



Role of CEO Leadership towards the Performance of Indonesian SOEs

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ABSTRACT

The results of this study give us a big picture that the role of the leader in an organization is very important, including companies as large as the SOEs holding company. Companies that have good governance will have an impact on company performance directly and indirectly. Previous research has discussed a lot about leadership and corporate governance in certain companies, especially private companies, but very few studies of corporate governance and leadership have made the SOE holding company its object due to limited access and data. This research informs us that the transformation of CEO leadership and leadership style strategies has a direct and indirect influence on company performance following previous research conducted by several researchers such as Zuraik and Kelly (2019) and Özer and Tinaztepe (2014). The results of the analysis of this study also found that innovative leadership did not have a significant effect on the performance of SOE holding companies. This was interesting because in several innovative leadership studies it had a significant influence on company performance, observing the condition of SOE holding companies that were governed by quite strict government regulations. thus making the leaders in the SOE holding company restricted to innovating too far from the rules set by the government in terms of policy, but when mediated by organizational identification and the involvement of innovative leadership work has a significant influence in accordance with previous information that the organization in the SOEs holding company has a stronger factor compared to leadership, this is also in accordance with previous research conducted by Wang et al. (2017), Buil et al. (2019) and Soares and Mosquera (2019) who got the same results both in the form of the influence of organizational identification and direct work involvement on company performance.

Keywords: Leadership, Performance, CEO

JEL Classifications: M10, M48, R28

1. INTRODUCTION

SOE by definition is a business entity whose entire or most of its capital owned by the state through direct participation from the separated state assets. The purpose and objective of SOE existence as affirmed in SOE Law No. 19 of 2003 is to contribute to the development of the national economy in general and state revenue in particular, pursue profits that can be a source of income for the nation, organize public benefits in the form of the supply of high quality and adequate goods and/or services for fulfilling the lives of many people, pioneering business activities that cannot yet be carried out by the private sector and cooperatives, and actively giving guidance and assistance to entrepreneurs of the economically weak group, cooperatives, and community.

SOEs also have a strategic role as implementing public services and function as a counterweight to the large private economy. SOEs are also a significant source of state revenue in the form of various types of taxes, dividends, non-tax revenues and the results of privatization. The implementation of the SOE's role is realized in business activities in almost all economic sectors, such as agriculture, plantation, forestry, manufacturing, energy, mining, finance, post and telecommunications, transportation, electricity, industry and trade, and construction.

Seeing the important role, mean and purpose of the existence of SOEs which essentially contribute to the achievement of national goals to realize the greatest prosperity of the people, the existence of SOEs must be maintained so that SOE remains the property of

the state. By remaining in the possession of the state, they can be a better support to national development and provide welfare for the community. SOE ownership by the state guarantees direct state access to SOEs to ensure that these SOEs continue to operate by the purpose of their formation and remain oriented to the interests of the state and society. Therefore, there needs to be an effort to prevent SOEs from exploiting actions outside the principles of good corporate governance.

The role of SOE in the national economy is very important, among others, to manage and use the main branches of production to meet the needs of the community to its full potential for the achievement of the welfare and prosperity of the people in general. Also, SOE has a public service function and is one of the sources of state revenue derived from non-tax revenue. SOE also employs so that it can help overcome unemployment. Thus, SOE can help accelerate national economic growth.

The other aims and objectives of establishing a SOEs as stated in the SOE Law are to pursue profit. This illustrates that the purpose and objectives of establishing SOEs are not solely to pursue profit, but furthermore, SOEs are intended to contribute to state revenue, organize public benefits, become pioneers of business activities and provide assistance to the economically weak groups.

SOEs are recognized globally. In 2019, PT Pertamina (Persero) became the only Indonesian company included in the Fortune Global 500 list. Pertamina as a national energy provider SOE was ranked 175, up from the previous year's ranking of 253. While 4 (four) SOEs included in the list of FORBES Global 2000's world companies, that is PT BRI (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, PT Telkom (Persero) Tbk, and PT BNI (Persero) Tbk. The four SOEs are included in the 1000 largest companies in the world, ranking, BRI (383), Bank Mandiri (481) Telkom (747) and BNI (835).

At present, there are 114 SOEs, and there are 28 companies with minority ownership that touch all sectors of people's lives. In form, 14 BUMN are in the form of Public Corporation, 16 Persero Tbk and 84 in the form of Persero Non-Tbk.

The objective of establishing a sectoral SOE holding is to face the challenges of sectoral business, in addition to strengthening the capital structure, enhancing the competitiveness of SOEs, creating SOE synergies and expected for more operational efficiency improvements.

With the establishment of SOEs Holding, SOE's role as an agent of development will be more optimal in supporting the achievement of Government programs through the synergies among SOEs, downstream and local content, integrated regional economic development, and financial independence (value creation). Furthermore, when benchmarking with countries such as Russia, Singapore, Sweden, China, and Malaysia, it can be seen that although the presence of SOEs in these countries is decreasing in number, including through the formation of holding companies, the total assets owned is increasing significantly. For example, super holding Temasek in Singapore, and Khazanah in Malaysia.

Transformational leadership has been linked to organizational innovation (Sarros et al., 2008) and can be defined as a leadership style that emphasizes awareness of the collective interests among organizational members, helping them to achieve their collective goals (Garcia-Morales et al. 2012). This provides its advantages for innovation in an organization, by involving employees' value systems that can increase motivation for achieving better organizational performance, encourage employees to think creatively, and influence the choices they make for management control systems (Nguyen et al. 2017). Research on transformational leadership began to get a lot of attention from researchers (Pitoyo and Sawitri, 2016). One reason, according to Bryant (2003) and Garcia-Morales et al. (2012), from various leadership theories, Transformational Leadership is considered to be the most significant in motivating employees or subordinates to achieve extraordinary performance and encourage the application of organizational knowledge sharing.

Leadership is one of the most important as antecedents or things that stimulate the birth of innovation. However, it is still unclear which specific leadership behaviors best to predict innovation (Rosing et al., 2011). For example, Rosing et al. (2011) show a meta-analytic that there is substantial variability in the relationship between transformational leadership and innovation. Transformational leadership involves leaders who motivate their employees to go further and beyond expectations by acting as positive role models, communicating visions of an attractive future, fostering independence and creative thinking (Bass, 1985; Bass and Avolio, 1994).

The measurement of company performance is currently very important for management. This is done as an evaluation of the company's performance and planning for future goals. Various information is collected so that the work carried out can be controlled and accounted for. This is done to achieve efficiency and effectiveness in all of the company business processes. Performance is defined as the level of achievement of results, Milgrom et al. (1995). Company performance is the level of achievement of the desired results by the company by involving all the resources owned by the company.

Based on the background of the above research, it is interesting to study the extent of the role of leadership factors in influencing the level of success of a company's performance (firm performance). This also refers to the problems faced by the Parent SOEs which require a qualified leadership style. For this reason, the authors are interested in researching with the theme: "The Role of CEO Leadership on Company Performance in Indonesian SOEs."

2. LITERATURE REVIEW

2.1. Theoretical Study

2.1.1. Transformational CEO leadership

Transformational leadership was first introduced by Burns (1978), as a motivational process that encourages followers/subordinates to be actively involved in their organizational environment. Bass (1985) defines transformational leadership based on the influence and relations of leaders with their followers or subordinates.

Followers feel trust, admiration, loyalty, and respect for leaders, and have high commitment and motivation for achievement and higher performance.

Transformational leadership is often contrasted with transactional leadership (Bass and Avolio, 1994), which focuses on promoting the interests of individual leaders and their followers and fulfilling contractual obligations in the goal setting and monitoring and control of results. Transformational leaders empower followers and pay attention to their individual needs and personal development, helping them to develop their leadership potential, through coaching, mentoring, supporting, and challenging them to solve problems in their innovative ways.

Transactional leadership consists of contingent reward behavior, passive management with exceptions, and active management by exceptions (Yukl, 1998). The original MLQ consisted of 73 items, size of five factors. The MLQ was revised to respond to criticism about the incorporation of items that did not focus directly on leader behavior and concerns about factor structure and subscales. The first version of MLQ has 67 items that measure the FRL model. Of these, 37 items were assessed for transformational leadership. A total of five revisions of the MLQ were significantly redefined and contained 36 items, with four items evaluating each of the nine leadership dimensions related to the FRL model and nine additional outcome items (Bass and Riggio, 2006). MLQ has been criticized for its measurement nature (Van Geit Pol Coetsier, 1997; Van Knippenberg and Sitkin, 2013), leading to the development of alternatives by Podsakoff et al. (1990) and more recently by Rafferty and Griffin (2004), who distinguish between five subdimensions.

1. Vision
2. Inspirational communication
3. Intellectual stimulation
4. Supportive leadership
5. Personal recognition.

In this study, we follow the latest model because it was developed to overcome the problem with the discriminant validity of the subcomponents identified in the previous model (Rafferty and Griffin, 2004).

This study uses the term transformational CEO leadership (Managing Director) in SOEs Holding which has a very strategic position in the company and needs to be elaborated further on the effectiveness of transformational leadership that will have an impact on company performance.

2.1.2. Innovative leadership

Innovative Leadership was discussed earlier by Khalili (2017) which states that congruent (equal) theoretical factors can be classified appropriately for portraying innovative leadership components that are constructed as conceptions of attitude. This innovative leadership can be defined as:

- Inspire creativity and innovation: Leader behavior that stimulates and supports employees to be more innovative
- Encourage vision sharing: The behavior of leaders who produce, communicate and encourage the sharing of vision

- Provide individual support: The quality of the relationship between the leader and his employees together where the leader provides support to his employees.

Innovative Leadership is a new study compared to the 5 (five) dimensions of existing leadership style theory (ie transformational leadership, change-oriented leadership, innovation champion, leader-member exchange, and authentic leadership). The theory construction and measurement of Innovative Leadership were developed by Kalili (2017). Askhan found that there was a significant and positive effect of Innovation Leadership behavior on innovation behavior at the individual level in the workplace.

Innovation can be defined as the implementation of potential new ideas and benefits (West and Farr, 1989). Innovation is an important outcome in most contemporary workplaces that contributes to the performance, growth, and survival of a company (Rosenbusch et al., 2011). Organizational thinkers argue that innovation is the result of two things, which are individual factors consisting of cognitive abilities, personality, and motivation and contextual factors consisting of work and leadership characteristics (Hammond et al., 2011; Shalley et al., 2004). Many studies that have examined the predictors of contextual innovation have focused on the influence of supervisors or organizational leaders (Eisenbeiss et al., 2008; Mumford and Licuanan., 2002; Oldham and Cummings, 1996; Tierney and Farmer, 2002; Tierney, 1999).

Assessing innovative leadership using an innovative performance scale consisting of four items that are well-validated, developed by Welbourne et al. (1998). The points are "Come up with new ideas," "Work to implement new ideas," "Find better ways to do things," and "Create better processes and routines." This has been done in previous studies so researchers intend to use this scale to measure innovative leadership in SOEs holding companies in Indonesia.

2.1.3. Leadership style strategy

A comprehensive leadership review by House and Aditya (1997) illustrates a leadership style strategy that in previous research has often been ignored by empirical studies and to date has been largely unexplored. Also, previous researchers emphasized the lack of research on the relationship between leadership style strategies and organizational performance (House and Aditya, 1997). The latest review also recommends more research on leadership style strategies (Gardner et al., 2010). The literature provides several perspectives that help define leadership style strategies. One perspective focuses on "executives who have overall responsibility for an organization, the characteristics they study, what they do, how they do it, and in particular, how they influence organizational outcomes" (Finkelstein et al., 2009). These researchers have defined the scope of leadership style strategies to include CEOs, company leaders, business units, boards of directors (Finkelstein et al., 2009), and dominant coalitions (Boal and Hooijberg, 2000). Nag et al. (2007) has defined leadership style strategies as something that relates to the entire scope of activities and individual strategic choices at the top of the organization. This definition emphasizes the relationship of aspects in terms of strategic and symbolic activities (Cannella, 2001). Some leadership styles that are relevant to strategic leadership, especially those that focus on leader behavior,

have become the subject of an investigation or more recent research further examines matters that shape transactional, transformational, and paternalistic leadership behavioral styles.

The impact of paternalistic leadership on individual, group and organizational outcomes has been discussed by scholars in the area of organizational behavior and management (Farh and Cheng, 2000). The literature discusses the possible beneficial results of paternalism for organizations, increased flexibility (Kerfoot and Knight, 1993; Padavic and Earnest, 1994), decreased turnover (Berry and Kim, 1994), and increased commitment, loyalty, and teamwork (Gordon, 1998).

2.1.4. Organization identification

Organizational identification could act as a mediator of leadership effectiveness (Kerr and Jermier, 1978; Lord et al., 1999; Van Knippenberg et al., 2004). Organizational identification reflects the degree of overlap between self-identity and organizational identity (Van Knippenberg and Sleebos, 2006). The more people who identify themselves with an organization, the more values, goals, and organizational norms are included in the individual's self-concept. The results of previous studies suggest that when employees already have high identification with the organization, the effectiveness of leader behavior in improving employee adaptability can be successful. Employees are willing to adjust to fit the organizational system when they see themselves as members of the organization (Carmeli et al., 2007). Besides, they are motivated to behave according to organizational goals and norms and thus subordinates have low leadership needs. The results of previous studies found that the influence of transformational leadership weakens when employee needs for leadership are low (Breevaart et al., 2016). Conversely, if employees are not identified with the organization, it is difficult for them to find meaning in the workplace (Pratt and Ashforth, 2003). In this situation, transformational leadership, leadership innovation, and leadership style strategies are needed and should have a stronger effect.

Ashforth and Mael (1989, p. 34) conceptualize organizational identification as "the perception of unity with ownership of a group." More specifically, organizational identification is defined as "the extent to which a member defines himself in the same manner and attributes that he believes defines the organization" (Dutton et al., 1994, p. 239). Organizational identification implies psychological merging of self and organization (Van Knippenberg and Sleebos, 2006). When identification is strong, individual self-concepts join a large part of what they believe is unique, central, and permanent in an organization (Dutton et al., 1994). Likewise, the better the identification, the more employees will act following group norms, values, and goals of the organization (Van Knippenberg and Van Schie, 2000). So, based on the above arguments, we expect the identification of organizations to mediate the relationship between transformational leadership and innovative leadership on the performance of SOE holding companies in Indonesia.

2.1.5. Work engagement

The concept of engagement is usually considered to be no different from positive organizational behavior. This research focuses on the positive things about the strength of human resources

oriented to psychological capacities that contribute to improving workplace performance (Bakker and Demerouti, 2008; Luthans and Peterson, 2002).

The first approach to development in the concept of engagement is generally associated with Kahn (1990). According to this author, employee engagement is a form of using all available resources to maximize their work; in engagement, people employ and express themselves physically, cognitively, and emotionally while doing work. In a qualitative study of conditions for engagement and disengagement in the workplace, Kahn (1990) found three psychological conditions: meaningfulness, safety, and availability. Individuals feel more involved in conditions of psychological meaningfulness and security and when they are more needed. May et al. (2004) conducted empirical findings to study these three conditions and found that they were indeed related. Kahn (1990) did not develop operational measures for employee engagement, but Rich et al. (2010) endeavored to develop it by fully reflecting Kahn's (1990) concept of engagement as a simultaneous investment in physical, cognitive, and emotional energy in work-related performance. This scale measures three components: physical, emotional, and cognitive. However, it is considered unidimensional and gives an overall employee score in engagement with work.

Previous studies on work engagement found that it has positive effects for individuals, especially leadership and organizations. Work engagement is closely related to the physical and psychological well-being of employees (Kahn, 1990), and other studies show that this is very important for organizational performance (Bakker and Demerouti, 2008; Harter et al., 2002; Salanova et al., 2005). Some authors argue that work engagement is a means by which organizations can create competitive advantage (Bakker and Demerouti, 2017; Chhetri, 2017; Heyns and Rothmann, 2018; Rich et al., 2010). Implicit in this argument is the view of engagement as a mechanism that connects employee characteristics and organizational factors to performance in harmony with shared goals. Since the initial definition of this concept (Kahn, 1990), research has considered engagement as important in directing motivation to emerge the full potential of employees which then increases the likelihood of achieving and maintaining higher levels of performance (Heyns and Rothmann, 2018; Jain and Ansari, 2018; Rich et al., 2010). A large number of studies on engagement document this relationship (Bakker and Demerouti, 2008; Chhetri, 2017; Gupta and Shukla, 2018; Gutermann et al., 2017; Halbesleben and Wheeler, 2008; Harter et al., 2002; Rich et al., 2010; Salanova et al., 2005). In short, based on the above reasons, we propose that work engagement mediates the relationship between innovative leadership and leadership style strategies on the performance of the holding company of SOEs.

2.1.6. Company performance (firm performance)

Performance is a picture of the extent to which the success or failure of an organization in carrying out its main tasks and functions to realize the goals, objectives, vision, and mission. In other words, performance is an achievement by the organization in a certain period. Company performance is something that is produced by a company in a certain period concerning the standards set.

Based on several opinions about performance and work performance, it can be concluded that the notion of performance or work performance contains the substance of the achievement of work results by someone. Thus that performance or work performance is a reflection of the results achieved by a person or group of people. Individual performance with the institutional performance or company performance (corporate performance) is closely related. In other words, if employee performance (individual performance) is good, likely corporate performance is also good. Pelham and Wilson (1996) define company performance as the success rate of creating new products and market development, where company performance can be measured through sales growth and market share. Pelham and Wilson further explained that the company's performance (firm performance) is one measure of the success of a company in carrying out its activities, which are measured every period that has been determined. The results of the company's performance can be said as the value of each activity that has been compiled and implemented to be able to identify whether the strategies made and their implementation is appropriate or even vice versa.

2.1.7. SOE holding company

SOEs as a development agent must be run professionally and competitively so that it can provide benefits for the prosperity of the people. To be competitive, SOEs must be able to move swiftly and flexibly. If there are too many bureaucratic processes to go through, this will hamper the performance of the SOEs.

With the establishment of a holding SOE or holding company, the role of SOEs as development agents needs to be more optimal in supporting the achievement of Government programs through synergy between SOEs, downstream and local content, integrated regional economic development, and the creation of financial independence/value creation. Furthermore, if we do some benchmarking with countries such as Russia, Singapore, Sweden, China, and Malaysia, then the pattern of the formation of the parent company has been implemented. Although the presence of SOEs in these countries has decreased in number, the total assets owned have increased significantly. For example Temasek (Singapore) and Khazanah (Malaysia).

At this time to follow up on the National Medium-Term Development Plan for 2015-2019, the Government has planned the establishment of 6 (six) SOEs Main sectors, namely:

1. SOE of oil and gas holding company
2. SOE of mining industry holding company
3. SOE of banking holding company
4. SOE of infrastructure holding company
5. SOE of housing holding company
6. SOE of food holding company.

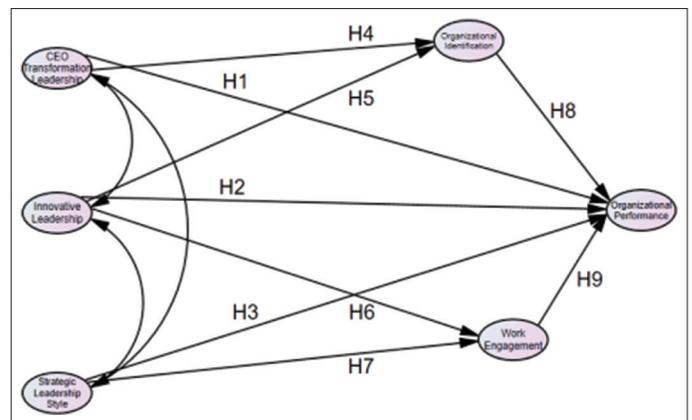
2.2. Conceptual Framework

Conceptual Framework is presented in Figure 1.

2.3. Research Hypothesis

Zurair and Kelly (2019) has examined the relationship between CEO Transformational Leadership. The results from Abdelrahman and Louise's research show that CEO Transformational Leadership

Figure 1: Conceptual framework



has a positive direct relationship with organizational performance and has an indirect effect on organizational performance. Carreiro and Oliveira (2019) found a positive effect of transformation leadership on company performance.

Somsueb et al. (2019) found a positive influence between innovative leadership on company performance, but this research is only in the education field or companies that work in the field of education, in business-based companies research on innovative leadership is still new and is limited only in psychological study. Innovative leadership is new variable construction and there are no researchers who use these variables. Ashkan Khalili, the inventor of this Innovative Leadership produced significant and positive findings between creative and innovative behavior in creative and innovative behavior at the individual level in his workplace.

Widianto and Harsanto (2017) found a positive influence of transformational leadership on company performance both, directly and indirectly, this research was conducted in Indonesia and could be a reference for further studies, but this research did not put a strain on SOE holding companies as the research objectives are made.

Boon-Itt et al. (2017) has also examined the relationship between CEO Transformational Leadership and innovative product performance. The results of the study show that CEO transformational leadership influences the performance of innovative products, through a culture of innovation, learning organizations and the development of new products. The CEO transformational leadership also has a strong impact on innovation culture and learning organizations. This study helps further understanding of how top-level leaders influence their organizations. Satyawati and Suartana (2014) has influenced the leadership style and organizational culture on job satisfaction which has an impact on financial performance. The results showed that the leadership style had a positive effect on job satisfaction and financial performance.

Özer and Tınaztepe (2014) found that there was a positive influence between leadership style strategy and company performance directly and indirectly, but this study was limited to the business climate in Turkey which has a difference with the business climate in Indonesia.

Wang et al. (2017) found the effect of organizational identification on company performance has a positive effect in previous studies the effect of identification also influenced as a mediation of transformational leadership that affected company performance.

Buil et al. (2019) and Soares and Masquera (2019) found a positive influence of work engagement between leadership and company performance and a far earlier discovery of the direct relationship of work engagement on company performance made by Schaufeli (2012) who found the effect of work engagement had a positive effect on company performance.

From the theory and research results above, the hypotheses in this study are as follows:

- H₁ Is there an influence of transformational CEO leadership on company performance in the SOE holding company?
- H₂ There is an influence of innovative leadership on company performance in the SOE holding company?
- H₃ Is there an influence of the leadership style strategy on company performance in the SOE holding company?
- H₄ Is there an influence of transformational CEO leadership on company performance in the SOE holding company mediated by organizational identification?
- H₅ Is there an influence of innovative leadership on company performance in the SOE holding company mediated by organizational identification?
- H₆ Is there an influence of innovative leadership on company performance in the SOE holding company mediated by work engagement?
- H₇ Is there an influence of the leadership style strategy on company performance in the SOE holding company mediated by work engagement?
- H₈ Is there an influence of organizational identification on company performance in the SOE holding company?
- H₉ Is there an influence of work involvement on company performance in the SOE holding company?

3. RESEARCH METHODOLOGY

3.1. Population and Sample

3.1.1. Population

A population is an object that will be observed in research, (Sekaran, 2003). The unit of analysis in this study is 6 SOE holding companies: (1) Fertilizers Holding: PT Pupuk Indonesia (Persero); (2) Cement Holding: PT Semen Indonesia (Persero); (3) Oil and Gas Holding: PT Pertamina (Persero); (4) Plantation Holding: PT Perkebunan Nusantara III (Persero); (5) Mining Holding: PT Inalum (Persero); and (6) Forestry Holding: Perhutani Corporation.

In this study, the population to be investigated is SOE holding company at one level (BoD-1) and two levels (BoD-2) under the directors, namely: (1) Head of Division/Division/Vice President/General Manager; (2) Manager or Senior Manager.

3.1.2. Research samples

Samples were taken from the population of this study using stratified cluster random sampling techniques because the population consists of 2 levels, 1 level below the director and 2 levels below

the director. Samples were taken from the entire population to be examined based on the characteristics to be suspected. The sample in this study consisted of two groups, the instrument trial group sample, and the research data source group sample. The instrument trial sample was set with 20 people aiming to test the quality of the questionnaire whether the questionnaire was valid and reliable so that it could be used in research (Table 1). The testing of this instrument is carried out before the actual research is carried out. Santoso (2010) also explained to SEM models with latent variables (constructs) of up to five pieces, and each construct was explained by three or more indicators, the number of samples between 100 and 150 was considered adequate (Table 2). To qualify for the number of samples that must be met if using SEM analysis, the number of samples ranges from 100 to 200 and a minimum of five times the number of indicators. In this study, the population to be examined is the SOE holding companies under one and two levels below the Board of Directors, which is: (1) Head of Division/Division/Vice President/General Manager; (2) Manager or Senior Manager.

Table 1: Sample data

No.	SOE holding sector	BoD-1	BoD-2
1.	Cement	51	157
2.	Mining	34	64
3.	Fertilizer	27	53
4.	Oil and gas	26	50
5.	Forestry	27	76
6.	Plantation	16	36
Total		181	436
Slovin test		208,6	260 (sample)

Source: Researcher survey

Table 2: Indicators

No.	Indicators	Sources
CEO transformation leadership		
1.	Vision	Carreiro and Oliveira (2019)
2.	Intellectual stimulation	
3.	Inspirational communication	
4.	Supportive leadership	
5.	Personal Recognition	
Innovative leadership		
1.	New idea	Zacher and Rosing (2015)
2.	Implementation	
3.	Improvement	
4.	Process and routine	
Strategic leadership style		
1.	Transformation	Özer and Tinaztepe, (2014)
2.	Transactional	
3.	Paternalistic	
Organizational identification		
1.	Personal	Wang et al., (2017)
2.	Employee	
3.	Organization	
Work engagement		
1.	Absortion	Soares and Mosquera (2019)
2.	Dedication	
3.	Vigour	
Firm performance		
1.	Operational excellence	Wu and Chen (2014)
2.	Customer intimacy	
3.	Product leadership	
4.	Financial achievement	

Source: Library research

3.2. Conceptual Definition, Operations and Instrument Lattice

Following the problems and objectives of the study, the variables of this study consisted of latent variables (unobserved variables) and manifest variables (observed variables) formed on two structures. In the sub-structure, there are 3 exogenous latent variables, namely the independent variable that influences the dependent variable consisting of CEO transformational leadership, leadership innovation, and strategic leadership style and 2 mediating variables, namely Organizational identification and work engagement, while endogenous latent variables are Company Performance. To be able to measure respondents' opinions on variables, variables are developed from the synthesis of theories to serve as guidelines or conceptual definitions. Then the conceptual definition is reduced to an operational definition by reducing it to dimensions and indicators. To simplify the process of making a questionnaire, the process of reducing the concept definition to the questionnaire was made a tabulation of a questionnaire called the Research instrument lattice. Operationally, each variable is measured on a Likert scale with a scale of 1-5, with the following interpretations: Strongly disagree (STS) score 1, Disagree (TS) score 2, Neutral (N) score 3, Agree (S) score 4 and Strongly Agree (SS) score of 5.

For research analysis, the data used must come from valid and reliable instruments. Therefore, in this study, the validity and reliability of the research instruments were tested (Table 2).

3.3. Model Interpretation and Modification

If the model is good enough, then the next step in modeling the structural equation is to interpret it, and vice versa if it is not good, it is necessary to modify the model. The main purpose of the model modification is to improve the fit of a model. Model modification is done by removing or adding relationships

between models. To find out that a model needs to be improved by looking at the absolute value of a standardized residual greater than 2.58.

4. DATA ANALYSIS AND DISCUSSION

The next step is data analysis using the AMOS program. This analysis aims to get a path analysis to see the direct and indirect simultaneous effects between the CEO Transformational Leadership, Leadership Innovation, Strategic Leadership Style variables on Organizational Performance through Organizational Identification and Work Engagement variables.

4.1. Hypothesis

The estimated goodness of fit structural model can be fulfilled, and then the next step is the analysis of the structural model relationship (hypothesis testing) as shown in Figure 2 previously. The relationship between constructs in the hypothesis is indicated by the value of regression weights (Hair et al., 1998 in Haryono and Hastjarjo, 2010) (Tables 3 and 4).

4.2. Discussion

From the results of the analysis above, in the first Hypothesis found a significant influence between CEO Transformation Leadership and Organizational Performance. This is the same as the research conducted by Zuraik and Kelly (2019) who examined the relationship between CEO Transformational Leadership. The results from Abdelrahman and Louise's research show that CEO Transformational Leadership has a positive direct relationship with organizational performance and has an indirect effect. This is the same as Carreiro and Oliveira research (2019) which found a positive effect of Transformation Leadership on company performance by mediating Organizational Identification. This supports this research on hypothesis four which finds the same

Figure 2: Ful model research

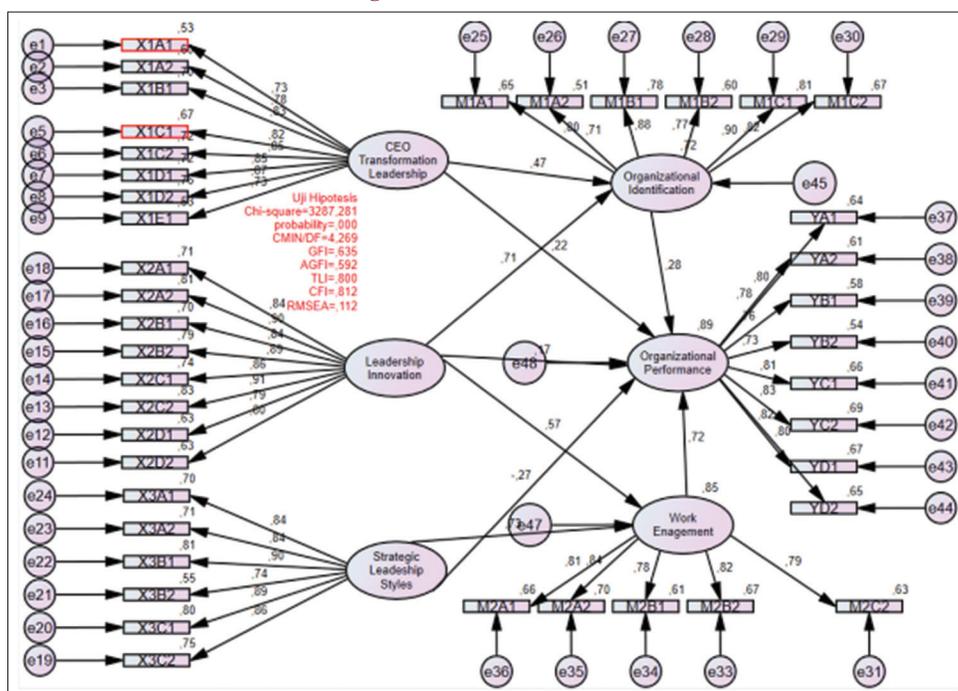


Table 3: Table estimate

	Causality relations		Estimate	S.E.	C.R.	P	Label
Organizational_ Identification	<---	CEO_Transformation_Leadership	,503	,109	4,624	***	par_36
Organizational_ Identification	<---	Leadership_Innovation	,703	,102	6,900	***	par_37
Work_Engagement	<---	Leadership_Innovation	,538	,072	7,504	***	par_38
Work_Engagement	<---	Strategic_Leadership_Styles	,570	,060	9,455	***	par_39
Organizational_Performance	<---	CEO_Transformation_Leadership	,190	,070	2,703	,007	par_40
Organizational_Performance	<---	Leadership_Innovation	,139	,083	1,674	,094	par_41
Organizational_Performance	<---	Strategic_Leadership_Styles	-,177	,077	-2,307	,021	par_42
Organizational_Performance	<---	Work_Engagement	,604	,118	5,117	***	par_43
Organizational_Performance	<---	Organizational_ Identification	,222	,076	2,905	,004	par_44

Table 4: Hypothesis

No	Hypothesis	Hasil
H ₁	CEO transformation leadership on organizational performance	Accepted
H ₂	Leadership innovation on organizational performance	Refused
H ₃	Strategic leadership style on organizational performance	Accepted
H ₄	CEO transformational leadership towards organizational performance through organizational identification	Accepted
H ₅	Leadership innovation on organizational performance through organizational identification	Accepted
H ₆	Leadership innovation on organizational performance through work engagement	Accepted
H ₇	Strategic leadership style on organizational performance through work engagement	Accepted

thing, namely indirect relationship, as Widiyanto and Harsanto (2017) found a positive influence of transformational leadership on company performance both, directly and indirectly, this research was conducted in Indonesia and can be a reference for further study in this research but this research does not focus on the holding company of SOEs as the purpose of this study was made.

In the innovative leadership variable which is a new variable in this study, the researcher wants to know the role of innovative leaders on organizational performance which in the second hypothesis this hypothesis is rejected because it does not have a significant effect. This can be accepted rationally because indeed in the SOE corporate culture all have been governed by strict regulations to provide limits to the leadership to make innovations that are too different from what they should. Previous studies found significant results, such as the study conducted by Somsueb et al. (2019) found a positive influence between innovative leadership on company performance. However, this research is only in the world of education or companies that work in the field of education. In business-based companies, research on innovative leadership is still new and is only a psychological study. Innovative leadership is new variable construction and until now there have been no researchers who use these variables. Ashkan Khalili, the inventor of this innovative leadership produced significant and positive findings between creative and innovative behavior in creative and innovative behavior at the individual level in his workplace. Therefore, the Fifth and Sixth hypotheses found significant results, by mediating organizational identification and work involvement as under research conducted by Ashkan Khalili. Boon-Itt et al. (2017) has

also examined the relationship between CEO Transformational Leadership and innovative product performance. The results of this study indicate that CEO Transformational Leadership influences the performance of innovative products, through a culture of innovation, learning organizations and new product development. The CEO of Transformational Leadership also has a strong impact on innovation culture and learning organizations. This study helps further understanding of how top-level leaders influence their organizations. Satyawati and Suartana (2014) has influenced the leadership style and organizational culture on job satisfaction which has an impact on financial performance. The results showed that the leadership style had a positive effect on job satisfaction and financial performance.

In the Third Hypothesis, researchers found the leadership style strategy has a significant effect on company performance. This is consistent with the research conducted by Özer and Tinaztepe (2014) who found that there is a positive influence between the leadership style strategy and company performance directly and indirectly. However, this research is only limited to the business climate in Turkey which is different from the business climate in Indonesia, and the research also supports the Seventh Hypothesis that there is a significant influence between leadership style strategies on organizational performance mediated by work engagement.

In the Eighth Hypothesis the researchers found that there was a significant influence between organizational identification on organizational performance in accordance with research conducted by Wang et al. (2017) who found the effect of organizational identification on company performance has a positive effect in previous studies the effect of identification also affects as a mediation of transformational leadership that affects company performance.

In the Ninth Hypothesis the researchers found a significant effect between the variables of work engagement on performance/company performance, this is in accordance with research conducted by Buil et al. (2019) and Soares and Masquera (2019) they found a positive influence of work engagement between leadership and company performance as well as previous findings regarding the direct relationship of work engagement on company performance made by Schaufeli (2012) who found the effect of work engagement had a positive effect on company performance.

5. CONCLUSIONS, LIMITATIONS, AND IMPLICATIONS

The results of this study give us a big picture that the role of the leader in an organization is very important, including companies as large as the SOEs holding company. Companies that have good governance will have an impact on company performance directly and indirectly. Previous research has discussed a lot about leadership and corporate governance in certain companies, especially private companies, but very few studies of corporate governance and leadership have made the SOE holding company its object due to limited access and data. This research informs us that the transformation of CEO leadership and leadership style strategies has a direct and indirect influence on company performance following previous research conducted by several researchers such as Zuraik and Kelly (2019) and Özer and Tinaztepe (2014).

The results of the analysis of this study also found that innovative leadership did not have a significant effect on the performance of SOE holding companies. This was interesting because in several innovative leadership studies it had a significant influence on company performance, observing the condition of SOE holding companies that were governed by quite strict government regulations. Thus making the leaders in the SOE holding company restricted to innovating too far from the rules set by the government in terms of policy, but when mediated by organizational identification and the involvement of innovative leadership work has a significant influence in accordance with previous information that the organization in the SOEs holding company has a stronger factor compared to leadership, this is also in accordance with previous research conducted by Wang et al. (2017) Buil et al. (2019) and Soarez and Masquera (2019) who got the same results both in the form of the influence of organizational identification and direct work involvement on company performance.

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