

# The Effect of Leadership Behavior Towards the Subordinates Performance and the Business Growth of Small Industry in Makassar Area

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**Abstract**—In general, this research aimed to find out the consistency of the effect of the leadership behavior towards the Subordinates performance and the effect of Subordinates performance towards business growth. In particular, this research aimed to find out the effect of consideration towards the Subordinates performance and business growth, the effect of initiation structure towards the Subordinates performance and business growth, the effect of Subordinates performance towards the business growth, the dominant factor have effect towards the Subordinates performance and business growth. This research was carried out in Makassar Area consist of sampling cluster in Makassar City, Gowa Regency and Takalar Regency. The data were obtained through direct interview or distributed questionnaire to the 271 respondents of the leaders of small industry selected using proportional accidental random sampling. The model of analysis is structural equation modeling (SEM). The results of this research showed that generally the leadership behavior effect towards the business growth. Particularly the consideration behavior have direct effect, positively and significantly towards the Subordinates performance but not significant towards the business growth. The initiation structure have direct effect, positively and significantly towards the Subordinates performance but not significant towards the business growth. The Subordinates performance have direct effect, positively and significantly towards the business growth. There are consistency of the effect of the leadership behavior towards the Subordinates performance and the effect of Subordinates performance towards business growth. The most dominant factors effect towards the Subordinates performance was the consideration behavior then the behavior of initiation structure. The most dominant factor effect towards the business growth was the Subordinates performance followed by the initiation structure and consideration.

**Keywords**—leadership behavior, subordinates performance, business growth

## I. INTRODUCTION

Some researches about the effectiveness of leadership in an organization using the trait approach showed that there has not occurred the consistency of the trait owned by the effective leadership so it is appear the behavior approach assuming that the effectiveness of leadership was determined by the leadership behavior. The pioneer of behavior research was carried out by the researcher group from Ohio University. This analyzed the leadership behavior and it effect towards the level of satisfaction and the turn over of Subordinates in a company. From some results of studies showed that the higher consideration causing the lower of turn over. The higher consideration causing the higher of satisfaction but there has not occurred the consistency.

From BPS (2007), it showed that the business growth level of small industry in South Sulawesi was smaller than the business growth level of big industry while small scale industry possessed the adequate raw material and resources in domestic area while big industry mostly imported their raw material from abroad.

Relating with the above explanation, the aim of this research was to know the effect of Makassar leadership behavior towards the Subordinates performance and the business growth, the effect of Subordinates performance towards the business growth at small industry managed by Makassar people.

Performance measure is a quantitative description of the quality of product or service of a process or system (Rivai and Sagala, 2009: 597). The behavior approach assuming that the effectiveness of leadership determined by the leader behavior. The research used the behavior approach pioneered by the research group from Ohio university about 60 years ago. This research analyze the leadership behavior and it effect towards the level of satisfaction and the turn over of Subordinates in a company. From some results of study conducted by the research group from Ohio university found two types of leadership behavior namely consideration and initiating structure. According to Yukl (1994: 54) the consideration and initiation structure were not effect each other. This means that the implementation of the first behavior was not effect

on the implementation of the other leadership behavior. In this case, a leader can behave directly the consideration and initiation structure leadership in the equally high position or consideration and initiation structure in the equally low position or the high consideration while initiation structure is low or vice versa (Yukl, 1994: 54). Research group from Ohio University found the most effective leadership behavior between two behaviors towards the group performance, the employee turn over was low and the work satisfaction was high on the high consideration. While high complaint and turn over from the Subordinates on the low consideration and high initiation structure (Yukl, 1994: 55-56). According to Yukl (1994: 62) that the effective leader is the leader who have the high consideration and initiation structure. This is well known with the term high-high leader.

The frame of relationship between variables is illustrated as follows:

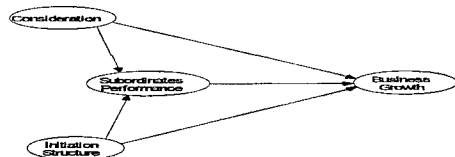


Figure 1. Conceptual Framework

From theoretical point of view, the hypothesis of this research were the consideration effect directly, positively, and significantly towards the Subordinates performance; the initiation structure effect directly, positively, and significantly towards the Subordinates performance, the Subordinates performance effect directly, positively, and significantly towards the business growth.

## II. RESEARCH METHOD

This research was carried out in Makassar area by selecting Makassar city, Gowa Regency, and Takalar Regency in 2009. The determination of sample was conducted with accidental random sampling. The collection of primary data was conducted by using direct interview or distributing questionnaire towards 271 small industrial business leader as the respondent in Makassar area consisting 202 sample in Makassar City, 60 sample in Gowa Regency and 9 sample in Takalar Regency. All values from each indicator conversed into Likert Scale i.e. in score 1, 2, 3, 4 and 5. Score 1 indicated very low (very bad), score 2 indicated low, score 3 indicated higher (good), score 4 indicated the higher and score 5 indicated very high (very good). The procedure of data processing consisting of instrument validity test, goodness test of fit and structural model test.

The aim of structural model test was to test the hypothesis of causal relationship among the construct (Hair, , 1986: 613). The mathematical model used in this researched is structural equation modeling (SEM).

## III. RESULTS AND DISCUSSION

The results of structural equation modeling (SEM) on the following figure.

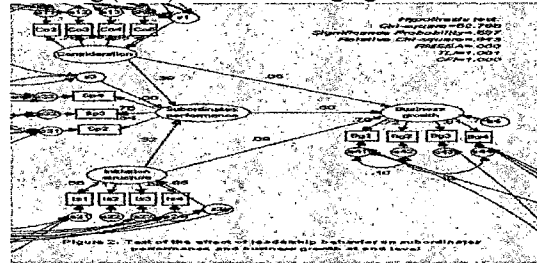


Figure 2. Structural Equation Modeling (SEM)

The results of goodness of fit test from form the SEM at the following table.

Table 1. Comparison cut off and result of data processing at end level

Criterion	Cut off	Result	Remark
Chi-Square	Expected small	52,798	Satisfy
Significance Probability	≥ 0,05	0,597	Satisfy
Relative Chi-Square	≤ 2,00	0,943	Satisfy
RMSEA	≤ 0,08	0,000	Satisfy
TLI	≥ 0,95	1,001	Satisfy
CFI	≥ 0,95	1,000	Satisfy

Source: Cut off (Syamsuddin, 2007: 58)

From the above table, it showed that the criteria of goodness of fit has been fulfilled so the model considered fit. The model fit will be used in the next analysis.

### Structural Equation Modeling (SEM)

Based on the calculation results on the direct effect at figure 2, it was obtained the mathematical model in form of Structural equation modeling (SEM) on the direct effect towards the dependence variable as the following equation.

$$Z_3 = 0,39Z_1 + 0,32Z_2$$

$$Z_4 = 0,05Z_1 + 0,09Z_2 + 0,50Z_3$$

or

$$Z_3 = 0,39Z_1 + 0,32Z_2$$

$$Z_4 = 0,05Z_1 + 0,09Z_2 + 0,50(0,39Z_1 + 0,32Z_2)$$

Note:

Z1 = Consideration, Z2 = Initiation structure

Z3 = Subordinates performance Z4 = Business growth

The significances correlation between variable were determined based on the critical ratio (CR) value that usually known with the term  $t_{count}$  or probability (P) value at the regression weights table (table 6). Based on the distribution table  $t$  (Sugiyono, 2008: 372), critical value that well known with the term  $t_{table}$  at the significant level 10 % was 1,645, critical value at the significant level 5 % was 1,96. The correlation between variable considered significant if  $CR > t_{table}$  or  $P < \alpha$  where  $\alpha$  = significant level - 0,05..

Based on the loading factor ( $\lambda$ ) at figure 2 or Standardized direct effects estimates at table 5 and critical ratio (CR) or probability (P) value at regression weight at table 6, so it was obtained the significance correlation between variable as mentioned at the following table.

Table 2. The results of the significance correlation between variable

No	Independence Variable	Dependence Variable	( $\lambda$ )	CR	P
1	Consideration	Subordinates Performance	0,39***	3,65	0,00
2	Consideration	Business growth	0,05	0,35	0,72
3	Initiation structure	Subordinates performance	0,32***	4,10	0,00
4	Initiation structure	Business growth	0,09	0,72	0,46
5	Subordinates Performance	Business growth	0,50*	1,70	0,09

Notes:

\*\*\* Significant at the significance level 1%

\* Significant at the significance level 10%

The examination of hypothesis was conducted to examine the direction and significance of direct effect. Based on the table 7, it was obtained the direct effect and significance effect as follow:

1. The effect of consideration towards the Subordinates performance had value  $\lambda = 0.39$  and  $P = 0.000 < 0,01$  so consideration effect directly, positively and significantly towards the Subordinates performance at significance level 1 %. The effect was 0.39 or 39%. This means the higher consideration behavior of leader the higher performance of Subordinates.
2. The effect of consideration towards the business growth had value  $\lambda = 0.05$  and  $P = 0.72 > 0,05$  so the consideration effect directly, positively but not significant towards the business growth.

3. The effect of initiation structure towards Subordinates performance had value  $\lambda = 0.32$  and  $P = 0.000 < 0,01$  so initiation structure effect directly, positively, and significantly towards the Subordinates performance at significance level 1 %. The effect were 0.32 or 32%. This means that the higher the initiation structure behavior of leader the higher performance of Subordinates.
4. The effect of initiation structure towards the business growth had value  $\lambda = 0.09$  and  $P = 0.46 > 0,05$  so the initiation structure effect directly, positively but not significant towards the business growth.
5. The effect of Subordinates performance towards the business growth had value  $\lambda = 0.50$  and  $P = 0.09 < 0,1$  so the Subordinates performance effect directly, positively, and significantly towards the business growth at significance level 10 %. The effect were 0.50 or 50 %. This means that the higher performance of Subordinates the higher growth of business.

From the results of analysis that the leadership behavior effect significantly towards the Subordinates performance, the Subordinates performance effect significantly towards the business growth and the leadership behavior effect significantly towards the business growth through Subordinates performance. The results of this research if compared with the results of research conducted by Syamsuddin before showed that there was a consistency that leadership behavior effect towards the Subordinates performance and Subordinates performance effect towards the business growth. This consistency showed that the leadership behavior really effect towards the Subordinates performance and the Subordinates performance towards the business growth. In relation with this, the role of leadership in mobilizing the Subordinates was really needed and the successful of business was mostly determined by the leader of business to effect their Subordinates. There was a different results the research before that this research where the total effect of initiation structure behavior towards business growth is the bigger than total effect of consideration behavior towards the business growth. This different caused that the direct effect of initiation structure behavior towards business growth was bigger than the direct effect of

consideration behavior towards the business growth. From the results of this research and the research conducted by Syamsuddin (2006) giving the instruction to us that the consideration and initiation structure behavior increasing the business were mostly determined by two type of behavior namely two behavior are equally high.

If we use the rational logic, the findings that the leadership behavior effect towards the Subordinates performance and the effect of consideration behavior was bigger than the effect of initiation structure towards the Subordinates performance and can be supported by the findings conducted by the research group from Ohio University found that the employee turn over was low and the Subordinates satisfaction was high in the leadership condition with high consideration. As the matter of facts that low consideration and high initiation structure had the complaint and the higher turn over (Yukl, 1994: 55-56). This was also supported by Flesiman and Harris found that the arouse complaint from Subordinates was very small if the leader behaved equally high consideration and initiation structure. As matter of facts, there were many complaints from Subordinates if the leader behaved equally low consideration and initiation structure. According to Yukl (1994: 62) that the effective leadership is the leader who has the high consideration and initiation structure. This was well known with high-high leader. If it linked with the contingency theory said that the effectiveness of leadership was determined by situation, so the consistency from the results of research considered good because of situation or characteristic from the entrepreneur in the population of research before (Syamsuddin, 2006) was not different. Therefore the finding in this research workable in outside of Makassar area if the characteristic of population were same with the characteristic of this research location.

The findings that the effect of consideration was bigger from the effect of initiation structure towards the Subordinates performance giving the instruction and warning to us that it is better the leader of business had the higher consideration behavior i.e. leader had to keep the good relationship with Subordinates, give attention to the Subordinates particularly for Indonesian who respect to the pride and human dignity. This findings criticized some small industrial leader who applied one man show or dictator. This model of leadership was not so good and the facts showed that the results of this research supported the participative and moderate leadership. Therefore the dictator leadership will effect negatively towards the Subordinates satisfaction and commitment so the Subordinates performance will be low and

increasing the turn over because the small industry workable the law "easy entry and easy out". A good leader is the leader possessed the equally high consideration and initiation structure. The rules that wage must be proportional with the Subordinates performance. If Subordinates performance was high, so the company must give the higher wages and if the Subordinates performance was low, it must be given the low wage. The proportional wage giving based on the performance capable to motivate the Subordinates to have the higher performance.

#### IV. CONCLUSION

The results of this research showed that generally the leader behavior effect significantly towards the Subordinates performance and the Subordinates performance effect significantly towards the business growth. Particularly the consideration behavior have direct effect, positively and significantly towards the Subordinates performance but not significant towards the business growth. The initiation structure have direct effect, positively, and significantly towards the Subordinates performance but not significant towards the business growth. The most dominant factors effect towards the Subordinates performance was the consideration behavior then the behavior of initiation structure. The most dominant factor effect towards the business growth was the Subordinates performance followed by the behavior of initiation structure and consideration.

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