International Journal of Civil Engineering and Technology (IJCIET)
Volume 9, Issue 9, September 2018, pp. 1849–1868, Article ID: IJCIET_09_09_179
Available online at http://www.iaeme.com/ijciet/issues.asp?JType=IJCIET&VType=9&IType=9
ISSN Print: 0976-6308 and ISSN Online: 0976-6316

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THE INFLUENCE OF LEADERSHIP AND CORPORATE BEHAVIOR ON CORPORATE CAPABILITY AND PERFORMANCE: EMPIRICAL EVIDENCE FROM INDONESIA

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ABSTRACT

This study aims to analyze the relationship between leadership and corporate behavior and their influence on corporate capability and performance which is conducted in oil palm companies in Indonesia both listed and nonlisted in the Indonesian Stock Exchange. Questionnaires were distributed to the respondents from June to December 2016. By using structural equation modeling with SMARTPLS, the results show that leadership influences positively on corporate capability, meanwhile, corporate behavior does not. Moreover, corporate capability influences positively on corporate performance. With some limitations on this study such as a small number of sample, this study contributes to provide empirical evidence on the link between leadership, corporate behavior, corporate capability and performance, particularly in the emerging market context such as Indonesia. Therefore, in order to get more comprehensive analysis, it is suggested that future research incorporate other variables such as company location, number of shareholders, and number of oil palm industries. It is also suggested to do a research in this particular topic on other types of industries.

Keywords: leadership, corporate behavior, capability, performance, oil palm industries JEL Classification: M12, M16, M21

Cite this Article: Albertien Enang Pirade, Hermanto Siregar, Eriyatno Eriyatno and Setiadi Djohar, The Influence of Leadership and Corporate Behavior on Corporate Capability and Performance: Empirical Evidence from Indonesia, International Journal of Civil Engineering and Technology, 9(9), 2018, pp. 1849–1868.

http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=9

1. INTRODUCTION

The business world is currently in a global trade era marked by the simultaneous development of information technology that causes the business environment to be so complex and turbulent. This condition triggers business environment to become increasingly competitive. In order to remain able to survive in an environment that is so competitive, companies must get competitive advantages which can be achieved by increasing the effectiveness and efficiency of the production process, which in turn will be able to improve company performance. Efforts to improve performance can also be said to be a competitiveness strategy so that companies are able to excel in certain fields or be able to excel from the competitors. This idea is in line with Ansoff's (1990) statement which states that organizational performance in accordance with the environment will be created if there is a strategic fit. In order to be able to implement a strategic fit, it also coinsides with resource based theory as explained by Wernerfelt (1984) which explains that an organization should manage its resources optimally by considering internal and axternal factors which are influencing the strategic implementation. For this reason, careful analysis is needed regarding the influence of the environment beyond the turbulence on the organization, where the influence can be a threat or opportunity (Wheelen and David, 2010).

Meanwhile, the strategic fit theory as developed by Ansoff (1990) clearly states that organizational success relates to four things, namely the accuracy of the organization in choosing strategies that are appropriate to changes in the environment, organizational response to the chosen strategy, organizational capability, and organizational response during carry out a set strategy. Of these four things, organizational capability becomes an interesting aspect to be identified, because it is a valuable invisible asset (Stalk et al. 1992; Anshoff, 2007). On the other hand, the organizational capability is also a supporting factor in the implementation of the strategy, because it describes the strength and ability of the organization as a whole and comprehensively in achieving the goals (Mangkuprawira and Hubeis, 2007).

The process of analyzing organizational capability cannot be separated from the mindset of strategic management. Because this mindset can accommodate the additional environmental issues from the entire organization, so managerial decisions and actions taken can determine the company's long-term performance. This is as explained by Wheelen and Hunger (2012) and Thompson et al. (2005) which states that interactions in strategic management models include analysis of the external environment (i.e., the conditions of business environment and competition) and the internal environment (i.e., organizational, management, and business strategy). In developing a strategic management mindset, Djohar (2007) formulated four basic principles, namely future conditions and their relationship to strategic management, self-fulfilling prophecy, stakeholders, and strategic understanding. These four things need to be considered by decision makers in order to be in line with the company's goals.

This study is conducted by analyzing the characteristics of leadership and corporate behavior as influencing factors on corporate capabiliy. Furthermore, this study evaluates the influence of corporate capability on corporate performance. Extant literature suggests that by developing strong leadership in managing the business, company will be able to improve corporate capability and create effective business performance (Zehir et al., 2011; Howel and Avolio, 1993; Huang et al., 2010). The relationship between leadership and company performance is an important topic for both academicians and practitioners. The leadership study began with an approach to the nature of leadership and continued to expand to other topics. With various aspects, many leadership styles such as transactional, supportive, participatory, super, servant, entrepreneurial, and spiritual leadership have emerged. A number of researchers theorize that leadership is related to organizational performance (Howel and Avolio, 1993; Huang et al., 2010). Each of these leadership styles has received important attention in management literature and in the business world. Several studies on the relationship between leadership and performance have been independently examined. However, no pravious studies who made a research for the relationships between the four concepts joinly, namely, leadership, company behavior, company ability, and company performance. So, on the best of our knowledge this study is the first which tries to evaluate the relationship of these four concepts.

Moreover, oil palm companies are selected as a sample due to this industry has a major contribution to the successful achievement of State tax revenues and also because the commodities produced are one of Indonesia's mainstay exports. Then, the selected sample is companies that are listed on the Indonesian stock exchange and non-listed companies with age of more than 10 years and have assets turn over exceeding IDR 300,000,000,000 per year. These requirements are applied in order to get companies experienced with various changes in the environment, so that they are precisely used to determine the relationship between leadership, corporate behavior, corporate capability and performance, especially in turbulence environment due to the influence of the external and internal factors. Therefore, the purpose of this study is to analyze the influence of: firstly, leadership on corporate capability; secondly, corporate behavior on corporate capability, and thirdly, corporate capability on corporate performance by using both listed and non-listed oil palm companies in Indonesia as a sample.

2. LITERATURE REVIEW AND HYPOTHESES

2.1. Literature Review

Resource-based theory (RBT) as explained by Wernerfelt (1984) suggests that organizations are fundamentally idiosyncratic, and over time accumulate unique combinations of resources and skills which allow them to garner rents on the basis of “distinctive competence” (Samad, 2012; Suyono et al., 2016; Riswan et al., 2017; Pirade et al., 2018). RBT highlights the need of resources to have unique characteristics to allow organizations to achieve their competitive advantage. Among the unique and important characteristics of resources as suggested by Wernerfelt (1984) are valuable, rare, difficult to imitate, non-substitutable and imperfectly mobile. Therefore, the company should be able to manage the use of its limited resources optimally in order to get the competitive advantages. Moreover, Wernerfelt (1984) related resources as a bundle of for example assets, capabilities, organizational processes, organization attributes, information, and knowledge. Assets can be defined and classified in various forms that include tangible, intangible and personal based resources.

Besides RBT, this study is also based on a strategic fit theory developed by Ansoff (1990) stating that organizational success in handling issues related to organizational capability will be the key to the organization's success in achieving its objectives. Hagel III and Brown (2005) define capability as the ability to mobilize both tangible and intangible resources to produce value. The tangible resources include physical assets, financial resources, and human resources, while the intangible resources include talent, intellectual property, cooperative networks, and brands. Organizational capability is skills-capability and way to combine the assets, labor, and processes used by a company to convert inputs into outputs. The capability is vital to the company because well-developed capability can be a source of sustainable competitive advantage. This advantage allows a company to use the same input factors as their competitors and convert them into products and services, either with more efficient processes or with higher quality output, or both (Budiastuti and Versia, 2011; Pirade et al., 2018).

The company's capability is closely related to the company's business environment which is a dynamic movement in an economic environment that consists of external (macro) environment and internal (micro) environment. Some basic notions of the capability concept have been defined.

Wheelen and Hunger (2012) stated that organizational capability is interpreted as one of the competencies used to transform input into output. Wan and Hoskisson (2003) and Porter (1987) argued that organizational capabilities reflect a company's ability to manage managerial processes that affect management practices, especially in decision making and supervision and as a value chain that determines the company's superiority in competing with similar industry groups.

Kaplan and Norton (1996) stated that operational capabilities are related to the implementation of operational programs that involve elements of human resources, finance, research and development, internal business processes and implementation of marketing programs, and relations with the public and government. Furthermore, Menguc and Auh (2006) added to the research conducted by Kaplan and Norton (1996) that in the implementation of operational programs, companies adapt to changes in organizational culture and changes in social structure.

Associated with the business environment according to McCartan-Quinn (2003) which affects business performance including the reputation, preferences and expertise of entrepreneurs. Whereas Brits et al. (2006) argued that the business environment includes corporate form, organizational analysis and innovation are basic considerations in developing business capabilities. In this study, the definition of capability is more ability than competitors by using specific business attributes and is not easy to replicate, therefore the concept of organizational capability shows flexibility and dynamism in organizational capability.

Best (2005) stated that the external and internal environment strongly determines the sustainable competitive advantage that is needed in determining the strategy at the business level. Man and Wafa (2008) found that there is an indication of the relationship between distinctive capabilities and the performance of small and medium size enterprises (SMEs) in Malaysian manufacturing companies.

Reijonen and Komppula (2007) stated that the ability to manage managerial processes in decision making, supervise, the ability to carry out strategic activities in the market structure and gain competitive advantage through typical asset ownership is a value chain that determines competitive advantage. It must be realized that the most fundamental in managing organizational capability is meeting the interests of business owners, especially in achieving business performance.

Research on small and medium size enterprises (SMEs) in Malaysia in the manufacturing sector was carried out by Man and Wafa (2008) which found a significant relationship between management capabilities (including profit, growth and capital appreciation that resulted in reduced costs, increased business scale, turnover rate activity and balance of labor use) with its performance. Furthermore, Djohar (2007) emphasizes the importance of the role of organizational capability in the framework of strategic fit, because each company will have different capability depending on the type and size of business.

Ansoff and McDonnell (1990) analyzed corporate capability based on the operational and strategic functions, namely:

1. The profile of managers
2. Corporate work climate.
3. Management competence.
4. Management capacity.

In this study, the characteristics of leadership and company behavior from the four factors above were analyzed to identify organizational capabilities. Ansoff and McDonnell's analysis (1990), is based on an instrument development that facilitates the ability of a top manager (leader) to analyze the internal conditions of a company, explore and exploit future profit potential and improve the company's competitive position. The approach used by Ansoff (1990) allows company management to match their organizational capabilities to dynamic external environments. This approach is based on historical facts and data that managers use the same strategic one for all types of external environments faced. Whereas the development of approaches that are adapted to the external and internal environmental conditions faced and organizational management capabilities are very important to optimize the success of the company (Gianos, 2013).

The corporate performance is determined by various capital owned by the company, wherein one of them is human capital. Ongkorahardjo et al. (2008) in their research stated that human capital is one of the main components of intellectual capital and is part of strategic intangible assets, because it can lead to competitive advantage through creative innovation. It makes human capital important to be considered by leaders and management of the company in managing the business. The component of human capital in the form of individual capability and organizational climate has a significant influence on the corporate performance. Of these two components, individual capability has a more dominant influence than organizational culture. However, the component of organizational culture is still needed in the company to create a conducive work atmosphere, thus motivating employees to contribute maximum performance.

Research related to the influence of human resources on company performance has also been carried out by Daft et al., (1988). The results of the study explain that the leaders or Chief Executive Officers (CEO) in companies who have high performance compared to companies that have low performance do environmental sector scanning is more often carried out, especially in the wider environment as a response to uncertainty. The CEOs of successful companies generally also maintain information flexibility, which means the CEOs carefully scan the environment based on the level of uncertainty in all sectors. It shows that a CEO needs to have scanning behavior to achieve good performance, because the behavior is flexible enough to accommodate environmental sector uncertainties compared to behaviors based on stable patterns.

From a series of studies, it can be drawn a link that human resource is one of the important aspects that can affect company performance. However, not all of the results show similar findings, such Child (1975). The results of the study explain several ways that universalistic and contingency arguments are compatible in helping managers make decisions. The contingency approach emphasizes decision makers in the company, who should feel safe enough to evaluate the information obtained from operational activities. It makes managerial characteristics, such as personal flexibility and enthusiasm for the younger generation, necessary to support reorganization, acceptance and adjustment to new contingencies. Meanwhile, the universalistic approach is a pattern of view that is quite compatible for organizational design. For example, priorities attached to various objectives brought by top management might influence the performance profile obtained by the company. However, the company performance that has the same goal is actually determined by its ability to adjust to general contingencies.

On the other hand, the results of this study do not show a very strong relationship between managerial/organizational variables and company performance. This may reflect a lack of measurement of employees which are employed or lack of variables studied, to some extent. Another consideration is the large number of effects on performance that might occur in the workplace, where there is no single factor that has many effects on its own. The next explanation lies in the fact that management has usually been able to adapt to their own strategies to deal with obstacles in various situations. However, such actions tend to reduce the degree of contingency theory in explaining variations in company performance. The final point to keep in mind from this study is that managers are decision makers and the process of making decisions relevant to understanding company performance.

Other opinions related to company performance have also been researched in various studies. As was done by Gaspersz (2006), where in the initial stages of business performance in Indonesia is more determined by the business climate compared to competitiveness, so the most appropriate strategy to use is the cost efficiency strategy. In the development stage according to Hitt et al. (2001) the most appropriate strategy focuses on research and development. In the study conducted by Ansoff and McDonnell (1990) in the upstream industry (generally large business groups) the strategy applied was cost leadership with the principles and characteristics of large capital, economies of scale, minimum cost strategies and capital-intensive strategies, while for downstream industry groups, generally Micro, Small and Medium Enterprises embrace a strategy of building trust with low capital, low cost and labor intensive characteristics.

Based on a business survey conducted by Gaspersz (2006) shows that there are several company barriers related to understanding vision. The first obstacle, 5 percent of employees understand the company's business strategy. Second, 75 percent of employees have no purpose in accordance with the goals of the organization. Third, 60 percent of organizations do not associate their budgets with company strategies and fourthly 86 percent of the top leadership teams (Chief Executive Officers or CEOs) spend less than an hour per month discussing corporate issues and strategies, 98 percent of the CEO's time being used for operational activities and 2.5 percent is used for matters related to the future of the organization such as innovation.

2.2. Hypothesis Development

2.2.1. Leadership and Corporate Capability

Entering the 2016 ASEAN Economic Community era, the business environment experienced a very dramatic change. Globalization, trade liberalization, deregulation and the advancement of information technology create new realities in increasingly fierce competition. These competitive pressures have forced many companies or industries to do rightsizing, downsizing, delayering, and restructuring. Ansoff and McDonnell (1990) identify four factors that are crucial in organizational capabilities, all of which relate to leaders as individuals. In addition, leadership in an organization conceptually has an influence on the performance of the organization. Thoyib (2005) suggested that there is a relationship between leadership, organizational culture, and strategy for performance.

We have known that leadership and organizational culture have a mutually influential relationship. This is because the culture of an organization is formed by its leader. Instead, organizational leaders are formed from the culture he receives. Thus, there is a reciprocal relationship between leadership and organizational culture. Meanwhile, leadership also influences organizational strategy, because most strategies in the organization are indeed born of a leader. Furthermore, leadership, organizational culture, and strategies can influence the performance and success of the organization. Therefore, this study aims to analyze the active role of the element of the leader in determining the success of the organization by linking the concept of a strategic fit framework approach.

Several previous studies have also suggested the influence of leadership for the company. Peterson et al. (2003) conducted a study of the personality of the chief executive officer (CEO) leader and its influence on the top management team (TMT) and organizational performance. Where the results prove that CEO personality influences the dynamics of TMT group which ultimately relates to organizational performance. Similar findings were documented by Kirkpatrick and Locke (1996) and Walumba et al. (2005). Again, Agle et al. (2006) and Erkutlu (2008) conducted a study of the influence of the behavior and effectiveness of leaders in the hospitality services industry and showed a significant relationship. Aragon-Correa et al. (2007) in a study of large companies in Spain found that models of leadership, organizational learning, collective processes and individual factors together and positively influence corporate innovation. More specifically, in research on companies in Malaysia, it is known that leadership style has a positive relationship with the company's financial performance (Idris and Ali, 2008). Transformational leadership and best management practices (best practice management) are needed to maintain the company's performance in order to keep increasing. This is a complementary capability that the company must pay attention to in order to become a world class company.

Leadership influences organizational learning that will indirectly affect the company's innovation and ultimately positively affect the company's performance. With fewer employees to handle the increasing workload, leaders must continually strive to develop their human resource capacities and capabilities, in line with various changes to the rules of the game in the industry and competition that occurs quickly. The implications of the emergence of the need for new leadership concepts to deal with ongoing environmental changes, and to capitalize on the company's most important assets in the form of human resources, the leaders are increasingly required to have the ability to sustainably develop the company's human resources to reach their highest potential level.

In its development, leadership studies were colored by two views. First, concerning dimensionality assumptions, a narrow view that is unrealistic and over-simplified leadership phenomena. Some studies are focused on the pattern of using two dominant dimensions of leadership variables (human or employee dimensions and task dimensions), such as conducted by Sheridan and Vredenburgh (1978) and Hackman and Wageman (2007). The example of leadership concepts that applies dimensionality assumptions is X and Y theory from Douglas McGregor (Evans, 1996). Other examples are: (1) Four Rensis Likert management system that uses task orientation and employee orientation dimensions; (2) Blake and Mouton's managerial grids (the dimensions of attention to production and employee); (3) Ohio State University study (the dimensions of consideration and initiation structure); (4) four factor theory Bowers and Seashore (dimensions of work facilitation and emphasis on goals, as well as dimensions of support and facilitation of interaction); (5) path-goal theory (expectations and valences); and (6) Fiedler's contingency model (task orientation and relationship or person orientation) (Evans, 1996). Although various leadership concepts are quite varied, in principle there are similarities in terms of dependence on these two dimensions, and exclude other dimensions, such as activity level, attribution characteristics, and degree of importance (Sheridan and Vredenburgh, 1978). Moreover, similar concept also discussed in Ubaidilah et al. (2018), Niyogi (2017), Mohiths et al. (2017), Kistyanto et al. (2018), and Evelyn and Hazel (2015).

Second, is the issue of the best leadership style to be applied in an organization. The search for the best style for all situations is often deadlocked. Even participatory or democratic management styles are not always the best solution. This style may not work well in certain situations. It is much influenced by the nature of leadership itself which is two-way, meaning that it involves two parties, namely leaders and followers (who are led) and situational factors.

Therefore, in an increasingly complex and ever-changing business environment, leadership studies can no longer be as simple as using these two dimensions. Similarly, the search for the best leadership style that is valid for all time will be in vain. There is a need to find leadership models that are more relevant to complex situations like today. Transformational leadership is one concept or theory that can meet the needs of leaders who are able to adapt in a changing and complex environment. According to this concept, the task of a leader is to try to motivate his subordinates to be able to perform beyond expectations and prior estimates. The essence of leadership is to facilitate individual development to realize his potential.

Thornberry (2006) classifies types of leadership based on roles and focus. Based on its role, there are two types of leaders: leaders who play active roles and leaders who act as catalysts. Based on the focus, Thornberry also classifies the type of leader into two: leaders who focus on circumstances outside the company (external focus) and leaders who focus on assets and internal company (internal focus).

The type of activist leader usually acts as a driver in value creation in the company. Activist-type leaders assess themselves as directly related to identifying, developing and capturing new business opportunities that create added value. The types of activists based on their focus are divided into two, namely:

a. Types of miners are leaders who are able to see opportunities for value creation by streamlining the process or improving the use of existing assets so as to improve competitiveness and economic value. They are able to find cheaper ways to run a business while they still create better value for consumers. This type focuses on the internal conditions of the company.
b. Type of explorers are directly involved in value-creating activity that aims to develop new markets, new products/services. Explorers are the main movers in the process of capturing opportunities. The explorer type is obsessed with finding new and different ways to grow business, and they tend to question the status quo and conventional company policies. They have a good instinct in finding a market that has not been exploited. This type focuses on the external conditions of the company.

Meanwhile, the type of catalyst is not directly involved as a driver in capturing business opportunities and value creation for the company. The catalyst type leader is an entrepreneurial architect in a company that focuses on building structure or climate where employees in the company are able to identify, develop, and capture new business opportunities and create added value. This type is a cultural value setters that stimulate cultural changes within a company to be more entrepreneurial. Based on the focus the type of catalyst is divided into two, namely:

a. Types of accelerators are usually leaders who focus on shaping behavior and values that will encourage employees to create added value. This type of leader wants his employees to find new ways of doing business and often encourages employees not to comply with regulations if this method can grow the business. The role of accelerators is as a catalyst and trainer in enhancing the creativity of its employees, encouraging its employees to learn new skills and try new things, and emphasizing that mistakes often occur in the learning process. This type focuses on the internal conditions of the company.
b. Types of integrators are usually senior leaders in the company and top level management. The focus of this type of integrators is to create entrepreneurial companies. They see a company holistically and as a system so that their efforts are to build an entrepreneurial culture in all parts of the company. Integrators usually not only create entrepreneurial strategies in companies but also build human resources, structures, processes and culture that can support these strategies. They are more interested in creating entrepreneurial organizations rather than pursuing a business opportunity. This type focuses on the external conditions of the company.

From the results of research conducted by Thornberry (2006), a form of question about leadership is known as Entrepreneurial Leadership Questionnaire (ELQ). ELQ is a questionnaire prepared to measure entrepreneurial orientation in a company as in Table 1 below.

Table 1 On Instrumental Leadership Beyond Transaction And Transformation

	Leadership	Indicators	The Shown Behavior
I	Transformational	Idealized Influences Idealized Behavior Inspiring Others Encourage People Coaches People	Build trust Instill moral values Give inspiration Encourage, motivate Foster
II	Transactional	Reward Achievement Monitor Mistakes Figth Fires	Give praise, appreciation Actively monitor Only act if there are irregularities
III	Laissez Faire (avoid)	Avoid Involvement	Avoid making decision
IV	Strategic Leadership	Enviroment Monitoring Strategy formulation	Can and are accustomed to reading business environment conditions Able to make decisions and run them
V	Follower Facilitation	Facilitate Follower performance Monitoring	Attempting to facilitate performance Actively follow the performance of group members

Source: Antonakis and House (2004)

ELQ was created to map four entrepreneurial leader typologies (Entrepreneurial Leadership Typologies and classify managers into four typologies of entrepreneurial leaders: types of miners, explorers, accelerators, and integrators. The purpose of ELQ is a diagnostic tool that helps organizations to plan strategies that revive entrepreneurial spirit. Antonakis and House (2014) in their research found that the IL model factor is the right leadership prototype taking into account changes in the company environment. In Table 1 shows how the leadership variables and indicators of leadership and behavior shown by a leader according to Antonakis and House (2004). Leadership that has been expressed in transformational, transactional and laisez faire variables, needs to be added to other variables, namely strategic behavior and follower facilitation. This model is believed to exceed the transactional and transformational models by presenting strategic elements and facilitating work functions for followers is very important to maintain organizational sustainability and subordinate performance.

Based on above arguments it could be concluded that strong leadership in managing a business is a determining factor to build the corporate capability, therefore the first hypothesis is developed as follows:

H_1: strong leadership influences positively on corporate capability.

2.2.2. Corporate Behavior and Corporate Capability

Company behavior is often reflected by the actors holding power in the company. One of the key stakeholders in the management of the company is the corporate manager. Mai (2010) in his research related to managerial opportunistic behavior studies stated that internal corporate governance structures are based on agency theory, and are proxied by independent boards, as well as boards size, able to reduce or prevent the tendency of managers to behave opportunistically with debt to asset ratio. Furthermore, the board size is also able to reduce or prevent opportunistic behavior proxied by systematic risk. Meanwhile, an increase in dividend payments affects the increase in company value. However, the increase in both is largely determined by the company's ability to earn profits (corporate profitability). This condition encourages managers to make decisions that produce additional debt in the company's capital structure, and make decisions to invest in projects that can generate high returns. This is sufficient evidence that company managers in the study sample do not behave opportunistically.

Corporate behavior in some cases is not only determined by the company's stakeholders, but also the business environment, both domestically and internationally. The more global direction of trade indirectly requires companies to carry out the internationalization process. Fonfara (2011) in his research stated that there are four types of corporate behavior in the process of internationalization in business networks. Companies with type A mean that they are active in creating networks related to the international environment, types B and D have greater strength and character goals in relationships on the network, while type C has less power and purpose character in relationships on the network. The results of this study reveal that openness to work together most often leads companies to achieve better performance compared to competition. Companies that refer to the "active" type are very concerned about their external resources in order to gain competitive advantage. This corporate behavior can be linked to network strategy approaches and other approaches in the long run. Meanwhile, the characteristics of type C that are close to cooperation are quite effective in international markets. Companies of this type can act according to the principle of cost of transaction and build relevant structures according to financial analysis. In certain situations, companies of this type can also be closed to the external environment due to cultural factors or fear of being too close to integrated international entities. Different things are found in types B and D, where the characters of both types tend to be closed to cooperation, so the effectiveness of relationships with the network in the market becomes lower.

Different corporate behavior is also found in companies that have been open with companies that are still closed. This has been explained in several studies. In a study by Pagano et al, (1998) found positive results between companies that have an IPO or become a public company (Tbk) with a market to book ratio in each industrial sector and company size. Becoming a Tbk company will reduce costs due to bank credit and related to sales participation due to controlling shareholders which is then followed by high turnover control compared to non-Tbk companies. In his research on companies in Italy, it was found that companies began to go public when there was an increase in company size and the value of the ratio increased. Furthermore, publicly listed companies are not in the context of financing investment and growth, but in the context of financial rebanlance after high investment and high growth and IPOs are usually followed by a decrease in credit costs and increased turnover supervision.

Funkhouser and Mac Avoy (1979) made observations on price comparisons in Tbk and non-Tbk companies. Assuming there is imperfect competition and maximization of economic welfare, Tbk companies will get lower profit margins with equilibrium cost conditions, as a result of lower prices for each activity or business field. Based on data taken from Indonesian companies that Tbk and non Tbk shows that low profit margins from Tbk companies show a high level of costs, which results in non-Tbk companies not lowering their prices.

Yeganeh et al, (2014) in his research on insurance companies that are Tbk and non-Tbk in the city of Tehran, Iran with the aim of knowing the condition of intellectual capital and its components including human resources (HR), customer model and model structure, and analyzing the effect of the type of ownership in an insurance company in relation to the intellectual model and its components. Yeganeh (2014) found that the type of ownership of a company only has a significant effect on HR variables and does not affect the customer model and variable structure. Furthermore, the type of ownership of an insurance company has a significant effect on intellectual capital but on non-Tbk companies it is found that the effect of ownership is greater than that of the company Tbk. Slemrod and Venkatesh (2002) conducted a study of companies to determine the size and composition of costs and tax compliance based on the characteristics of the company. The results of his research stated that the higher the company's assets, the higher the cost of compliance with the tax that must be issued by the company. The different types of taxes that are the liability of the company relate to the size of the tax compliance costs that must be incurred.

Based on above arguments, the first hypothesis is developed as follows:

H2: corporate behavior influences positively on corporate capability.

2.2.3. Corporate Capability and Corporate Performance

Corporate performance is the result of business processes within an organization and the company's success (Zhang, 2005) which has two main components, namely financial and nonfinancial performance. Financial performance is essentially related to profitability estimates, including return on investment, net profit, return on sales, profit margins, return on equity, and return on assets. Meanwhile, non-financial performance is based on rganizational effectiveness that includes several variables, such as increased production, innovation ability, customer loyalty, customer support, the introduction of new product or service introductions, customer satisfaction, and market share.By using the concept of the resource-based theory developed by Wernerfelt (1984), the company will maximize its resources to gain competitive advantage. While the capability reflects the company's ability to organize all resources owned either tangible or intangible to achieve its business goals. Thus, the resource base view will argue that the greater the company's ability to organize its resources to achieve the company's goals will improve the company's performance, both financial and non-financial. In other words, the greater the company's capability the better the company's performance.

Furthermore, the above view is also supported by the majority of previous studies which found a positive relationship between capability and performance (Ulum et al., 2008; Mithas et al., 2011; Bangun, 2011; Wati, 2012; Suhaji, 2012; Sutapa, 2014; Anidar and Indarti, 2015; Adiputra, 2016; Suyono, 2016). Bangun (2011) found a positive relationship between intellectual capital measured by physical capital (VACA), human capital (VAHU) and structural capital (STVA) with firm performance. Mithas et al. (2011) find empirical evidence that the capability of the company is able to improve managerial performance so that ultimately also contribute in improving the overall performance of the company through effective organizational management. Sutapa (2014) and Suhaji (2012) argued that capability positively affects competitive advantage and organizational performance. Anidar and Indarti (2015) and Adiputra (2016) found a positive effect of company's capability on employee performance. Wati (2012) and Suyono (2016) found a positive relationship between good corporate governance and company performance. However, Tanuwijaya and Soenhadji (2009) state that capability has no effect on performance.

Based on the concept developed on resource based theory (Wernerfelt, 1984) and findings of the majority of previous studies that examine the relationship between corporate capability and company performance then the next hypothesis is developed as follows:

H3: Corporate capability influences positively on company performance.

3. RESEARCH METHODOLOGY

3.1. Sampling Method

The population of this research is oil palm companies in Indonesia, while the research sample is oil palm companies, both listed and nonlisted companies in the Indonesian Stock Exchange which are over 10 years old. In addition, nonlisted companies are also chosen based on the amount of turnover value that is equal with the listed companies. The turnover is an average of over IDR 300 billion per year. Moreover, the selection of research samples is carried out in probability, based on the number of taxpayer companies registered in the Directorate General of Taxes. Records of the number of companies with these criteria can be traced and can be said to be valid data in number. The next step is done with a cluster sampling technique. Cluster sampling is a sampling procedure by means of a portion of the population of the population selected randomly and the result is the unit to be studied (Parasuraman et al., 1991). In this study the selection of cluster techniques was carried out when determining the company based on type of business, year of establishment, location. The number of samples used in the study based on data on the Jakarta Stock Exchange listed as many as 5 (five) companies and specifically for non-public listed companies listing 5 (five) companies made based on turnover obtained from the Directorate General of Taxes.

3.2. Data and Data Collection Method

The data used in this study includes primary data and secondary data. Primary data is obtained through surveys using structured questionnaires to companies selected as samples and recorded as corporate taxpayers. With regard to secondary data, it includes two categories of data sources: internal sources and external sources (Kumar 1999). Internal data sources are obtained from data owned by the Directorate General of Taxes, related to the tax liability report. Meanwhile, external data sources in the form of data that has been published, both by the company itself and other official institutions.

3.3. Variables and Measurement

The variables in this study are divided into dependent variables and independent variables. Dependent variables include variables of company capability and company performance, while independent variables include leadership and corporate behavior. This research model chart can be seen in Figure 1 below.

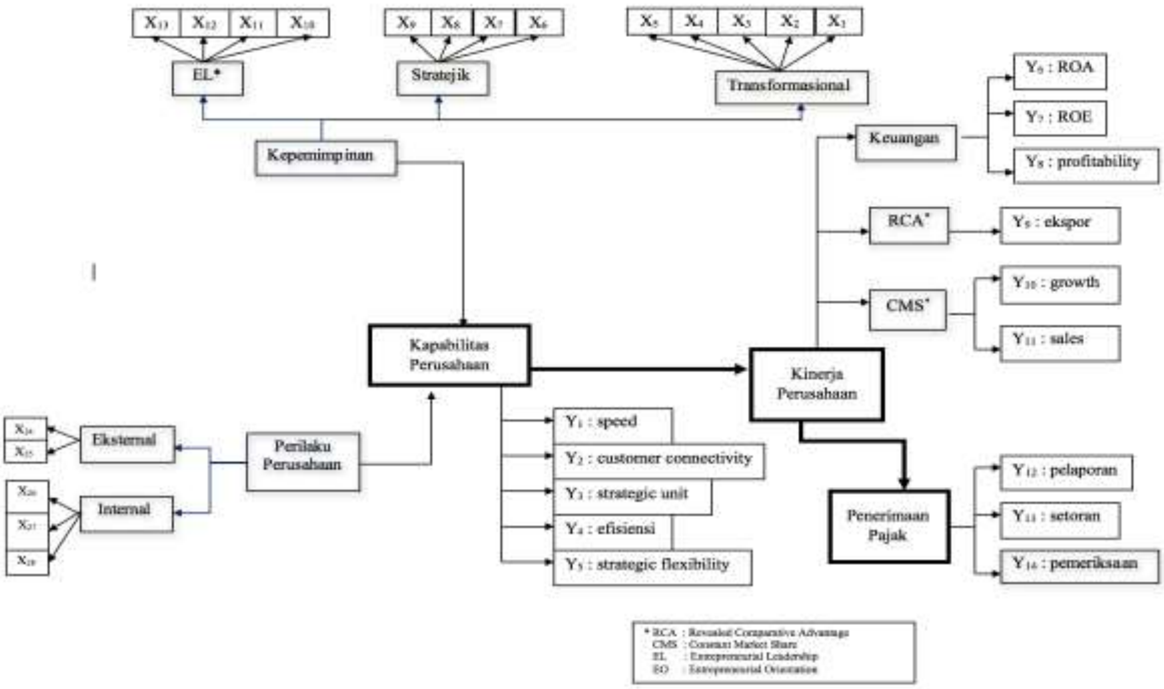

Figure 1 Research Model

From Figure 1 it can be seen that the company's capability variables consist of dimensions Y1 (speed), Y2 (customer connectivity), Y3 (strategic unity), Y4 (efficiency), and Y5 (strategic flexibility). These five dimensions are obtained using the iteration method of linkages and duplication of various results of previous studies conducted by Ulrich (2004) and Grewal et al., (2001) which identify 2 (two) elements of company capability needed to deal with the economic crisis, namely market orientation and flexibility strategies. In this study, the strategy flexibility variable was used because it gives positive results in relation to changes in the economic and political conditions of the company.

Furthermore, for the company's performance variables actually have been widely studied with an emphasis between financial performance or non-financial performance. This study combines the emphasis of financial and non-financial performance. The definition of financial performance is a financial measure that can be seen as the end result of a company during a certain period. Financial performance is a dimension of how well the company or organization satisfies the interests of shareholders (shareholders' expectations). Elements of the company's performance according to Bangun (2011) consist of return on assets, return on equity, profitability, employee satisfaction and overall performance. Employee satisfaction is a condition in which the value of remuneration for the performance of employees is proportional to the value of remuneration that is indeed desired by the employee concerned (Martoyo, 2000). Overall performance is used to measure the results of work related to organizational goals, efficiency and effectiveness (Gibson et al., 2003). This study basing on Bangun (2011) uses variables of return on assets (Y6), return on equity (Y7), and profitability (Y8).

Besides that other variables used are Revealed Comparative Advantage (RCA) and Constant Market Share (CMS). In this study, RCA is used to measure the comparative advantage of companies through the comparison of listed companies with non-listed companies. The RCA index with a value equal to or more than 1 ($RCA \geq 1$) indicates that the company has above average product competitiveness. Otherwise, if the index value is less than 1 ($RCA < 1$) then the competitiveness of a company's product is below average. Meanwhile, CMS explains the performance of sales growth. In this study the CMS terminology used follows Suprihartini (2005), namely the growth of standards and the influence of product composition.

The dependent variable cannot be obtained if it is not supported by an independent variable. In this study, independent leadership variables are influenced by a number of second-level variables, namely transformational, strategic, and entrepreneurial leadership (EL). Then for the company's behavior variables include internal and external variables including power challenge, favoritism resistance to change, self serving bias, external influence, and external intervention

3.4. Data Analysis

This study uses stuctural equation modeling (SEM) which is a statistical technique that allows analysis of separate relationships for each dependent variable device. In other words SEM is one of the statistical techniques capable of analyzing latent variables, indicator variables, and measurement errors directly. Besides it is possible to analyze the unidirectional causal relationships, SEM also makes it possible to analyze two-way relationships that often appear in social science and behavior.

Based on the path diagram, SEM is divided into two model specifications, namely measurement model and structural model. Measurement model is a model that describes the relationship between indicator variables with latent variables. In the measurement model, the relationship between the indicator variables and the latent variables expressed by the coefficient is estimated. Furthermore, it can be determined the consistency of variables (composite reliability) and it can be determined that the indicator variables represent constructs (variance extracted). Meanwhile, the structural model is a model that describes the relationship between latent variables. Testing criteria by comparing between the calculated t-values (t-statistics) and the t-values of the normal distribution tables (t-table). Positive testing criteria rejects H_0 if t-statistics> t-table, while for the negative is reject H_0 if t-statistics <t-table. Then, Microsoft Excel and SMART Partial Least Square (PLS) software are used for data processing.

4. FINDINGS AND DISCUSSION

Analysis of the influence between variables with the SEM method, carried out through three stages, namely the evaluation of the measurement model, testing the structural model, and the validation of the model (goodness of fit).

4.1. Measurement Model

Evaluation of the outer model is carried out to see the relationship of each indicator with its latent variables. This evaluation is seen from the construct validity test (convergent and discriminant), and reliability. The results of the initial measurement convergence validity test show that not all indicator variables are valid. From the results of the initial measurements, it is known that there are several indicators that do not meet the criteria, so that they are categorized as invalid. These indicators include, X4, X10, X26, Y11, and finance. It indicates that there is no link between measurement instruments, including financial variables on company performance. Although on the other hand, indicators Y6 (ROA), Y7 (ROE), and Y8 (NPM), are declared valid to measure financial variables. These conditions contradict the research conducted by Bangun (2011), Wati (2012), Ulum et al. (2008), and Sayidah (2007), where they also use financial performance as the dependent variable. More information about the research is:

1. Bangun (2011) used the dependent variable in the form of financial performance with indicators, including ROA, ROE, and profitability; while the independent variable is capability with indicators, including speed, innovation, costumer connection, change, strategic responsiveness, international working environment, efficiency, and talent. In addition to these indicators, there are also leadership and corporate culture as factors that influence capabilities. The method of analysis in this study is partial least square (PLS). From the results of the study it is known that the company's performance, in which there are financial indicators, is a positive function of capability.
2. Wati (2012) used the dependent variable in the form of financial performance with ROE and NPM indicators; while the independent variable is the score of good corporate governance (GCG). The analysis method used is regression. The results of this study indicate that the practice of GCG, which is symbolized by a GCG score, has a significant effect on the company's financial performance.
3. Ulum et al. (2008) used the dependent variable in the form of financial performance with indicators, including ROE, ROA, ATO (ratio of total income to book value of total assets), and GR (changes in company income); while the independent variable is intellectual capital (IC) which is measured by physical capital (VACA), human capital (VAHU), and structural capital (STVA). The analytical method used is PLS. From the results of the study it is known that IC has an effect on financial performance, both now and in the future.
4. Sayidah (2007) uses the dependent variable in the form of financial performance with indicators, including ROA, ROE, ROI, and profit margin (PM); while the independent variable is the corporate governance perception index (CGPI). The analysis method used is multiple regression. The results of this study indicate that there is a positive / significant relationship between corporate governance and financial performance.

Based on the four studies above it is known that financial performance is commonly used as the dependent variable. Some financial performance indicators that are often used in research are ROA, ROE, and profit margin/profitability with NPM as a proxy. It underlies the use of these indicators in research. Although the results of this study are different from previous studies. This difference may occur given the difference in business sector and the amount of data. In addition, there are other financial performance indicators that were not used in this study. On the other hand, the difference in results is not an absolute thing. Because Hair et al. (2010) describes one alternative to improve the construct of the model, in addition to changing the content (concordance of the characteristics of variables conceptually with operations), namely through the addition of the number of samples. However, this cannot be done in this study, because there are company age criteria and limited company financial data. Thus, the elimination of indicators that are not valid from the construct, is the choice taken for the analysis of the next model. The test results of the convergence validity of the initial measurement model that has been modified can be seen in Appendix 2. Based on Annex 2, it is known that all indicators have met the measurement criteria, so that they are said to be valid. This condition indirectly shows the relationship between variables or instruments in a construct. Other tests were carried out to ensure the ability of this model was measured (average variance extract / AVE value) and reliability (composite reliability / CR and communality). Validity validity and reliability test results can be seen in Table 2.

Table 2 Test of Discriminat Validity and Reliability on The Innitial Measurement Model

Laten Variables	**AVE**	***Composite Reliability*(CR)**	***Communality***
CMS	1.000	1.000	1.00
EL*	0.688	0.868	0.69
External	0.770	0.870	0.77
Internal	0.673	0.804	0.67
Corporate Capability	0.609	0.885	0.61
Leadership	0.628	0.947	0.63
Corporate Perforamnce	0.520	0.069	0.52
Corporate Behavior	0.622	0.867	0.62
RCA	1.000	1.000	1.00
Strategic	0.865	0.962	0.86
Transformational	0.765	0.928	0.76

From Table 2 above it is known that almost all variables have met the criteria of each test, namely the value of AVE> 0.5; CR value> 0.7; and the value of communality> 0.5. The variable that has not fulfilled the CR value is the company's performance. However, in general it can be said that the indicators are valid to measure the construct of the model.

4.2. Test of Structural Model

This test is conducted to determine the effect of latent constructs. Tests for structural models include the calculation of r-square and estimate for path coeficients. From the r-square calculation, the values for CMS, EL, external, internal, company capability, company performance, and RCA variables are 0.91; 0.60; 0.87; 0.86; 0.52; 0.02; and 0.93 respectively. The criteria of the r-square value can be categorized into three types, namely r-square ≥ 0.67, which means strong; 0.19 ≤ r-square ≤ 0.33, which means moderate; and r-square <0.19, which means weak. Among the seven variables above, it can be seen that only performance variables fall into the weak category. This indicates that the performance variable cannot be explained by the construct of the model (only 2% diversity of performance variables can be explained by the indicator). This condition may occur, considering the indicators that explain the performance variables have been reduced, to become two types, namely CMS and RCA. Thus, performance variables are explained more by other indicators out of the model. Furthermore, from the calculation result estimate for path coeficients (estimated path coefficient) can be seen the significance of the relationship between variables. The results of the calculation of the path coefficient estimation can be seen in Table 3 below.

Table 3 Results of Estimated Path Coefficient

Causality Relationship (direct link)	**Path Coefficient**	**t-statistics**	**Conclusion**
Corporate Capability->Corporate Performance	0.1585	1.966	Significant
Leadership-> Corporate Capability	0.7007	3.912	Significant
Corporate Behavior-> Corporate Capability	0.0606	0.2718	Not Significant

Where: if t-statistics > 1,96 then the relationship is significant. In another side, if *t-statistics* ≤ 1,96 then the relationship is not significant.

Table 3 above shows that there are two types of significant causality relationships at 95% level with a positive relationship direction, namely capability with company performance and leadership with company capability. This means that the better the company's capability or leadership, the better the performance of the company will be. These results are in line with the research conducted by Bangun (2011) where leadership has a positive relationship to organizational capabilities.

In line with Bangun (2011), it was also found in the relationship between capability and company performance. The recommendations for improving financial performance in the State Owned Enterprise (SOE) by increasing the role of predictors of speed-custumer, connection-seeks, change-strategic, responsiveness-international, working, and environment-efficiency-talent, while recommendations for improving performance in the private sector by increasing the predictor role of speed-innovation-customer, connection-seeks, change-strategic, responsiveness-international, working, and environment-talent.

Furthermore, Table 3 also shows that there is an insignificant causality relationship, namely between behavior and company capability. This is different from Bangun (2011), where the relationship of behavior and company performance is significant even with a negative direction. This indicates that the company's political behavior should be avoided, especially in private companies, because it can reduce the company's performance. The difference between the results of this study and Bangun (2011) may occur due to limited research factors as explained in the evaluation of the outer model.

4.5. Goodness of Fit (GoF)

Goodness of fit (GoF) is used to validate the overall model. The GoF index is a single measure to validate the combined performance between a measurement model and a structural model. Criteria for GoF values, including GoF $\leq$ 0.1 which means weak validation; 0.1 $\leq$ GoF $\leq$ 0.25 which means moderate validation; and Gof $\geq$ 0.26 which means strong validation. The GoF value is derived from the average rationing of communality multiplied by the average r-square squared. From the calculation, the GoF value of the model construct is 0.73. It indicates that the modified model construct is totally valid. In the other word, the model on this study is fit.

5. CONCLUSIONS

The results of the study show that leadership has a positive and significant influence on the capabilities of oil palm companies both listed and nonlisted in the Indonesian Stock Exchange. It means that the ideal form of leadership can refer to the leadership intrum, so that leaders can have a balanced transformational, transactional, and EL leadership style in one person or one company. Meanwhile, the finding of this study shows that corporate behavior does not have a significant influence on the corporate capability.

In line with previous research, in this study capability has a significant effect on company performance. Capability is measured based on the ability of the organization to recognize opportunities and act quickly, connect with customers or target customers, strategic units from the lower level to the top level, the ability to operate efficiently by managing costs and managing economic conditions and political risks with the right response has a significant relationship with the company's performance which is seen from the company's financial capability and competitiveness.

Based on the above conclusions, further research can be carried out on the relationship of capability with company performance. In relation to performance, nonfinancial research can be carried out or a combination of financial and non-financial research can be carried out. In addition, further research can be carried out on different industries, such as the chocolate, coffee, food and beverage industries, and so on.

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