



The Effect of Management Control System and Leadership Style on Managerial Performance (An Empirical Studies on SOE Company in Bandung)

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Abstract

The purpose of this study is to determine the effect of management control system and leadership style on managerial performance using explanatory. Unit of analysis of this study is the managers who work in state-owned companies manufacturing in Bandung. Populations of this study are the employees who officiate as a manager in state-owned companies in Bandung and who became the sample of this study are 109 managers. The results of this study indicate that there are significant simultaneously effect between management control system and leadership style on managerial performance. Partially management control system has positive influence on managerial performance, as well as the leadership style which is partially positive influence on managerial performance.

Keywords: Management Control System; Leadership Style; Managerial Performance.

1. Introduction

According to [27], the first page "State-Owned Enterprises are business entities that all or most of their capital is owned by the state through direct investments from separated state assets". SOEs have a purpose to make a profit and contribute to the development of the national economy, but this performance has not been achieved. In [29] as the Minister of SOE stated that in 2015 there were 18 state-owned enterprises which still suffered losses, with a total loss of Rp. 5.8 trillion. The amount compared to 2014 was a decrease, because there were 27 companies that suffered losses totaling Rp 10.2 trillion. In [29] also stated that in 2015 the net profit of BUMN had decreased compared to 2014. Profit from BUMN in 2015 decreased from Rp 159 trillion in 2014 to Rp 150 trillion in 2015 [26].

The results of research conducted by [3, 5-6, 9, 12-13, 15-16, 21-22, 28] stated that management performance can be influenced by a management control system applied to a company.

Besides the results of research conducted by [4, 7, 14, 17-19, 23] stated that leadership style influences managerial performance.

Based on the above background, the author is interested in conducting similar research with the title "The Effect of Management Control Systems and Leadership Style on Managerial Performance (Empirical Study on State-Owned Enterprises in Bandung City)."

2. Literature Review

"The management control system is a system that consists of several interconnected systems namely programming, budgeting, accountability and performance reporting and an authority delegation system to help the management of an organization or compa-

ny to achieve its goals through certain strategies efficiently and effectively" [20].

According to [25], the construct of the management control system has several dimensions namely:

1. Performance evaluation is an evaluation system that helps encourage employee development and motivates employee performance.
2. Compensation is an award given by a company to employees based on their performance.
3. Communication is the ability of managers to communicate the vision, mission and goals of the company to stakeholders (stakeholders) honestly, openly and systematically.
4. Conflict resolution is the ability of managers to anticipate and find solutions to conflicts that arise in the company.
5. Commitment is the ability of managers to obtain commitments from all employees to realize the company's vision, mission and goals.
6. Product and market policies are the company's ability to produce goods or services that can meet needs and provide satisfaction to customers.

"Leadership style is a method used by a leader in influencing the behaviour of others. From this style, the benefits can be used to be used as a guide for leaders in leading subordinates or their followers" [24].

In [1] developed an indicator of transformational leadership style consisting of two types namely:

1. Followers' Belief (Follower Belief) consists of inspiration, admiration, empowerment
2. Attributes of Leader Behaviour Attributes consists of show empathy, explain the mission interestingly, show confidence, improve the image of the leader, provide opportunities for success

In [2, 11] define managerial performance as the performance of individual organizational members in managerial activities, including: planning, investigating, coordinating, evaluating, supervising, staffing, negotiating and representing.

3. Theoretical Framework and Hypothesis Development

In [3, 15-16, 21-22, 28] shows that the management control system in the company can encourage managerial performance so as to improve the company's performance in generating profits. Therefore, the authors take the following hypothesis:
 H1: Management control systems have a positive impact on managerial performance.

In [7-8, 10, 17, 23-24] shows that the right leadership style can motivate employees to work productively, so as to produce high managerial performance so that company performance can also be achieved. Therefore, the authors take the following hypothesis:
 H2: Leadership style has a positive effect on managerial performance.

In [12-13, 15, 21, 23, 25] that the control system and leadership style together can influence managerial performance that supports the company's performance. Therefore, the authors take the following hypothesis:
 H3: Management control systems and leadership styles have a positive effect on managerial performance.

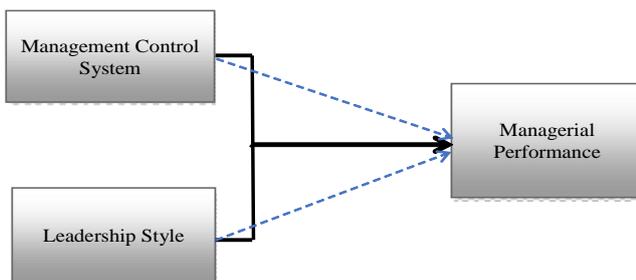


Fig. 1: Theoretical Framework

4. Method and Finding

4.1. Method

The method used in this study is an explanatory method. The population in this study was all employees who worked at managerial level in state-owned companies in Bandung. The sampling method used is purposive sampling method. Purposive sampling is a sample determination technique with certain considerations. The instrument used in this study is a questionnaire. The management control system variable questionnaire (X1) was adopted from [25] with a total of 25 items. The leadership style variable questionnaire (X2) was adopted from [1] with a total of 33 statements. The

dependent variable questionnaire is managerial performance variable (Y) adopted from [11] with a total of 9 items. The validity and reliability of the questionnaire data has been tested and also tested as follows: classic assumption test, normality test, multicollinearity test, and heteroscedasticity test. The relationship between variables is seen with multiple regression analysis and hypothesis simultaneous testing (F test).

4.2. Finding

Based on the interval score, the respondent's perception of the Management Control System Assessment is already good in its implementation and the respondent's perception that employees believe in their leaders and their leaders have attributes as leaders. Based on the interval score, the respondent's perception can be concluded that managerial performance in state-owned enterprises in manufacturing in Bandung is considered good.

Table 1: Coefficient of Determination Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719 ^a	.517	.508	.38224

a. Predictors: (Constant), Leadership Style (X2), Management Control System (X1)
 b. Dependent Variable: Managerial Performance (Y)

Table 1 shows that the results of the correlation between management control systems and leadership style with managerial performance is 0.719, it can be concluded that the relationship between management control systems and leadership style with managerial performance is in the strong category. As for the determinant coefficient, the result is 0.517. This shows that the management control system and leadership style contribute 51.7% in influencing managerial performance, and the remaining 48.3% is influenced by other factors not examined in this study.

Table 2: ANOVA (F test) Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.556	2	8.278	56.657	.000 ^b
	Residual	15.487	106	.146		
	Total	32.043	108			

a. Dependent Variable: Managerial Performance (Y)
 b. Predictors: (Constant), Leadership Style (X2), Management Control System (X1)

Table 2 shows the Fcount value of 56,657 with a probability (significance value) of 0,000. The hypothesis set can be tested by comparing between Fcounts and Ftable values. From table F obtained the value of Ftable with df1 = 2 and df2 = 109-2-1 = 106 by 3.082. The Fcount value obtained is 56,657 greater than Ftable equal to 3,082. The significance value in the F test is 0,000, where the significance value is smaller than 0.05, so it can be concluded that H0 is rejected and Ha is accepted. This means that the management control system and leadership style simultaneously influence managerial performance.

Table 3: Multiple Linear Regression Results

Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-Order	Partial	Part
1	(Constant)	-.211	.319		-.663	.509			
	Management Control System (X1)	.422	.091	.374	4.660	.000	.614	.412	.315
	Leadership Style (X2)	.598	.108	.445	5.544	.000	.646	.474	.374

a. Dependent Variable: Managerial Performance (Y)

From Table 3, the multiple regression equation obtained for the research data used is as follows: $Y = -0,211 + 0,422 X_1 + 0,598 X_2$.

Table 3 shows the tcount of the management control system variable (X1) obtained at 4.660 with a significance value of 0.000. The results of the calculation of the t-test statistic obtained showed that the t-count for the independent variable management control system (X1) was greater than the t-table value ($t = 4.660 > 1.9826$). The t test statistic value obtained was in the reject area H_0 , so the H_0 test results were rejected. This result is also indicated by the significance value of the statistical test (p-value) (0,000) smaller than the acceptable error rate of 5%. The test results at a 95% confidence level can be concluded that there is a significant effect of the management control system on managerial performance.

Table 3 also shows the tcount of leadership style variables (X2) obtained at 5.544 with a significance value of 0.000. The results of the calculation of the t-test statistic obtained showed that the t-count for the independent variable leadership style (X2) was greater than the t-table value ($t = 5.544 > 1.9826$). The t test statistic value obtained was in the reject area H_0 , so the H_0 test results were rejected. This result is also indicated by the significance value of the statistical test (p-value) (0,000) smaller than the acceptable error rate of 5%. The test results at 95% confidence level can be concluded that there is a significant influence of leadership style on managerial performance.

5. Conclusion

Management control systems in state-owned enterprises manufacturing in Bandung are considered to be good in their implementation. Management control systems affect managerial performance, meaning that variations in management control systems can explain variations in managerial performance. The better management control system will be followed by increased managerial performance. The leadership style applied to state-owned enterprises in manufacturing in the city of Bandung is a transformational leadership style. Leadership style influences managerial performance, meaning that a variety of leadership styles can explain variations in managerial performance. The more transformed leadership style will be followed by increased managerial performance. Managerial performance of state-owned enterprises in manufacturing in the city of Bandung is considered good in its implementation. Control System Management and leadership style simultaneously influence managerial performance.

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