

The Effects Of Leadership Styles On Goal Clarity And Fairness: Mediated Used Performance Measure

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Abstract: This paper investigate the effects of superiors' performance evaluation behaviors on subordinates' work-related attitudes mediated used performance measure. We used leadership style initiating structure and consideration and performance measure use (objective and subjective measures) on managerial work related attitudes (goal clarity and evaluation fairness). We test our hypotheses using survey data from 56 middle-level managers in 4 services organizations. The results from Structural Equation Model with PLS show that an initiating structure leadership style has significant effect goal clarity and used objective performance measure mediated relationship initiating structure and goal clarity and used subjective performance measure not mediated relationship consideration leadership style and fairness in evaluation. Consideration leadership behavior instead only has a direct impact on fairness in evaluation. These findings have important implications for management accounting research on superiors' use of performance measures, and provide an explanation of some of the problematic findings in the literature.

Index Terms: leadership style, initiating structure, consideration, goal clarity, fairness in evaluation

1 INTRODUCTION

How to evaluate the performance of managers is an important determinant of attitudes related to the results of its work (Hopwood, 1972; Otley, 1978; Merchant, 1985; Hartmann, 2005). Literature developed a consequence of the leadership style of comparing the effects of leadership exercised by supervisors who rely on strict monitoring of the achievement of performance measures based on the budget, with effect lighter supervisor surveillance of budgetary measures (Kren, 1997). Although the leadership style has been defined as a construct but in reality there are two dimensions of leadership style that is associated with characteristic dimensions of performance indicators that are metric (eg based budget or other) as well as styles that use measures of performance (eg, rigid or soft). The results showed that the leadership style associated with the use of performance measures (Marginsondan Ogden, 2005). However, the results still show mixed results (Hartmann, 2000; Otley and Fakiolas, 2000; Pollanen and Otley, 2000; Noeverman et al., 2005; Derefuss, 2009). Research Hartman et al (2010) distinguish between the dimensions of size and dimension control style to show separate effects on work-related attitudes subordinate managers and to explore their relationship. Research results indicate initiating structure leadership style influence the attitudes associated with the work of subordinates through the use of objective performance measures. Consideration leadership style. it has a direct impact on work-related attitudes. This study examined the effect of leadership style which is divided into two dimensions, initiating structure and consideration of the use of performance measures and managerial attitude. Selection of performance measures based on the size objectively and subjective measures, as was done by Harman et al (2010).

This research is expected to contribute to the accounting management literature in the following three ways. First, we give the concept of relationship with the leadership style that captures the action of certain performance measures use (subjective or objective). Hopwood (1972) examined the evaluation used force against the use of performance measures. Emphasis on evaluative style has shifted to a narrow focus on performance measures used. Hartman et al (2010) separates the dimensions of leadership style that is initiating structure and consideration. His research expands previous research by analyzing the style of leadership as a potentially important determinant of performance measures used in performance evaluations. This study examined the effect of leadership style on job-related attitudes (clarity and an objective evaluation justice) and using performance measures as relevant predictors of attitudes subordinates.

2 LITERATURE REVIEW

2.1 Path Goal Theory

Path-goal theory put forward by Rober J House (1971), which holds the view leadership as a waitress. Leadership is not seen as a position of power. Instead, the leader acts as a coach and facilitator to subordinates. Path-goal theory, the effectiveness of a leader depends on the contingency factor (uncertainty) environment and the particular leadership style. The basis of this theory stated that the leader's job to assist its members in achieving their goals and to provide direction and support, or both are needed to ensure their objectives in accordance with the objectives of the group or organization as a whole. These path-term goal came from the belief that effective leaders clarify the path to help its members from the beginning to the achievement of their goals, and create a search along the path easier by reducing roadblocks and pitfalls (Robbins, 2002). According to the path-goal theory, a leader acceptable behavior by subordinates at levels that are reviewed by them as a source of satisfaction that moment or the future. The behavior of the leader will provide all the motivation (1) makes subordinates feel the need satisfaction in the achievement of effective performance, and (2) provide teachings, guidance, support and appreciation necessary in effective performance (Robins, 2002). To test this statement,

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Robert House recognize four leader behaviors. Directive leaders of character-leader, supportive leader, participative leader and achievement-oriented leader. Contrary to the view Fiedler about the behavior of a leader, House assumes that leaders are flexible. Path-goal theory implies that the same leaders to perform some or all of the behavior that depends on the situation (Robins, 2002). Path-goal leadership model trying to predict leadership effectiveness in a variety of situations. According to this model, a leader to be effective for a positive influence their motivation, ability to execute, and the satisfaction of his followers. The theory is called path-goal because it focuses on how leadership affects his perception of the purpose of work, the purpose of self-development, and the way to reach the goal. Path-goal models to describe how a leader can facilitate subordinate task by showing how their achievements can be used as a means of achieving the results they want. Theory of Hope (Expectancy Theory) explains how the attitudes and behaviors of individuals are influenced by the relationship between effort and achievement (path-goal) with the valence of the outcome (goal attractiveness). Individuals will gain satisfaction and productive when he saw the strong relationship between effort and achievement that they do with the results they achieve with high value. Path-goal model is also said that the most effective leaders are those who help subordinates to follow the way to achieve high-value outcomes. Basically, this model explains what should be done by a subordinate leader to influence perceptions about work and their personal goals and also explain what should be done by a leader to motivate and give satisfaction to his subordinates.

3 THEORETICAL FRAMEWORK

3.1 INITIATING STRUCTURE INFLUENCE OF LEADERSHIP STYLE ON CLARITY OBJECTIVES

According to Path goal theory, an important destination for a leader is to influence subordinates to achieve organizational goals (eg, Wofford and Liska, 1993; House, 1996; Yukl, 2005; Schriesheim et al., 2006). Motivation comes from the increase in personal reward subordinates for the achievement of objectives and explain the road to that goal (House, 1971, p. 324). Leadership style structure is very relevant in this theory, because the leadership style Initiating structure (IS) aims to structure a subordinate role to the achievement of organizational goals (Yukl, 2005). Leadership IS insist decide in detail what will be done and how it should be done, and establish clear communication channels and a clear pattern of organization (Bass, 1990). Conversely, a low leader in this dimension will not hesitate to take the initiative in the group, making suggestions only when members ask for, and let the members do the work that they thought best (Bass, 1990). Downey et al. (1975) found that leaders initiate the structure is significantly related to employee performance expectations they would produce the desired results. Research using the path-goal theory of leadership Wofford and Liska (1993) showed a positive structure relating to the clarity of roles, providing support to subordinates. IS leadership style increases toward subordinates and hope to clear the way for the achievement of employment objectives. Based on the description above, it is hypothesized: H1: IS leadership style has a positive effect on the clarity of purpose.

3.2 IS LEADERSHIP STYLE, USE OF OBJECTIVE PERFORMANCE MEASURES, CLARITY OF PURPOSE

Theory goal path emphasizes the use of performance measures as an important source of information for who describe their role (Collins, 1982). This theory is built on the premise that the size of the performance of an important transaction that strengthens the exchange of performance expectations and beliefs subordinates (Bass, 1990). Performance system can serve the needs of the individual to develop a benchmark for their actions and understand their role within the organization (Bowen and Lawler, 1992; Lawler, 1992). Insights can be combined with the style of leadership to explore whether specific performance is used to measure the partial correlation between leadership styles and attitudes related to work. Noeverman and Koene (2000) found that focusing on the task leadership can control the deviation from the standard would put high importance on quantitative performance measures and deviations from targets. Abernethy et al. (2007) found that supervisors use a high IS leadership style uses a more quantitative measures of performance for the benefit of compensation and promotions. The empirical literature demonstrates the feasibility of the performance measures of interest have functional effects with increased clarity of objectives (see Chapman, 1997; Hartmann, 2000; Luft and Shields, 2003). Performance evaluation system based on objective performance measures that improve the structure and clarity of the work environment, and increase motivation because they provide clear goals to subordinates (cf. Locke and Latham, 1990; Hartmann, 2007). Budget control system in action, especially for the development of an unexpected market (cf. Merchant, 1984, p. 293), therefore the use of size reduce objectively ambiguity to protect the working environment of the external context (cf. Olson and Rombach, 1996). In particular, objective measures of performance (accounting) also educate managers about business economics, and the underlying drivers of cost, revenue and performance, which helps to clarify and implement relevant strategies daritindakan individuals (Malina and selto, 2004). Marginson and Ogden (2005) and Hartmann (2007) confirmed

3.3 CONSIDERATION LEADERSHIP STYLE AND JUSTICE IN THE EVALUATION

The views of social exchange assume leadership style of leadership and its impact on social relations created between superiors and subordinates (Mis Song et al., 2009). Good relationships involve investing in the welfare of subordinates with confidence and improve fairness (cf. Van Knippenberg et al., 2007). In line with this argument, consideration leadership style has proven to develop an atmosphere of mutual trust, respect for the ideas and feelings of subordinates consideration (Tosi et al., 1994). Consideration involves empowering leadership style, allowing their subordinates voice in the decision-making process, to encourage them to think for themselves, treat them fairly through individualized consideration (See, eg, Judge et al., 2004). This encourages a good relationship between superiors and subordinates and their two-way communication (Podsakoff et al., 1995). This will increase the individual's control and they have more business on the job so that it can improve the performance (cf. Ashkanasy and Gallois, 1994). Van Knippenberg et al. (2007) state justice as an important factor in this process. When subordinates feel that they can influence the decisions that are important to them and they are a participant in the relationship

with their leader, their perceptions of procedural justice tend to be enhanced (see Bass, 1990 ; Pillai et al, 1999). Hence derived hypotheses: H3: Consideration leadership style has a positive effect on the fairness of performance evaluation.

3.4 CONSIDERATION LEADERSHIP STYLE, PERFORMANCE MEASUREMENT IN THE EVALUATION OF SUBJECTIVE AND JUSTICE

Noeverman and Koene (2000) argued and found that leaders with concern that emphasizes interpersonal aspects qualitative in rely more on aspects of performance evaluation, such as explaining the performance of subordinates and their chances to fix it. The manager may judge that the effort in their work are adequately represented in the results subjective performance, because these results are largely determined by factors within their control. Research Lau and Moser (2008) provide evidence that the performance assessment based on subjective criteria is positively associated with the evaluation of Justice. Subjective performance evaluation of allowing subordinates to be in a better position to seek an explanation of their votes and deliver an alternative interpretation. In the perception of social exchange, open communication and subjective performance measures, causing subordinates tend to respond with high levels of procedural justice (see Song et al., 2009). Based on the description above, it is hypothesized: H4: The effect of leadership style consideration to Justice in the performance evaluation mediated by the use of subjective performance measures.

4. RESEARCH MODEL

Based on the above hypothesis research model is described as follows:

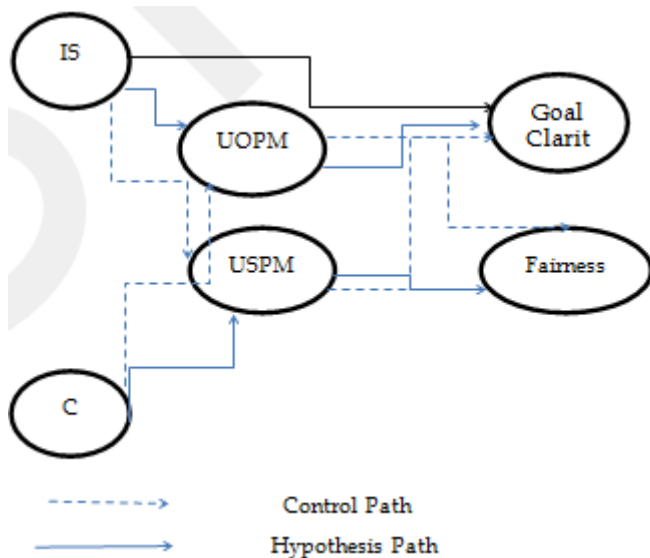


FIGURE 4.1: RESEARCH MODEL

5 RESEARCH METHODOLOGY

In this study, analysis of data using approaches Partial Least Square (PLS). PLS is a model equation of Structural Equation Model (SEM) based component or a variant. According Ghozali (2006), PLS alternative a approach shifting of SEM-based approach based on covariance become variants. Covariance-based SEM generally examine causality or theory PLS is more predictive models. PLS is a powerful analysis

method (Ghozali, 2006), because it is not based on many assumptions. example data should be normally distributed, the sample should not be large. Besides can be use to confirm the theory. PLS also can be used to explain the relationship between latent variables. Latent variables are variables that can not be measured directly and require some indicators (manifest variables / variable observed) as a proxy. In PLS independent variable is often called variables exogenous, while the dependent variable can be referred to as an endogenous variable. PLS can simultaneously analyze the constructs formed with indicator. Reflexive and formative. In this study using reflective indicator for latent variables affect the indicator (Ghozali, 2006). PLS purpose is helping researchers for the purpose of prediction. Model formally defines the latent variables is linear aggregates of indicators indicator. Weight estimate to create a latent variable component score obtained based on how the inner workings of the model (structural model that links between latent variables) and outer models (model is measurement relationship among indicators with construct) specified Ghozali (2006) Estimation parameters obtained with the PLS can be categorized become three. First, is the weight estimate that is used to create the score variable latent. Second, reflecting the estimated path (path estimate) that connects between the latent variables and latent variables and indicators (loading). Thirdly, with regard to the means and location parameters (regression constants value) for indicators and latent variables.

6 RESULT AND DISCUSSION

Some of the conclusions that can be drawn from the results of the analysis are:

- 1) The structure of the initiative's leadership style has a positive effect on the clarity of purpose which means the higher the implementation of the initiative leadership style structure more clearly defined objectives.
- 2) The use of objective performance measurement (UOPM) mediates the effect of leadership style structure initiatives towards clarity of purpose.
- 3) Consideration leadership style has a positive influence on Justice in the performance evaluation, which means the higher the application of leadership styles Justice and so the higher consideration in the evaluation of performance.
- 4) The use of subjective performance measures (USPM) did not mediate the effect of leadership style consideration to Justice in the performance evaluation.
- 5) The results show that the structure of the initiative leadership style influence on the performance fairness evaluation mediated by the use of subjective performance measures.

7 Suggestion

- 1) Future studies should broaden the sample and using different populations.
- 2) The study area should be expanded, not only in the city of Pekanbaru area.
- 3) The use of other variables that affect the clarity and fairness in the evaluation of performance use different types of leadership styles.

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