THE INFLUENCE OF LEADERSHIP STYLE AND EMPLOYEE PRODUCTIVITY TOWARD ORGANIZATIONAL PERFORMANCE WITH ASSOCIATION TO THE EXTERNAL STAKEHOLDER POINT OF VIEW

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Abstract

The objectives of the researces are to observe : (1) The impact of leadership style upon the employees' productivity; (2). The impact of leadership style and employees' productivity upon the company's financial performance; (3). The correlation between financial performance and satisfaction level of each company's external stakeholder (the supplier, customers, and activist groups).The research is conducted in the companies that operate base metal industries in Sulawesi The methode in use is the census, and the data collection is carried out by using questionares. The collected data is data population, and they are analysed by using statistical methodes, namely : (1) Path Analysis to observe the impact of leadership style upon employees' productivity and the impact of leadership style plus employees' productivity upon the company's financial performance. (2). Product Moment Perason Correlation to observe the correlation between finacial performance and the sartisfaction level of of each company's external stakeholder (the suppliers, customers, and activist groups). After conducting the tests upon the hypotheses, the researcer indicates that (1) The leadership style has positive impact upon the employees' productivity. (2). The leadership style together with the employees' productivity give positive impact upon the company's financial performance, and (3) The company's financial performance has positive correlation with the satisfaction level of each company's external stakeholder (the suppliers, customers, and activist groups)
Keywords: Leadership Style, productivity, performance, satisfaction, external stakeholders

Abstrak

Penelitian ini bertujuan untuk mengetahui: (1). Pengaruh gaya kepemimpinan terhadap produktivitas karyawan; (2). Pengaruh gaya kepemimpinan dan produktivitas karyawan terhadap kinerja keuangan perusahaan; (3). Korelasi antara kinerja keuangan dengan tingkat kepuasan masing-masing *stakeholder* eksternal perusahaan (pemasok, pelanggan, dan kelompok aktivis).Penelitian ini dilakukan pada perusahaan- perusahaan yang tergolong dalam kategori Industri Pengolahan Logam Dasar di Sulawesi Penelitian ini menggunakan metode survei. Teknik pengumpulann data dengan menggunakan kuesioner. Data dikumpulkan secara sensus sehingga data yang terkumpul merupakan data populasi. Data dianalisis dengan metode statistik : (1). Analisis Jalur (Path Analysis) untuk mengetahui : besarnya pengaruh gaya kepemimpinan terhadap produktivitas karyawan; dan besarnya pengaruh gaya kepemimpinan dan produktivitas karyawan terhadap kinerja keuangan perusahaan, (2). Korelasi Pearson Produk Momen (Product Moment Pearson Correlation) untuk mengetahui korelasi antara kinerja keuangan dengan tingkat kepuasan masing-masing stakeholder eksternal perusahaan (pemasok, pelanggan, dan kelompok aktivis). Hasil penelitian menunjukkan bahwa : (1). Gaya kepemimpinan berpengaruh positif terhadap produktivitas karyawan, (2). Gaya kepemimpinan dan produktivitas karyawan berpengaruh positif terhadap kinerja keuangan perusahaan, dan (3). Kinerja keuangan perusahaan berkorelasi positif dengan tingkat kepuasan masing-masing *stakeholder* eksternal perusahaan (pemasok, pelanggan, dan kelompok aktivis).
Kata kunci: Gaya kepemimpinan, produktivitas, kinerja, kepuasan stakeholder eksternal.

JEL Classification: D20, L25

1. Research Background

Managerial leadership is the key requirement in directing and motivates employee to increase their working capacity. Labor capacity posed by employee will have direct affect at the attainment of company performance as a whole. According To Covey (1997), improvement of company performance should involve its entire stakeholder. Building interrelationship among stakeholder also will directly affect company performance.

One of leadership aspect recognized in relation with the above phenomenon is leadership style. Leadership style relates to way applied by manager to manage and influences its employee to attain the company's purposes. Leadership style applied by manager will influence employee's motivation to gain achievement in the workplace. Research done by Tersigni (1992) indicates that the type of leadership style's the manager have could reduce employee's productivity. Alternatively, it could be stated that a mistake in applying leadership style by the manager will have negative implication toward employee productivity.

Furthermore, Jacobson's article (1998) arises 19 causes of the low of intracorporate productivity. Moreover, among the 19 causes, eight causes could then classified as managerial mistakes. Although in this article, Jacobson do not expressed the explicit cause of the low employee productivity, but he implicitly state that the decrease of employee productivity classified as the mistakes in managerial leadership.

It could be state then that manager's leadership mistake relates to the mistake in applying leadership style in managing and motivates employee for having higher performance. This statement recognized that leadership style that a manager has a choice to change his/her leadership style. This is in line with the assumption applied in the behavior leadership theory that discussed how the leadership style studied and developed (Kreitner & Kinicki, 1998).With other word, leadership style of a manager is not rigid or permanent, and thus the leadership style is alterable.

It is of value to follow up the result of research from Jacobson and try to test it in Indonesia. First, primarily because low productivity in company as result of the managerial mistakes is commonly found in Indonesia. Second, as Johnson's research conducted at several manufacturing business in America, thus it is our presumption from our experiences that the same phenomena likely to taking place in the industrial metal processing company in Sulawesi. Finally, we have an interest to follow up Jacobson's research in Sulawesi as our searches from the past literature found that it never been conducted before particularly regarding the phenomena of low employee's productivity and company's financial performance.

From labor (or employee) absorbtion point of view, one could found that the percentage of labor growth tends to go in tandem with the companies growth. Similarly, number of labors absorbtions tends to declines along with lowering of the amount of company's existence. This thing is happening due to the existence of the claim as the increase of labor wages rate from Labour Association and the Government. This is in accordance with the amount of added-value amounts yielded, as data shows there is an improvement from year to year which is significant (BPS, 2009).

Based on the data from BPS (in the year of 2005 to 2008), we could found an indication that the industrial metal processing company in Sulawesi experiences a downward trend on their employee productivity. It is presumed that this decrease is caused by (among other cause) the manager's mistakes in applying its leadership style in managing his/her company and this is in line with the opinion from Jacobson (1998).

In the other hand, attainment of company performance is in relation with the participation of its external stakeholder. External stakeholders that become the focus in this paper are supplier, customer, and the activist group. Existence of supplier and customer becomes of vital importance to the continuity of company life. While the activist group is a certain public group in which their existence relates to their claim to current objective condition in the area of contamination, problem handling, and consumer protection, which are very relevant to the process and output yielded by company in the metal processing industry.

The existence of the supplier also has importance to improvement of company performance. For instance, the industrial metal processing company has importance (needs) toward the suppliers in raw material in the form of electric power to uphold its production activity. An example on company dependency is on their supply of electric power for the continuance of company's production activity. The indicator is measurable in term of the ratio on the amount of electrical supply produced by the company itselves. This ratio compares the usage amounts (in kwh) of the electric power by company coming from supplier with the usage amounts (in kwh) of the electric power directly produced by company from its own power plant (e.g. generator).

Data from the Bureau of Statistics Centre (Biro Pusat Statistics) in the island of Sulawesi (The Province of Sulawesi Selatan, Sulawesi Utara and Sulawesi Tenggara) in 2008 indicates the existence of increased dependency trend between metal-based processing industrial companies with its supplier. This happen because in the case when suppliers stop the supplies of their material to the company due to their dissatisfaction toward the company, the supplier's action will have a trickle down effect as the company incurred a loss due the decrease of their financial performance. On the contrary, the existence of the company as the user to the supplier will also benefit the supplier.

To continue, this is an example of company interrelationship with its external stakeholder particularly the activist group can be taken from what happen on the past. This account is from information obtained from Kepala Humas PT Antam Pomalaa (one of the elementary processing industrial company in Sulawesi). "…in October 1998, there is a public group which called themselves Aktivis Perduli Lingkungan (which live around the company plant) conduct a protest to company by means of blocking a number of raw material vehicles of raw material on their way to the company plant. Their claim was in relation to the repairment of water sanitary landfill and road infrastructure (Data from Humas PT Antam Pomalaa, unpublished). As a result, these protests have an effect on the company production schedule and influences company performance as a whole." These accounts on the activist group actions give us an indication about important correlation between companies with its external stakeholder.

Based on previous background, the research issues of this research paper, hence can be expressed into following research questions:

1. To what extend does the leadership style influences employee productivity?
2. To what extent does the leadership style and employee productivity have influence on the company's financial performance?
3. What is the extent of the association among company's financial performance with the level of satisfaction to each of its' external stakeholder company (supplier, cutomer/client, and group of activist).

2. Literature Review

2.1. Leadership Style, Employee Productivity and Company Financial Performance

The behavior leadership theory claims that the manager's leadership style will have a direct effect to the effectiveness of the working team (Kreitner & Kinicki, 1998; Salaman, *et.al.*, 2011). Intracorporate working team is achieved from subdividing job or activity in the form of job unit where each job or activity unit led by a manager. Manager style to manage human resource or more precisely the employee's job and activity unit will have relationsjips with improvement of job (activity unit) performance, which in the end will influence improvement of company performance as a whole. Hereinafter, the behavior leadership theory assumes that a manager's style of leadership can be developed, improve and repaired systematically (Kreitner & Kinicki, 1998). With other word, manager can change and studies leadership style systematically.

Robert House's research (in Kreitner & Kinicki, 1998) focus at how a manager (or leader) can influence its employee (or its subordinate). Result of House's research is known as the path-goal theory. The path-goal theory built from the motivation expectation theory (The Expectancy Theory of Motivation). Expectation theory in motivation tells that, "... motivation to exert effort increases as one's effort outcome expectation improved performance..." (Kreitner & Kinicki, 1998). Path-goal theory emphasizes on how manager style gave influence to what his/her expectation is on his/her employee in relation with how to increase the performance of their subordinates. Moreover, level of employee's performance is measurable from its given level of productivity (Kopelman,1986, Mosley,*et.al.*,2011).

In addition, Robert House's opinion is in line with idea from Richard E Kopelman. Kopelman (1986) suggest that improvement of employee productivity would be influenced by both the working motivation factor and the working capability factor. Furthermore, employee's working motivation influenced by both the internal and external factor whereas one of these external factors is the leadership style practiced by the manager. In other word, leadership style would contribute to the motivation in the workplace and have a trickle down effect on influencing the working productivity of his/her subordinates.

Research by Goleman (2000) at 3871 company manager concluded that leadership style can contributed to the improvement of subordinate performance and company's performance. Goleman (2000) differentiates six types of manager leadership style, which is: (1) Coercive style; (2) Authoritative style; (3) Affiliative style; (4) Democratic style; (5) Pacesetting style; dan (6) Coaching style.

This research will apply leadership style from Goleman with two reasons. Firstly, Goleman's leadership type encompassed all of the leadership styles researched by past researchers. Second, identification of the leadership style by Goleman is presumes as the updated research result. To further our understanding, therefore, we need to elaborate on each leadership style in the following paragraph.

Coercive Style

The coercive-style manager in this case is very autocratic. His/her motivates their subordinate by implementing fear and penalization, and only once in a while (incidentally) gave appreciation (occasional reward). Under this type of leadership, subordinate could comes under pressure and lose their sense of responsibility and initiative. Subordinate then could also lose their sense of ownership and accountability on their performance. Coercive-style only works effectively at the time of crisis (or when extreme caution in need).

Authoritative Style

The autocratic manager is a leader that has a visionary view towards the future. He/she motivates its subordinate by way of giving understanding and explains his/her pattern of idea to their subordinate on how they must do and how they ought to work in such a manner so that their work is in line with the organizational vision and mission. Autocratic leader has strong commitment in implementing strategy and purpose of company. He/she pattern his/her ideas into organizational level, and then define and determine performance standards based on the organizational vision he/she created. In doing appraisal and feedback to employee performance, they always applies standard criterion that is how far the performance in line with organization mission.

Affiliative Style

Manager with this type of style generally to be more relation-oriented than other type of managers. They have a tendency to focus on building relation with their subordinate than attent to duties and purpose of the manager's organization. His/her always try to pleases and have relaxing velocity of job, with an open ear to the needs and wants of his/her employee in order to leads them toward organization that put friendship among other thing.

Manager builds harmonious relationship with employee and among employee. He/she gain advantage in his/her business as it builds on the chummy relationship, motivateds, likeable workplace, and thus this type of manager often gets a warm loyality (fierce loyality) from his/her subordinate. Manager likes to shares idea and inspiration and builds trust among his/her employee in order to grow organization's inovativeness and sensitiveness towar risk.

Democratic Style

In this case, manager has perfect trust to his/her subordinate. To unearth incidence of ideas from his/her subordinate, manager builds sense of trust, respect, and responsibility. They tend to point every employee so that they can determine their own decision in order to attain the purpose of subordinate's job or activity and how they work it out. This democratic type of manager support their subordinates by giving them flexibility and responsibility.

Pacesetting Style

Manager specifies high performance standard and he/she becomes the role model in the attainment of organization's high performance. Manager has obsession to work quicker and better. The manager obsession also charged upon his/her subordinate. Manager tends to focus on low employee's performance and asks them to improve his/her performance. If subordinate incapable of improve his/her performance at one particular work, hence the manager changes the employee with other employee assuming the new one will have capability to perform solvently high for the work.

Coaching Style

The manager that follows the coaching style leadership always assists subordinate to identify its strength and weakness. Manager push subordinate to determine long-range purpose and assists them to make planning of job or his/her activity in the effort to attain that purpose. They make agreement with subordinate about job and work order and who is responsible to plan for the job. Moreover, manager also gives adequate instruction and feedback.

Employee Productivity Measurement

One of of the method to measure productivity at company scale is by using partial productivity measurement. Measurement of labour productivity or employee as one of the partial measurement method of productivity, is comparison of output from process that could be measured from the labour input factor or the employee office hours (Stainer, 1999; Mathias Aroef, 1986: 58).

According to Mathias Aroef (1986), measurement of employee productivity or known as labour productivity (or employee productivity) is approachable with the following formulae:

$$\text{Employee Productivity} = \frac{\text{Gross Profit}}{\text{Total of Employee Salary}}$$

Berman, *et al.,* (1999) explains that when company manager manages his/her employee carefully then he/she will yield having highly productive employees and in affect directly improve company's financial performance. Kaplan and Norton (1996), foretold about company's performance measurement into two broad categories, that is financial performance and non-financial performance. Furthermore, Kaplan & Norton tell that the company's financial performances as an end target among the series of company performance attainment.

This notion is supports by Atkinson *et al.,* (1997), which translate this financial performance as main target (primary objective) of a company. Thus, in the process places other non-financial performances as second target (secondary objective). Company's financial performance in this case is measureable by: (1). Level of profitability, ROI or the Return on Investment as the comparison of income with number of asset/investment obtained over the last one year; (2). Level of profitability, ROE or the Return on Equity as the comparison of income with number of own assets over the last one year and; (3) Level of efficiency, ROS or the Ratio on Sale as the comparison of income with sale over the last one year (Rich *et al.*,,2010).

2.2. Association of Stakeholder Satisfaction with Company Performance

Stakeholder is an individual or group of people that can influence and influenced by attainment of the purpose of company (Freeman, 1984). The stakeholder's group or individual can reside in and outside company. They could have an ambition and interest toward the company and could influence company performance (Atkinson *et al*, 1997; Bringham *et.al.*, 2011). Thus, company should be responsible and responsive to fulfill their interest or satisfaction (Morris, 1997; Tipuric *et.al.*, 2011). Atkinson *et al.,* (1997), tells that company's external stakeholder could mainly be grouped into customer (or client), supplier, and community (public interest group or individual).

Empirical research about the relation of management stakeholder with company performance has not thoroughly researched in the past. One of the empirical research which has been executed by Starik (1991), studying about the relation of stakeholder with company performance at United States Electric Utility (in Indonesia, this state owned electricity provider is known as Perusahaan Listrik Negara or PLN). We could conclude from this research that performance of company reputation strongly correlated with their relation to the stakeholder. However, the study does not found significant correlation between the relations to the stakeholder with improvement of company's finance performance.

We could interpretate the satisfaction of consumer, in this case with relation to the satisfaction of company's external stakeholder, as response to the requirement to fulfill consumer needs (Oliver, 1996). Fulfillment of the external stakeholder's requirement (or customer satisfaction) in this case customer, supplier, and the group of activist are explainable when one approached this idea with The Expectancy Theory (Oliver, 1996). This theory explains that satisfaction of consumer lays in concordance between the expectations of consumer with the result they obtain (the outcomes). This consumer expectation relates to a reference of standard applied. This certain standards form a basis for a consumer to compares it with reality (result) they obtained. Certain standard form can be in the form of cooperation contract between companies with its external stakeholder.

2.2.1. Stakeholder: Customer

Hill and Jones (1995) states that customer gives contribution to company in the form of improvement of sale and profit, and at the same time company give inducements to customer in the form of supplying them with quality product and the right price. Kasali (1994) haves a notion that satisfaction of customer to company is relating to supply of quality, purchasing service and after sales services, location which is easy to be reached along with cheap price.

Waddock & Graves (1997) from their research about interrelationship between social responsibility performances and company's finance performance, have concluded that positive perception of customer about quality of product, security and safety of product as well as service can increase sale and can lessen interconnected cost of business with relation of customer to company (in Berman *et al,* 1999). With other word, there is a positive correlation between satisfaction fulfillments of the customer with improvement of company profitability.

2.2.2. Stakeholder: Suppliers

Supplier is an individual or group of people providing goods or raw material used by company for their production activity. Existence of this group plays important part especially at manufacturer firm because they must meet company's requirement for continuous quality raw material and on-time delivery. Freeman (1984) states if supply of raw material insufficient in the case of quality or price, hence company would face difficulties in providing product quality standard, which in the end will reduce enthusiasms to purchase company's product.

On the other hand, supplier also has importance to company and company also gives incentives (inducement) to supplier. Hill (1996) express that supplier requires company in an effort to producing their own revenue, correct payment, consistency of raw material demand schedule, and purchasing dependency. With other word, satisfaction of supplier will affect supply of raw material resource, which in turn will influence profitability.

2.2.3. Stakeholder: Community Activist Group

In this research, we focus our attention to certain community public group or group of activist, which resides at local communities. Local community thus referred to as those who live and active around the company's site. Local community gives contribution to industrial company in the form of location; local infrastructure; access to operate; quality labor and the climate that is both conducive and sound for the company to operate. On the contrary, contribution of the company to local public can be realized through attention to public that reside surrounding the company by giving donation for education, labor training and repairmen of community sanitary (Hill & Jones, 1995). Disharmony in the relationship between local publics with company will jeopardize company operation as well as its related activity in jeopardy and in the end can reduce company's financial performance.

Based on previous literature review, hence we could formulated the paradigm of the relation among leadership style , employee productivity, company performance (from the financial point of view) and satisfaction of the external stakeholder as our research model as pictured at the following figure.

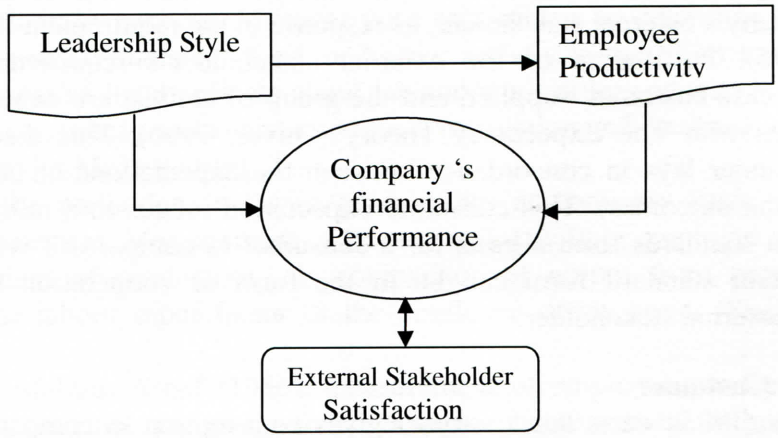

Figure 1. Research Model

2.3. Hypothesis

Hypothesis I:
Leadership style, whether it is coercive, authoritative, affiliative, pacesetting, democratic, or coaching, positively give influence to employee's productivity.

Hypothesis II :
Leadership style, whether it is coercive, authoritative, affiliative, pacesetting, democratic, or coaching, positively give influence to company's financial performance.

Hypothesis III :
There is positive correlation between company's financial performances with each level of satisfaction of its external stakeholder whether it is a supplier, a customer, or a group of community activist.

3. Research Method

3.1. Data and Samples

The object of this research is the variable previously identified in the literature review namely: manager leadership style, employee productivity, company's financial performance, and satisfaction of the company's external stakeholder (known as supplier, customer/client, and the community activist group) which interrelated with the industrial metal processing company in Provinces of Sulawesi in Indonesia. We treat the industrial metal processing company locates in the Provinces of Sulawesi in Indonesia as population for the purpose of this research. Moreover, we use the census method with complete enumeration as our data collection method.Data obtained through two sources, which are primary data with ordinal data scale and secondary data with ratio data scale. Thus, we choose questionnaire as the data collection technique. All intercompany data systematically collected from using the cross sectional method.

3.2. Analytical Technique

In conjunction with previous research model and research hypothesis, hence statistics method applied to test the hypothesis by means of the path analysis and correlation analysis method. Path analysis method applied to test Hypothesis I and II. Furthermore, to test Hypothesis III, we use inferential statistics known as Pearson's correlation. For simplicity of this research, we only consider the most commonly used method, the Pearson's correlation method than Kendall or Spearman's correlation method. The correlation coefficient (r) measures the degree of linear association between variables. Another common name for Pearson's r is the product moment correlation coefficient. It is known that no matter what the degree and nature of association between the two variables, Pearson's correlation coefficient (r) has value from 1 to -1, thus values close to +1 or -1 always indicate a strong positive or negative relationship bêtween the variables (Griffiths *et al*, 2003).

Table 1. Interpretation of The Correlation Coefficient (r)

r (+ or -)	Interpretation
0.00	No association
0.01 – 0.20	Very low association
0.21 – 0.40	Low association
0.41 – 0.60	Mediocre association
0.61 – 0.80	High association
0.81 – 0.99	Very high linear association
1.00	Perfect linear association

The path analysis method and Pearson's correlation method requires the data scale to be in the form of interval data scale. As consequences, ordinal data type found from the field is leveled up to be interval data scales in conjunction with the requirement of the Pearson's correlation method by using the successive intervals method.

4. Results and Discussions

4.1. Influence of Leadership Style on Employee Productivity

Based on the testing of hypothesis I and II by using path analysis, hence one could conclude on the influential association of leadership style on employee productivity, which depicted in the following table (Table 2).

Table 2. Influence Between Leadership Style andEmployee Productivity

Leadership Style (X)	Employee Productivity (Y)	Value of Association (ρ)
Coercive (X_{11})	Y	0.0063
Authoritative (X_{12})	Y	0.0063
Affiliative (X_{13})	Y	0.0486
Democratic (X_{14})	Y	0.0710
Pacesetting (X_{15})	Y	0.0511
Coaching (X_{16})	Y	0.1940
Leadership Style (X)	(ρ)total	0.3773
	ϵ_1	0.3658

Table 2 gives us an indication the extent on the association that Leadership Style (X) with Employee Productivity (Y) is $(0.3773)^2$ or 14.24%. The value of 14.24% means that there is still much effort to be done by a manager to improve subordinate productivity or in this case employee productivity. The biggest influence could come when the manager use the coaching-style of leadership (0.1940); and then followed by democratic leadership (0.0710), pacesetting leadership (0.0511), and the affiliative-style leadership (0.0486).
Meanwhile little effort is to be expects when a manager applied the coercive and authoritative leadership as it has little influence (of only 0.063) on employee productivity. To conclude, one could say employee productivity will decline if manager apply wrong leadership style in managing an industrial metal processing company in Sulawesi, Indonesia. Moreover, this is in line with the research done by Davis (1997),Chan (1999).
Last, the error term or $\epsilon_1 = (0.3658)^2$ or 13.38% suggests that other variable not present in the research model might play a part in influencing the enhancement of employee productivity. This gives us a suggestion for future research to include other variable that might significantly influence employee productivity to increase. It is then our suggestion based on our knowledge that this could be in the form of alteration of technology, organization structure, and work variety.

4.2. Influence of Leadership Style and Employee Productivity on Company's Financial Performance

The following table shows us that the leadership style (X_1) have positive total influence on company performance (Z). The value of $(0.1802)^2$ or 3.25% is account for the total direct influence that leadership style has on company performance. It is smaller than an indirect association of $(0.407)^2$ or 16.56% that apparently come up between Employee Productivity (Y) and Company Performance (Z) when a manager apply to use any Leadership Style (X) he/she preferred.

Table 3. Influence Among Leadership Style, Employee Productivity and Company Performance

Leadership Style (X)	Company Performance (Z)	Value of Direct and Indirect Association (ρ)
Coercive (X_{11})	Z	0.0270
Authoritative (X_{12})	Z	0.0200
Affiliative (X_{13})	Z	0.1110
Democratic (X_{14})	Z	0.0082
Pacesetting (X_{15})	Z	0.0040
Coaching (X_{16})	Z	0.0100
Leadership Style (X)	(ρ)total	0.1802
Employee Productivity (Y)	Z	0.4070
	ϵ_2	0.3470

Our analysis have several implication and thus to further our discussion, we could say that assuming all other things equal (ceteris et paribus), employee productivity also have influence to company performance even though according to the path analysis, the influence is indirect. This statement then not in line with opinion from Kopelman (1986), in which he express that there is a level of direct connection between employee productivity with company profitability.

However, we need to note that Kopelman (1986) research is also true to the best of our knowledge as the setting of his research is different than compared to the research object in this paper because we focus within the context of industrial metal processing company in Sulawesi, Indonesia. In addition to enrich the body of knowledge from the perspective of doing businesses across border, we could propose that in order to increase company's financial performance it is worthwhile to apply the right leadership style while at the same time increase employee's productivity by for example by increasing their wages besides applying the right leadership style.

Previous table also shown that a collective effort of leadership style choosen by a manager, whether it is coercive, authoritative, affiliative, democratic, pacesetting, or coaching-style of leadership and employee productivity will give positive influence toward company's financial performance. In other words, a mix of effective leadership style choosen by a manager and improvement of employee productivity will increase company's financial performance in managing an industrial metal processing company in Sulawesi, Indonesia.

Finally, the error term or $\epsilon_2 = (0.3470)^2$ or 12.04% suggests that other variable not present in the research model might play a part in influencing the enhancement of company financial performance. Future research then might be to include other variable that might significantly influence company financial performance to increase. It is also then in line with our discussion in section 5.2 and based on our knowledge this could be in the form of the price of the product and cost efficiency.

4.3. Association of the Company's Financial Performance with Company's External Stakeholder (Supplier, Customer, and the Community Group of Activists).

Relationship, which is measured in Pearson's correlation (r) between company with its external stakeholder (supplier, customer, and the groups of activist) is in the form of the functional symmetrical relationship. It means that company existence must followed by the existence of its external stakeholder. Strength of relationship in term of the association between company's financial performances with its supplier's satisfaction in this case shows a correlation coefficient value of r that is equal to +0.923. This explicitly means that there is a strong correlation and positive linear association between the variables.

It is while worth to note that relation of company's financial performance with the level of satisfaction of the community group of activists shows a correlation coefficient of r on the value of +0.607. This could mean that correlation between them while concurrently positive (and lower than the overall value of +0.923) but implicitly said that the community activist groups play a main role in contributing to the overall external stakeholder satisfaction. Thus, it is also worthwhile to note that the company and particularly their manager had to pay more attention to the satisfaction of other external stakeholder, suppliers, and customer in managing an industrial metal processing company in Sulawesi, Indonesia in order to be more successful in business and compete with others in the era of globalizations and neverending changes.

4.4. Conclusion

Leadership style has positive influence to employee productivity. Application of leadership style effectively by the company managers will increase employee productivity at the industrial metal processing company in Sulawesi, Indonesia. Leadership style and employee productivity joinly give positive influence to company performance. Usage of leadership style effectively by the managers and the increase of employee productivity will increase monetary performance at industrial metal processing company in Sulawesi, Indonesia. There is positive correlation between company's financial performances with each level of the satisfaction of the company's main external stakeholder (supplier, cutomers, and group of activist). As satisfaction of each external stakeholder increase, the industrial metal processing company's financial performance in Sulawesi (Indonesia) will also increase. There is other variable having an effect on employee productivity. The other variable based on knowledge of the writer and previous research is alteration of technology, organization structure, recompensation system, design and work variety, and knowledge and employee skill.

4.5. Suggestion

There is a need to conduct further research on how far other variable have influence on the improvement of employee productivity. Other variable presumed as having a potential is the alteration of technology, recompensation system, work variety, knowledge and employee skill. Effective leadership style and improvement of employee productivity, have been proven statistically based on this research can have positive influence in order to improve company's financial performance. Despitefully, there exist other variable e.g. cost efficiency. In consequences, there is a need to continue this research on the extention of this variable influence the attainment of company's financial performance. Company management must always try to adapts with the alteration on the requirement of all its external stakeholder because as their satisfaction increase hence the company's financial performance also increase.

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Appendix 1. Variable Construction

Variable	Indicator	Scalar
X_1 : Leadership Style $X_{1.1}$: Coercive	Comand must soon fulfilled (implemented) by employee accompanied with threat and penalization; Orders employee to work according to what have been commanded; Has strong motivation to reach a purpose(s); Has self initiative, and; Has self-control.	ordinal
$X_{1.2}$: Authoritative	Points employee toward a certain vision; Gives motivation to employee to reach purpose; Has high level of self-confidence; Acts empathically to employee; and Acts as a catalyst of change.	ordinal

Appendix 1., Continued…

Variable	Indicator	Scalar
$X_{1.3}$: Affiliative	Builds emotional tying with employee; Places employee as main thing; Acts empathically to employee; Ability to communicate with employee;	ordinal
$X_{1.4}$: Democratic	Makes decision through participation of subordinate; Response and esteems subordinate's opinion and idea; Collaborate easily with subordinate; Ability to communicate; and Acts on team leadership.	ordinal
$X_{1.5}$: Pacesetting	Determines high performance standard; Orders employee to do a work in their own way; Acts carefully in doing work; Impelled to reach a purpose; and Has self-initiative.	ordinal
$X_{1.6}$: Coaching	Assists employee in identifying strength and weakness owned by them; Delegates authority to employee; Gives feedback to the result of employee job/activity; Gives good instruction to employee without forcing; Gives opportunity to employee to try expressing their own idea; Gives challenging duty to employee so that it is finalized quickly; Emphasizes at long-range success than success of short term; Acts always wish to improve;repair others performance; and Acts empathically to employee	ordinal
X_2 : Employee Productivity	Degree of comparison between gross profits with number of employee salaries.	ratio
Y : Financial Performance	Level of profitability: ROI: comparison of income with number of asset/investment over the last one year; Level of profitability: ROE: comparison of income with number of own assets over the last one year; Level of efficiency: ROS: comparison of income with sale over the last one year.	ratio

Appendix 1., Continued…

Z : External Stakeholder[notes]		
Z_1 : Customer Satisfaction	Agreement on the consistency of product quality; Agreement on the reliability of product delivery; Agreement on the speed of product delivery; Agreement on the amenity of product order; Agreement on the price of product.	ordinal
Z_2 : Satisfaction of Supplier	Agreement on the confidentiality of continuous supply of raw material; Agreement on the accuracy of raw material payment; Agreement on the accuracy of raw material delivery schedule.	ordinal
Z_3 : Satisfaction of The Group of Activist	Company participation in the form of non-physical participation together with the group of activist; Company participation in the form of education donation, skills training to community around the plant; Company participation in dealing with the disposal of industrial waste; Company participation to keep public settlement around the plant clean, healthy, and free of pollution.	ordinal