative answers which have been provided. This research used interval measurement scale to evaluate answers from respondents. Respondents were asked to determine the choice of answers on rank in accordance with their respective thoughts. This research used likert scale to measure level of bargain to a question with criterias which have been determined.

Data Analysis Technique

Data analysis method used in this research was SEM method based on variants by utilizing analysis of Partial Least Square (PLS) since researchers intend to ascertain relation among variables obtained from direct survey result. PLS analysis could be used in sample quantity which was not great and could be applied in all data (Abdillah dan Jogiyanto, 2015:150). Examination in this research used smart PLS version 3.0 software. PLS analysis was executed by three steps namely, outer model analysis (convergent validity, discriminant validity and composite realibility), inner model analysis (assessment of goodness of fit and inner model hypothesis test) and hypothesis test. In this research there was intervening variable namely strategy of innovation. It could be determined as intervening variable if variable of strategy of innovation influences relation between variables of independent and dependent. Examination of direct or indirect effect was executed by testing strength of indirect effect of independent variable to dependent variable through intervening variable. It could be stated that it had direct effect if the coefficient value of its direct effect was greater than its indirect effect and it could be stated that it had indirect effect if the coefficient value of its indirect effect was greater than its direct effect.

RESULT

Outer Model Evaluation

- **Convergent Validity**

  An indicator could be stated that it had its convergent validity if it had outer loading value >0,5 Hussein (2015:19). Cut-off AVE value which was often used was 0.50, in which AVE value minimum 0.50 indicated standard of good convergent validity namely condition in which latent variable could explain the average more than half of variance from its indicator (Purnami, 2013:58). Since in this research outer loading value >0.5 was obtained accordingly there was no indicator which was removed and validity of each indicator variable could measure exactly or it could be stated that the whole indicators were valid.

- **Discriminant Validity**

  Discriminant validity could qualify the requirement if cross loading value of indicator in its variable was the greatest compared to other variables. The result of cross loading above indicated that each indicator used in this research had the greatest cross loading value in that variable itself compared to the other variables. It could be stated that indicator used in this research had good discriminant validity value in its respective variables. The other method used to assess discriminant validity was comparing square root of average variance extracted value of each construct with correlation among the other constructs in model. If the root value of AVE of each construct was greater than correlation value between construct and the other construct in model, it could be stated that it had good discriminant validity value. AVE value for each variable had construct value > 0.50 which meant no problem of validity convergen in the tested model.

- **Composite Reliability**

Composite reliability tested consistency in measurement of each variable. Composite reliability could be stated that it was favorable if it had the value above >0.70. Based on the test result it could be seen that composite reliability value for each latent variable had value > 0.70 and it could be stated that measure used in this research was reliable.

- **Outer Model Hypothesis Test**

Advisability of a model also could be seen from hypothesis outer loading test, in which if t-statistik was greater than t-hitung (1.96) accordingly it could be stated that it was significant which meant the indicator could be used as measure to latent variable. From the test result it could be seen that t-statistik for each indicator already stood above recommended value specifically above 1.96 or t-hitung > t-tabel. The result was stated that indicator in variable of leadership style, organisational culture, strategy of innovation and company performance could be used as measure to the variables.

Inner Model Evaluation
- **Godness of Fit Assessment**

R-Square Test was used to variant measurement in transformation of independent variable to dependent variable. The higher R2 value accordingly the better prediction model and proposed model. Based on the test result it could be discovered that R2 value for company performance variable was in the amount of 0.763. This value indicated that company performance was affected by leadership style and organisational culture in the amount of 76.3%, the rest was in the amount of 23.7% was affected by other factor which was not found in model and R2 value for variable of strategy of innovation was in the amount of 0.297. This value indicated that strategy of innovation was affect by leadership style and organisational culture in the amount of 29.7%, the rest was 70.3% was affected by other factor which was not found in model.

Goodness of fit assessment in PLS model could be discovered from Q2 value. Q2 value had the same meaning with coefficient of determination (R2). It could be stated that the higher Q2, accordingly the fitter model with data. From model in this research total Q2 value which was obtained was in the amount of 83.4 % which meant the magnitude of data percentage which could be explained by model was in the amount of 83.4 % while the rest was 16.6 %, in which this was the effect of other variable which was not found in model.

- **Inner Model Hypothesis Test**

Hypothesis of research could be accepted if value of t count > t table in the error rate (α) 5% specifically 1.96. Result of the research indicated that t-statistik was greater than t-tabel which meant that there was positive and significant effect from leadership style effect to company performance (H1), there was positive and significant effect from leadership style effect to strategy of innovation (H3) and there was positive and significant effect from effect of strategy of innovation to company performance (H5). However, result of the different research was showed in (H2) specifically there was no significant effect from organisational culture effect to company performance and (H4) there was no significant effect from organisational culture effect to strategy of innovation.

- **Direct and Indirect Effect**

From result of the research it could be seen that coefficient value of direct effect path of leadership style to company performance was in the amount of 0.480 while coefficient of effect path of leadership style to company performance through strategy of innovation was

0.695. The calculation result indicated that effect coefficient through strategy of innovation was greater than its direct effect acoordingly it could be stated that the correlation of leadership style to company performance was greater than its effect when it was mediated by variable of strategy of innovation.

DISCUSSION

In this research, examination of direct effect of leadership style and organisational culture to company performance and also examination of indirect effect of leadership style and organisational culture to company performance through mediation of strategy of innovation as intervening variable was conducted.

Acceptance of hypothesis 1 indicated that leadership style of someone could affect company performance. It meant, when PT. Bintang Sarana Ekspress was led by someone with autocratic leadership style accordingly the style could affect to company performance. In this respect, autocratic leadership style obtained effect coefficient value specifically 0.858. If autocratic leadership style was continually used accordingly company would be able to affect people who were in the company through decisive communication process, favorable and hard to achieve organization goal which was expected. Commercial Director of company in each discussion always emphasized the importance of result and profit while she or he positioned as facilitator and executor to develop synergy among individuals in group through decision that she or he made. Leader did not expect feedback from subordinate so that leader did not understand condition and organization requirement for the development of organization in the future. Determination of company performance in the future was on the perception of the leader. Denial of hypothesis 2 indicated that organisational culture which was going on in the company did not affect to company performance. It meant, organisational culture did not affect since internal environment of company which was very political in which many problems occurred that were solved by making decision based on invidual or group having the strongest political power and also formed groups which was contrary to each other in which loyalty to groups exceeded loyalty to organization. Analysis result of variable of risk taking obtained the highest effect coefficient value specifically 0.870. Action of risk taking which was conducted by company was not able to improve the effectiveness of the company. This case indicated that organisational culture did not affect to company performance which meant that it could not improve competitiveness of company.

Acceptance of hypothesis 3 indicated that leadership style through strategy of innovation affected to company performance, which meant in this research it indicated that leadership style in company would be able to apply fit strategy with characteristics of the company and its environment condition and able to determine company strategy both long term and short term. This case could be seen from strategy of innovation by research and development it obtained high effect coefficient value specifically 0.914. Leadership style such as the innovation showed by the program which was triggered through external research having concept background of "trucking" less gave economic value for company so that leader triggered "retail delivery" in which leader aimed to reduce costs to be lowe and obtained higher revenue.

Denial of hypothesis 4 indicated that organisational culture which existed through staretgy of innovation did not affect to company performance, which meant in this research it indicated that high formalization and centralization in organisational culture of company would inhibit process participation of strategy of innovation. Organisational culture did not affect since there was paradigm in company which refused to look for and follow the evolution which occurred out of the company to best way of business practice, new managerial approach and innovative ideas. Internal environment of company which was very political and unilateral bureaucracy made member of the organization difficult to communicate each other when they worked. Employees gave poor perception to organisational culture to strategy of innovation. However, in this

perception formed the answers with the average value for each variable specifically > 3.50 which included in "agree" category. It meant that employees worked based on organisational culture which was apllied by company, if organisational culture had anomaly which was occurring with employees accordingly employees performance could be affected.

Acceptance of hypothesis 5 indicated that strategy of innovation developed by company could affect company performance. Transformation in business process innovation was started from strategic initiatives coming from top management team. This case was conducted by company to create potential opportunities. Financial data indicated that strategy of innovation which was executed by PT. Bintang Sarana Ekspress included in high category and increased company performance along with the innovation.

CONCLUSION

Leadership style affected positively to performance of PT. Bintang Sarana Ekspress which means that the better leadership style from a leader the more it affects people to achieve the expected goal. Enhancement of company performance also can be achieved through application of leadership style which is mediated by strategy pf innovation. Organisational culture gives negative effect to company performance of PT. Bintang Sarana Ekspress. Company performance and work result which is not satisfied including organisational culture that tends to remain within the organization since there is no compatibility between individual characteristics and organisational culture so that brings up innovative strategy ideas hampered.

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