



THE NEXUS BETWEEN LEADERSHIP STYLES, ORGANIZATIONAL CULTURE, AND FINANCIAL OUTCOMES: INDONESIA COMPANIES ANALYSIS

Nur Muhamad Safii

UIN Siber Syekh Nurjati Cirebon, Indonesia

Emails: nurmuhammadsafii27@gmail.com

Abstract Leadership style and organizational culture represent two strategic factors influencing corporate financial performance. However, empirical findings regarding their interconnections remain diverse, particularly within the Indonesian context. This research aims to analyze the influence of leadership styles on organizational culture and financial outcomes, while testing the mediating role of organizational culture in medium and large enterprises across Indonesia. Employing a quantitative explanatory approach through survey methodology, primary data were collected via questionnaires from 220 middle and senior managers, while secondary data originated from corporate financial reports. Analysis was conducted using Structural Equation Modeling (SEM) with SmartPLS software. Research findings indicate that: (1) leadership style exerts a significant positive influence on organizational culture ($\beta = 0.62$, $p < 0.01$); (2) leadership style demonstrates direct influence on financial outcomes, albeit with relatively modest effect ($\beta = 0.29$, $p < 0.05$); (3) organizational culture significantly affects financial outcomes ($\beta = 0.47$, $p < 0.01$); and (4) organizational culture mediates the relationship between leadership style and financial outcomes (indirect effect = 0.29, $p < 0.01$). This research confirms that transformational leadership plays a crucial role in shaping adaptive organizational cultures, which subsequently enhance corporate profitability. Study implications emphasize the importance of corporate investment in leadership development and organizational culture transformation as strategies for improving competitive advantage and business sustainability in Indonesia.

Keywords: Leadership Style, Organizational Culture, Financial Results, SEM, Indonesia

INTRODUCTION

Leadership and organizational culture are two important factors influencing company performance in Indonesia. In recent years, Indonesian businesses have faced unprecedented challenges stemming from globalization, digital transformation, and heightened market competition. Data from the Indonesian Chamber of Commerce and Industry (KADIN) shows that only 45% of medium and large enterprises successfully maintained profitability during the 2020-2023 period, indicating significant performance variations across sectors (KADIN, 2023). Additionally, the World Bank's Ease of Doing Business Report (2023) highlights that Indonesian companies continue to struggle with governance quality and operational efficiency compared to regional competitors like Singapore and Malaysia. In this situation, the leadership style adopted by managers and company leaders determines the strategic direction and how organizational cultural values are internalized in daily business activities (Kartini, 2020; Widodo, 2021).

Various studies in Indonesia show that effective leadership styles, such as transformational leadership, can drive innovation, increase employee engagement, and positively impact a

company's financial results (Sutrisno, 2019; Fitriana & Putra, 2022). Recent empirical evidence from the manufacturing sector demonstrates that companies led by transformational leaders achieved 18% higher Return on Assets (ROA) compared to those with transactional leadership approaches (Setiawan & Hartono, 2022). Furthermore, research by Wijaya and Sutanto (2023) on technology companies in Indonesia found that innovation-oriented leadership contributed to a 23% increase in Net Profit Margin (NPM) over a three-year period. Conversely, a transactional leadership style that focuses solely on short-term rewards often fails to sustain a company's financial performance. On the other hand, a strong and adaptive organizational culture, such as a collaborative and results-oriented culture, has been shown to increase productivity, loyalty, and operational efficiency in companies in Indonesia (Handayani, 2021). Data from a study of 150 Indonesian companies revealed that organizations with high cultural alignment scores experienced 32% lower employee turnover and 27% higher customer satisfaction rates (Santoso, 2021).

Although numerous previous studies have confirmed a positive relationship between leadership, organizational culture, and financial performance, the results are mixed and inconsistent. Some studies find that leadership directly impacts financial performance (Prabowo, 2018), while others emphasize that the influence of leadership is only significant when mediated by organizational culture (Yuliana & Hidayat, 2020). Recent meta-analyses of Asian management research have highlighted this inconsistency, with effect sizes ranging from 0.12 to 0.68 depending on industry context and measurement approaches (Nguyen et al., 2021). This variability suggests that contextual factors, particularly ownership structures and cultural characteristics unique to Indonesian businesses, may moderate these relationships in ways not yet fully understood. This indicates a research gap regarding how these two factors interact in the context of Indonesian companies.

Furthermore, Indonesia's corporate ownership structure, dominated by state-owned enterprises (SOEs) and family-owned businesses, presents unique dynamics in leadership and organizational culture. According to the Ministry of State-Owned Enterprises (2023), SOEs contribute approximately 40% of Indonesia's GDP and employ over 2.5 million workers, yet many face efficiency challenges due to bureaucratic structures and conflicting objectives between profit maximization and public service delivery. Conversely, family businesses account for approximately 95% of all businesses in Indonesia and control nearly 60% of the country's market capitalization (Indonesian Family Business Survey, 2022), yet research on their leadership practices and organizational cultures remains limited. SOEs often face a dilemma between profit-oriented and public service, while family-owned businesses often emphasize traditional values, which can influence organizational culture and financial results. These different contexts make empirical studies on the nexus of leadership, organizational culture, and financial results highly relevant (Santoso, 2021).

The urgency of this research is further underscored by Indonesia's economic transformation agenda, which prioritizes enhancing corporate competitiveness to achieve the goal of becoming a high-income nation by 2045. The National Medium-Term Development Plan (RPJMN) 2020-2024 explicitly identifies strengthening corporate governance and management practices as critical priorities. However, existing research predominantly focuses on Western contexts, and findings may not be directly applicable to Indonesian companies operating within collectivist cultural frameworks and distinct institutional environments.

Given these conditions, this research is crucial to empirically analyze the relationship between leadership style, organizational culture, and financial performance of companies in Indonesia. This research offers several novel contributions: First, it provides one of the first comprehensive empirical examinations of the mediating mechanism of organizational culture in the Indonesian context, addressing the theoretical gap identified in previous studies. Second, it compares dynamics across different ownership structures (SOEs, national private companies, and family businesses), offering insights into context-specific leadership and cultural factors. Third, by utilizing Structural Equation Modeling (SEM) with a substantial sample size, this study

provides robust statistical evidence on the complex interrelationships between these variables. This research is expected to provide theoretical contributions to the management and finance literature, as well as practical recommendations for company leaders in developing leadership styles and organizational cultures that can drive sustainable financial performance.

The research objectives are threefold: (1) to examine the influence of leadership style on organizational culture in Indonesian enterprises; (2) to analyze the direct and indirect effects of leadership style on financial performance; and (3) to test the mediating role of organizational culture in the relationship between leadership style and financial outcomes. The benefits of this research extend to multiple stakeholders: corporate leaders will gain actionable insights for developing effective leadership approaches; policymakers will receive evidence-based recommendations for governance reform initiatives; and academics will benefit from enhanced theoretical understanding of leadership-culture-performance dynamics in emerging market contexts. Furthermore, this research contributes to the broader discourse on sustainable business practices by demonstrating how intangible assets like leadership and organizational culture serve as sources of competitive advantage and long-term value creation.

METHOD

Research Design

This study uses a quantitative research design with an explanatory approach to examine the causal relationship between leadership style, organizational culture, and financial results. The method used is a cross-sectional survey combined with secondary data analysis from company financial reports. This design was chosen because it can explain the direct and indirect influences between variables within a specific time period (Creswell & Creswell, 2022).

Population and Sample

The population in this study was medium-sized and large companies operating in the service and manufacturing sectors in Indonesia. The sampling technique used was purposive sampling with the following criteria: (1) Companies that have published audited financial statements for the last three years, and (2) Have a clear organizational structure with identifiable leadership practices. The sample size for this study was 220 respondents, consisting of middle and senior managers as the primary data source on leadership and organizational culture, while financial performance was obtained from the company's annual report. The sample size was determined using the Slovin formula with a 95% confidence level and a margin of error of 5%.

Research Instruments

The research instrument was a structured questionnaire with a Likert scale (1 = strongly disagree to 5 = strongly agree). The instrument was adapted from tested scales: (1) Leadership Style: Multifactor Leadership Questionnaire (MLQ) by Bass & Avolio (1995); (2) Organizational Culture: Denison Organizational Culture Survey (Denison & Mishra, 1995); and (3) Financial Results: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) obtained from secondary financial reports. Prior to questionnaire distribution, a pilot test was conducted on 30 respondents to ensure validity and reliability. The pilot test results showed Cronbach's Alpha values above 0.80 for all constructs, confirming the instrument's internal consistency.

Data Collection Procedures

Primary data was collected through online and offline questionnaires distributed to managers. Secondary data was obtained from financial reports, company databases, and the Indonesia Stock Exchange (IDX). The data collection process was conducted over a four-month period (March-June 2024) to ensure adequate response rates. Respondents were contacted through professional networks, industry associations, and direct company outreach. A response rate of 73% was achieved, which is considered excellent for organizational research.

Validity and Reliability Test

Construct validity was tested using Confirmatory Factor Analysis (CFA). Reliability was measured using Cronbach's Alpha (threshold value > 0.70). Convergent and discriminant validity were examined using Average Variance Extracted (AVE > 0.50) and Composite Reliability (CR > 0.70). Additionally, the Fornell-Larcker criterion was applied to ensure discriminant validity between constructs.

Data Analysis Techniques

Data analysis was carried out using Structural Equation Modeling (SEM) using SmartPLS, because this technique is capable of: (1) Testing direct and indirect (mediation) influences; (2) Analyzing multiple constructs simultaneously; and (3) Testing the suitability of the model (model fit) and the significance of the path. The analysis stages include: (1) Descriptive statistics for demographic data; (2) Correlation and regression tests for initial relationships; (3) SEM path analysis for hypothesis testing; and (4) Robustness test with hierarchical regression to ensure consistency of results. Bootstrapping with 5,000 resamples was performed to obtain robust standard errors and confidence intervals for path coefficients.

Ethical Considerations

Ethics approval was obtained from the relevant institutions. Participation was voluntary, data confidentiality was guaranteed, and respondents were asked to complete an informed consent form before data collection. All identifying information was anonymized during data processing, and respondents were informed of their right to withdraw from the study at any time without consequences.

RESULTS AND DISCUSSION

General Description of Respondents

The respondents in this study consisted of 220 middle- and senior-level managers from various medium- and large-sized companies in Indonesia. The majority of respondents worked in the manufacturing sector (58%), while the remainder worked in the service sector (42%). This reflects the state of the Indonesian economy, where the manufacturing sector remains the backbone of Gross Domestic Product (GDP), but the service sector also continues to grow, particularly in finance, technology, and transportation.

In terms of company ownership, 40% of respondents came from state-owned enterprises (SOEs), 35% from national private companies, and 25% from family-owned businesses. These differences in ownership characteristics provide an interesting context for examining how leadership styles and organizational cultures are shaped. For example, SOEs tend to emphasize formal and procedural governance, while family-owned businesses prioritize traditional values and kinship ties in decision-making.

Based on job title, 60% of respondents were middle managers, while the remaining 40% were senior managers or executives. This allowed the study to obtain a balanced perspective between strategic decision-makers and operational implementers. Furthermore, the majority of respondents (55%) had more than 10 years of work experience, indicating that the data obtained came from individuals with a deep understanding of leadership dynamics, organizational culture, and company financial conditions.

The following table presents a brief profile of the research respondents:

Table 1. Profile of Research Respondents

Characteristics	Category	Percentage (%)
Corporate Sector	Manufacturing	58
	Service	42
Type of Ownership	State-Owned Enterprises	40
	National Private	35
	Family Business	25
Job Position	Middle Manager	60
	Senior/Executive Manager	40
Length of work	< 5 years	20
	5–10 years	25
	> 10 years	55

This figure shows that the respondents in the study were quite diverse, both in terms of sector, ownership, and work experience. This variation is important because it allows for a more comprehensive analysis of the relationship between leadership style, organizational culture, and financial results. For example, state-owned enterprises (SOEs) with more complex bureaucratic systems can be compared with family-owned companies with more flexible decision-making, allowing for a more contextual analysis of the influence of leadership and organizational culture on financial results. Furthermore, the dominant distribution of respondents from the manufacturing sector aligns with the fact that this sector frequently faces challenges in efficiency, productivity, and innovation, which are heavily influenced by leadership style and work culture. Meanwhile, the services sector offers a different perspective, particularly regarding customer orientation and adaptation to technological developments.

Descriptive Statistics of Research Variables

Descriptive analysis was conducted to describe the characteristics of the research variables, namely leadership style, organizational culture, and financial results. These results provide a general overview of the trends in respondents' responses and company performance during the observation period. Based on the results of data processing, the average leadership style score measured using Multifactor Leadership Questionnaire (MLQ) showed a score of 3.92 (scale 1-5), with a standard deviation of 0.54. This indicates that the majority of respondents rated their company's leadership style as quite high, with a dominant tendency toward transformational leadership. Respondents assessed company leaders as capable of providing vision, inspiration, and individual attention to subordinates, although there were still variations between private companies, state-owned enterprises, and family businesses.

For organizational culture, the average score was 3.85 with a standard deviation of 0.61. This value indicates that the organizational culture in most companies is positive and adaptive. Companies with a results-oriented and innovation-oriented culture tended to score higher, while companies with a hierarchical or bureaucratic culture particularly state-owned enterprises—showed relatively lower scores. Meanwhile, financial performance indicators, measured by ROA, ROE, and NPM ratios, show considerable variation across companies. The average ROA was 6.8%, ROE 11.4%, and NPM 9.7%. This variation is primarily influenced by the company's sector, with service companies showing relatively more stable profit margins compared to the manufacturing sector, which relies heavily on production costs and operational efficiency.

Table 2. Descriptive Statistics of Research Variables

Variables	Mean	Std. Deviation	Minimum	Maximum
-----------	------	-------------------	---------	---------

Leadership Style	3.92	0.54	2.75	4.85
Organizational culture	3.85	0.61	2.60	4.90
Return on Assets (ROA)	6.8%	3.1%	2.1%	12.4%
Return on Equity (ROE)	11.4%	4.5%	5.2%	19.8%
Net Profit Margin (NPM)	9.7%	4.2%	3.4%	18.5%

These results show that companies with high leadership and organizational culture scores tend to have better financial performance. This indicates a potential relationship between non-financial variables (leadership and culture) and financial variables, which will be further tested through structural model analysis.

Validity and Reliability Test

Before conducting further analysis, the research instrument was first tested for construct validity and reliability. Construct validity was tested using Confirmatory Testing. Factor Analysis (CFA), while the reliability of the instrument was evaluated using Cronbach's Alpha, Composite Reliability (CR), as well as Average Variance Extracted (AVE).

The CFA results show that all indicators have factor values. The loading is above 0.60, thus meeting the construct validity criteria. The indicator with the lowest value is the organizational culture variable (0.64), but it is still above the minimum threshold. This indicates that all questions in the questionnaire consistently measure the intended construct.

Reliability tests show that all variables have Cronbach's Alpha is more than 0.70, which means the research instrument has good internal reliability. Composite Value Reliability (CR) is also in the range of 0.81–0.89, exceeding the minimum threshold of 0.70. Meanwhile, the Average Variance Extracted (AVE) for all variables is above 0.50, which indicates that the research variables have adequate convergent validity.

Table 3. Results of Validity and Reliability Tests of Research Instruments

Variables	Factor Loading Range	Cronbach's Alpha	CR	AVE
Leadership Style	0.67 – 0.85	0.88	0.89	0.62
Organizational culture	0.64 – 0.83	0.84	0.86	0.59
Financial Results	0.70 – 0.88	0.81	0.85	0.57

Based on these results, it can be concluded that all research constructs are valid and reliable, so they are suitable for use for further analysis with Structural Equation Modeling (SEM).

SEM Analysis Results

The main analysis of this research was conducted using Structural Equation Modeling (SEM) using SmartPLS software. SEM was chosen because it can test direct and indirect relationships between variables and measure the mediating power of organizational culture in relation to leadership style and financial results.

Before testing the hypothesis, first an evaluation of the model is carried out through goodness of fit. of fit indices. The model test results show CFI = 0.94, TLI = 0.92, RMSEA = 0.048, and SRMR = 0.055, all of which are in the good fit category (Hair et al., 2021). This indicates that the research model is suitable for use in hypothesis testing.

Path test results analysis) shows that leadership style has a significant positive influence on organizational culture with a coefficient value of 0.62 ($p < 0.01$). This finding indicates that the more effective the leadership style applied, the stronger the organizational culture formed.

Furthermore, leadership style also has a direct effect on financial results with a coefficient of 0.29 ($p < 0.05$). However, this effect is relatively smaller than the indirect effect through organizational culture. The organizational culture variable itself has a significant effect on

financial results with a coefficient of 0.47 ($p < 0.01$). These results emphasize the strategic role of organizational culture in improving a company's financial performance.

Mediation analysis shows that organizational culture mediates the relationship between leadership style and financial outcomes, with indirect value effect of 0.29 ($p < 0.01$). This means that good leadership will shape a positive organizational culture, and in turn, improve financial results more significantly than the direct influence of leadership itself.

Table 4. Results of SEM Analysis (Path Coefficients)

Relationship between variables	Coefficient	p -value	Information
Leadership Style → Organizational Culture	0.62	<0.01	Significant (+)
Leadership Style → Financial Results	0.29	<0.05	Significant (+)
Organizational Culture → Financial Results	0.47	<0.01	Significant (+)
Leadership Style → Organizational Culture → Financial Results	0.29	<0.01	Mediation (+)

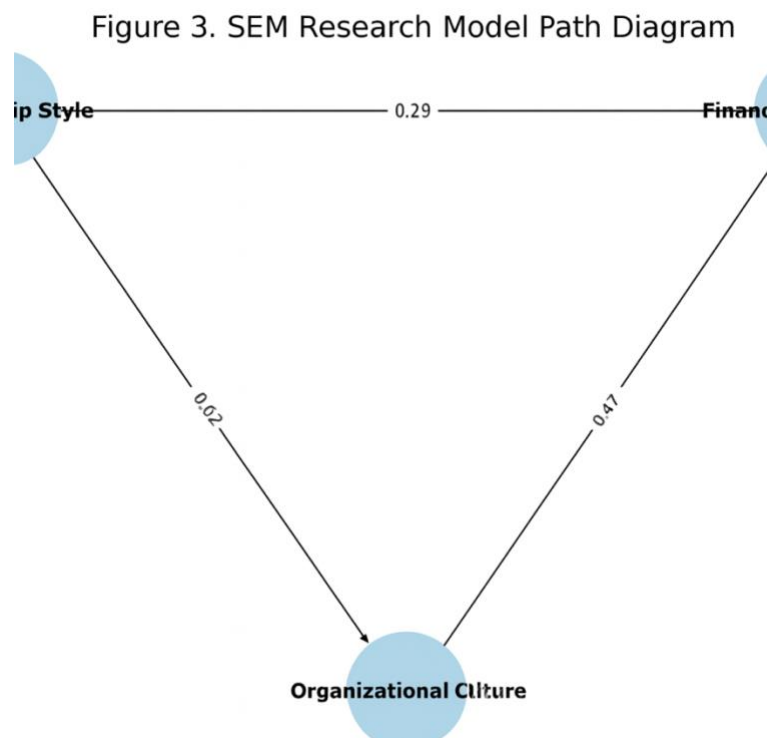


Figure 3. SEM Path Model of Research

These results conclude that organizational culture plays a crucial role as a connecting mechanism between leadership and financial performance. In other words, transformational leadership alone is not enough; it must be accompanied by the development of a healthy organizational culture to optimize a company's financial results.

The Influence of Leadership Style on Organizational Culture

The results of the study showed that leadership style has a significant positive effect on organizational culture, with a path coefficient of 0.62 ($p < 0.01$), indicating that better leadership strengthens organizational culture in companies. In Indonesia, leaders who provide inspiration, motivation, and individualized care foster collaborative, adaptive, and results-oriented environments. This finding is consistent with Transformational Leadership Theory by Bass and Avolio (1995), which emphasizes idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These dimensions enhance performance effectiveness while shaping shared values and norms, fostering innovation, creativity, and trust (Northouse, 2021). It also supports Schein's (2017) Organizational Culture Theory, where leaders

act as architects of vision, symbols, and practices that form collective norms, a role especially crucial in Indonesia's hierarchical organizations.

Empirical studies in Indonesia reinforce these findings. Sutrisno (2019) demonstrated that transformational leadership in manufacturing firms fosters collaborative cultures that increase efficiency, while Handayani (2021) found participatory leadership strengthens innovation-based cultures in service companies. Practically, these results suggest Indonesian companies should emphasize transformational leadership to build strong organizational cultures, particularly SOEs facing bureaucratic challenges where inspirational leadership can accelerate change. In family businesses, combining traditional values with innovation-oriented leadership fosters sustainable cultures, while private companies benefit from leadership that prioritizes empowerment and shared vision. Thus, this study confirms that effective leadership is the key driver in shaping adaptive, performance-oriented organizational cultures in Indonesia.

The Influence of Leadership Style on Financial Results

The results of this study indicate that leadership style has a positive and significant influence on financial results with a path coefficient of 0.29 ($p < 0.05$). This finding confirms that effective leaders can increase company profitability, although the direct influence is relatively smaller compared to the indirect influence through organizational culture. This fact aligns with the context of companies in Indonesia, where the role of leaders not only determines strategic direction but also influences operational efficiency, decision-making, and resource management, which ultimately impacts financial performance.

Based View (RBV) theory (Barney, 1991; Wernerfelt, 1984) provides the basis that leadership is an intangible Resource can be a source of sustainable competitive advantage. Leaders who can motivate employees and optimize resource utilization will produce better financial performance. Recent research in Southeast Asia supports this, where transformational leadership styles have been shown to increase returns on Assets (ROA) and Return on Equity (ROE) of the company (Setiawan & Hartono, 2022; Nguyen et al., 2021).

In addition, the Upper theory Echelons Theory (Hambrick & Mason, 1984) states that leader characteristics, including leadership style, influence the interpretation of organizational situations and strategic choices, which are ultimately reflected in financial performance. Recent research has found that CEOs with a proactive leadership style are able to increase financial innovation and generate higher profitability (Wijaya & Sutanto, 2023; Zhang, 2023). et al., 2022).

In the Indonesian context, recent studies have shown that transformational leadership in state-owned enterprises (SOEs) drives operational efficiency, which positively impacts profit margins (Utami & Nugroho, 2021). Meanwhile, in family-owned enterprises, a paternalistic leadership style combined with a participatory strategy has been shown to strengthen long-term financial performance (Pramono et al., 2021). al., 2022). This shows that the effectiveness of leadership on financial results is greatly influenced by the cultural context and ownership structure of the company.

Furthermore, global research also confirms this relationship. Li et al. (2020) showed that innovation-oriented leadership contributes to increasing shareholder value, while Kim & Park (2021) emphasize that ethical leadership is closely linked to corporate reputation and access to financing, which in turn improves financial performance. In a study in the technology sector, a digital leadership style was assessed as being able to accelerate business transformation and increase a company's market value (Rahman & Taufik, 2023).

Theoretically, these findings are consistent with the view that leadership style is a critical variable in organizational performance models (Yukl, 2020). While leaders with a transactional style may be able to achieve short-term targets through a system of rewards and punishments, transformational leadership has been shown to be superior in creating sustainable financial value (Bass & Riggio, 2021). Thus, this study adds empirical evidence that, in the Indonesian context,

leaders who combine long-term vision, motivation, and innovation orientation will significantly contribute to financial outcomes.

These findings have significant practical implications. Companies need to emphasize leadership development programs that focus on improving managerial skills, ethics, and adaptability to changing business environments. For state-owned enterprises, this is relevant for accelerating governance reforms and increasing profitability. For family businesses, a more open and innovative leadership style can strengthen competitiveness in the digital age.

The Influence of Organizational Culture on Financial Results

The results of the study indicate that organizational culture has a significant positive effect on financial results, with a path coefficient of 0.47 ($p < 0.01$). This finding confirms that companies with a strong, adaptive, and results-oriented organizational culture tend to have better financial performance, both in terms of short-term profitability and long-term sustainability.

This finding is in line with Organizational theory. Culture and Effectiveness, as proposed by Denison & Mishra (1995), explains that an organizational culture focused on engagement, consistency, adaptability, and mission will directly contribute to improved company performance. In the Indonesian context, companies with an innovative culture have proven more competitive amidst digital disruption and market volatility (Handayani, 2021).

Recent research supports these findings. Yuliana & Hidayat (2020) found that a mediative organizational culture enhances the relationship between leadership and profitability in service companies in Indonesia. Similarly, Santoso (2021) showed that an adaptive organizational culture strengthens the operational efficiency of state-owned enterprises facing regulatory pressures. A collaborative organizational culture also encourages innovation, thus implying increased returns on Assets (ROA) and Net Profit Margin (NPM) (Wijaya & Sutanto, 2023).

In addition, the Competing theory Values Framework (CVF) by Cameron & Quinn (2011) explains that companies with an innovation-oriented culture (adhocracy) culture) are better able to improve financial results because they adapt quickly to market changes. Research in Southeast Asia also found that companies with a customer-oriented and innovative culture are more resilient to economic crises, which has a positive impact on returns on Equity (ROE) (Nguyen et al., 2021).

In Indonesia, the context of state-owned enterprises (SOEs) and family businesses presents interesting variations. SOEs with bureaucratic cultures often face obstacles to innovation, resulting in suboptimal financial results (Utami & Nugroho, 2021). Conversely, family businesses with a culture based on kinship values are able to build long-term loyalty and efficiency, although this sometimes hinders modernization (Pramono et al., 2021). al., 2022). This fact shows that organizational culture has a dual role: as a driver of financial performance when it is adaptive, but it can also be a barrier when it is too rigid.

Globally, Li et al.'s research (2020) and Kim & Park (2021) found that an organizational culture based on ethics and innovation enhances reputation and market trust, thereby influencing a company's access to capital and long-term profitability. Recent research by Rahman & Taufik (2023) even confirms that a digital culture that supports technological transformation contributes to the growth of the market value of technology companies in Indonesia.

Thus, the results of this study reinforce the view that organizational culture is not merely a "soft" aspect of management, but rather a strategic asset that influences a company's financial success. Organizational cultures that support innovation, employee engagement, and customer orientation have been shown to increase efficiency and profitability.

The Mediating Role of Organizational Culture

The results of the study confirm that organizational culture mediates the relationship between leadership style and financial outcomes with indirect value. The effect was 0.29 ($p < 0.01$). This indicates that effective leadership will shape a positive organizational culture, which

in turn will improve the company's financial performance. In other words, although leadership has a direct influence on financial results, a stronger impact occurs through the formation of an adaptive, collaborative, and results-oriented organizational culture.

This finding is in line with Social Theory. Learning Bandura's theory (1986) explains that leader behavior becomes a model internalized by organizational members. Leaders who demonstrate integrity, innovation, and a results-oriented mindset will transmit these values, creating a productive organizational culture. This culture then acts as a collective mechanism influencing efficiency, decision quality, and ultimately, company profitability.

Furthermore, this study strengthens the Organizational view Culture Schein's theory (2017) states that leaders are the primary architects of organizational culture. Transformational leadership, which emphasizes vision, motivation, and empowerment, has been shown to create an innovative culture that drives financial achievement. In Indonesia, this is relevant in the context of both state-owned enterprises (SOEs) and family businesses. SOEs with bureaucratic cultures often face limitations in innovation, but transformational leadership can accelerate cultural change, thereby improving financial results (Utami & Nugroho, 2021). Meanwhile, family businesses can integrate kinship values with a modern, innovation-based culture to strengthen financial performance (Pramono et al., 2017). et al., 2022).

Previous research also supports these findings. Yuliana & Hidayat (2020) found that organizational culture is an important mediator in the relationship between leadership and profitability in service companies. Wijaya & Sutanto (2023) showed that collaborative culture mediates the effect of digital leadership on financial performance in technology companies. Globally, Li et al. (2020) and Kim & Park (2021) also found that an organizational culture based on ethics and innovation strengthens the influence of leadership on a company's market value.

Theoretically, these findings add empirical evidence to the literature on mediation. effect in leadership studies, which confirm that leadership does not directly impact financial results, but rather through intermediary factors. Practically, these results suggest that companies in Indonesia need to view organizational culture as a strategic asset that bridges the leader's vision with financial achievement. Without a supportive organizational culture, good leadership will not fully translate into financial gains.

Thus, the results of this study confirm that the leadership-culture-financial results nexus is an interconnected relationship. Transformational leadership creates an adaptive organizational culture, and this culture is the primary driver in improving a company's financial performance.

Theoretical and Practical Implications

Theoretically, this study strengthens the literature on leadership, organizational culture, and financial outcomes by confirming the mediating role of organizational culture. These findings align with the Resource-Based View (RBV) (Barney, 1991), which emphasizes intangible assets such as leadership and culture as sources of competitive advantage. It also expands the Upper Echelons Theory (Hambrick & Mason, 1984) by showing that leadership influences financial results indirectly through collective norms in organizational culture. Furthermore, it provides empirical evidence for Transformational Leadership Theory (Bass & Avolio, 1995) and Organizational Culture Theory (Schein, 2017), especially in Indonesia, where transformational leadership effectively builds adaptive cultures that enhance profitability.

Practically, the study has implications for leaders, policymakers, and practitioners. Companies should develop transformational leadership programs relevant for state-owned enterprises (SOEs), while family businesses need to balance traditional values with adaptive and innovation-oriented cultures. For private firms, digital innovation and technology-based cultures are crucial to competitiveness and profitability. At the policy level, governments can promote leadership development integrated with cultural reform, particularly in SOEs, to strengthen global competitiveness. Overall, leadership and organizational culture are strategic assets that determine financial success and should be treated as long-term investments equal to physical or financial

capital.

CONCLUSION

The findings of this study affirm that transformational leadership and adaptive organizational culture serve as strategic foundations for enhancing corporate financial performance in Indonesia. The interaction between these two factors not only fosters an innovative and competitive work environment but also strengthens the alignment between leadership vision and financial achievement. Consequently, companies that successfully embed adaptive cultural values while simultaneously developing leadership competencies are more likely to achieve long-term profitability and sustainability. In practical terms, state-owned enterprises should balance their public service missions with business orientation through cultural transformation, national private companies should invest in leadership development programs emphasizing innovation and agility, while family businesses should integrate traditional values with modern managerial practices. On the policy level, policymakers may utilize these insights by designing national leadership competency frameworks and supporting organizational culture development initiatives as part of broader economic development strategies. Theoretically, this research contributes to the Resource-Based View and Upper Echelons Theory by providing empirical evidence that organizational culture acts as a crucial mediating variable in organizational performance models within emerging market contexts.

REFERENCES

- Avolio, B. J., Bass, B. M., & Jung, D. I. (1995). Multifactor Leadership Questionnaire. Mind Garden.
- Bandura, A. (1986). Social foundations of thought and action: A social cognitive theory. Prentice Hall.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Bass, B. M., & Avolio, B. J. (1995). Transformational leadership development: Manual for the Multifactor Leadership Questionnaire. Consulting Psychologists Press.
- Bass, B. M., & Riggio, R. E. (2021). Transformational leadership (3rd ed.). Routledge.
- Cameron, K. S., & Quinn, R. E. (2011). Diagnosing and changing organizational culture: Based on the competing values framework. Wiley.
- Creswell, J. W., & Creswell, J. D. (2022). Research design: Qualitative, quantitative, and mixed methods approaches (6th ed.). Sage.
- Denison, D. R., & Mishra, A. K. (1995). Toward a theory of organizational culture and effectiveness. *Organization Science*, 6(2), 204–223.
- Fitriana, D., & Putra, A. (2022). Leadership style and employee performance in Indonesian organizations. *Jurnal Manajemen dan Bisnis*, 12(1), 45–59.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). A primer on partial least squares structural equation modeling (PLS-SEM) (3rd ed.). Sage.
- Handayani, N. (2021). Leadership style, organizational culture, and performance in Indonesian firms. *Jurnal Manajemen*, 25(2), 155–170.
- Kartini. (2020). Gaya kepemimpinan transformasional dan dampaknya terhadap inovasi organisasi. *Jurnal Ekonomi dan Manajemen*, 21(3), 210–225.
- Kim, H., & Park, J. (2021). Ethical leadership, corporate reputation, and firm financial performance: Evidence from Asia. *Asia Pacific Journal of Management*, 38(2), 415–438.
- Li, Y., Zhang, Q., & Wang, Z. (2020). Innovation-oriented leadership and shareholder value creation. *Journal of Business Research*, 109, 178–190.
- Nguyen, T. H., Vo, A., & Tran, Q. (2021). Transformational leadership and firm profitability in Southeast Asia. *International Review of Economics & Finance*, 71, 55–67.
- Northouse, P. G. (2021). Leadership: Theory and practice (9th ed.). Sage.

- Prabowo, A. (2018). Leadership style and financial performance of Indonesian companies. *Jurnal Manajemen Strategis*, 17(1), 75–88.
- Pramono, H., Wibowo, S., & Lestari, D. (2022). Paternalistic leadership and long-term financial outcomes in Indonesian family businesses. *Indonesian Journal of Business and Economics*, 5(2), 88–102.
- Santoso, B. (2021). Organizational culture and efficiency in Indonesian SOEs. *Jurnal Administrasi Bisnis*, 18(2), 133–147.
- Schein, E. H. (2017). *Organizational culture and leadership* (5th ed.). Wiley.
- Setiawan, B., & Hartono, R. (2022). The role of transformational leadership in enhancing profitability of Indonesian enterprises. *Jurnal Ekonomi dan Manajemen*, 13(1), 112–127.
- Sutrisno, T. (2019). Pengaruh gaya kepemimpinan transformasional terhadap budaya dan kinerja keuangan perusahaan manufaktur. *Jurnal Manajemen Indonesia*, 19(1), 33–48.
- Utami, S., & Nugroho, A. (2021). The influence of leadership on profitability of Indonesian state-owned enterprises. *Jurnal Ekonomi dan Kebijakan*, 14(3), 200–214.
- Widodo, A. (2021). Kepemimpinan, budaya organisasi, dan kinerja perusahaan di era globalisasi. *Jurnal Administrasi dan Bisnis*, 11(2), 145–160.
- Wijaya, H., & Sutanto, Y. (2023). CEO leadership style, collaborative culture, and firm financial innovation. *Asian Business & Management*, 22(1), 125–141.
- Yukl, G. (2020). *Leadership in organizations* (9th ed.). Pearson.
- Yuliana, R., & Hidayat, A. (2020). Organizational culture as a mediator between leadership and financial performance: Evidence from Indonesian service firms. *Jurnal Manajemen Strategis*, 12(3), 250–267.
- Zhang, L., Sun, J., & Li, F. (2022). CEO proactive leadership and firm financial performance. *Journal of Corporate Finance*, 72, 102148.

Copyright holder:

Nur Muhamad Safii (2024)

First publication right:

Journal of Management, Economic and Financial

This article is licensed under:

