

FACTORS INFLUENCING THE BUSINESS SUCCESS: A SURVEY OF STATE OWNED ENTERPRISES OF MERGER PROCESS

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Abstract: This research wants to test and analyze the impact of strategic leadership toward business success on three state-owned enterprises (SOEs) that are in the process of merging. These three companies will be merged and they will become one of the world class holding companies. The type of this research is a survey using questionnaire and interview with the key manager that can represent the company. Population and respondents are the managers of three state-owned enterprises who have direct involvement on changing program and act as the agent of change. The sampling technique uses stratified proportional area random sampling. The data analysis technique uses Partial Least Square. The result is that: (1) the strategic leadership can improve empowerment and work motivation of the manager, (2) the empowerment can increase work motivation of manager and company business success and (3) the company business will be able to increase as the manager work motivation increases. On the other side, this research finding is surprising because strategic leadership is perceived cannot affect the company business success in the future. It seems that there are excessive worries toward company business failure in the future.

Key words: Strategic Leadership, Empowerment, Motivation, Business Success

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Introduction

Many organizations are faced to the truth that applying a successful change in the organization is hard. The failures of change are mostly related to many problems. Employee apathy, inadequate top management support, bad leadership, organizational culture that is not conducive, and inadequate resource are some examples of the cause of failure of change (Mosadeghra and Ansarian, 2014). Strategic leadership is the key to achieve the future success of the organization. A leader who is strategic oriented means that they can improve organizational performance through the achievement of vision and mission, values, organizational

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culture, work climate, structure, and organization system. Having an ability to manage, coordinate, influence, and motivate the employees to achieve their goal (Hitt et al., 2009). It also has three important elements which are; strategic thinking, acting, and influencing (Centre for Creative Leadership, 2004; Hughes and Beatty, 2005) so that organization can achieve competitive advantage. Bianco and Schermerhorn (2004) also add that “The strategic leadership responsibility, therefore, must include positive self-regulated change behavior and the creation of an internal environment that fully supports positive self-regulated change behavior by others”. This indicates that an organization which has strategic leadership will be able to decrease the failure of changes and improve the competitive advantage of the company. This research has been conducted to three state-owned manufacturing companies that are in the process of merger. The plan to realize strategic holding of state-owned enterprises is expected to be able to strengthen business foundation of each company and give value added and also improve competitive advantage of the company in future. That is why human resources are becoming important and crucial factors in program changes (Wesley, 1990). Some previous researches are strengthened the finding that strategic leadership has an influence towards employees empowerment, work motivation, and business success of the company (Azbari et al., 2015; Khuong and Hoang, 2015; Hirschi and Jones, 2009). Besides that, employees work motivation also have an influence towards business success of the company (Nizam and Shah, 2015; Muafi, 2015). This research wants to test the factors that influence the business success of state-owned enterprises on the merger process. This is because of the merger process; organization has a very high level of resistance. Some employees feel afraid and anxious about employees’ welfare, career opportunity, and future clarity. Balogun and Johnson (2004) have stated that it is important to understand employees’ reaction that experienced change in the organization. They need a leader figure that can deliver the company success in the future.

Literature Review

The research result from Mosadeghrad and Ansarian (2014) has identified some findings from the previous researcher that the level of failure for program changes is ranged between 50-70%, even more than that. Study of 300 electronic companies in United States has reported that 63% of program changes have failed and only 10% that gains success. About 210 manufacturing and service companies in United States have the success level of 25% and only 30% companies who have experienced a performance improvement as an impact of program changes. It is also found that 18% companies achieve higher profitability after downsizing and 21% companies can increase the return of capital it uses. It is also found that the level of failure happens to 95% for the TQM program in United States and 80% of TQM initiative are failed to produce tangible benefits. It is concluded that one of the decisive factors of failure is human resource barriers, besides strategic barriers, procedural barriers, contextual barriers, and structural barriers. It seems that human

resources barrier occupies a dominant position. A leader has to have the ability of anticipating, having vision, maintaining possibilities, and giving power to somebody else to create strategic changes that is required (Hitt et al., 2009; Byrd, 1997; Muafi and Uyun, 2018). Strategic leadership demands the ability to accommodate and integrate external and internal conditions and also the ability to manage ambiguity and involve in the processing a complex information (Hitt et al., 2009). Hitt et al., (2009) also add that there are five main components of an effective strategic leadership, which are; 1) determine the strategic direction including vision and mission, 2) manage the organization resources (core competencies, human resources, and capital), 3) develop the human capital effectively, 4) maintain the effective corporation culture, and 5) emphasize the ethical practice, and do a strategic control. The research finding from Adzeh (2017) have explained that personality trait (extraversion and agreeableness) and information processing style is influencing strategic thinking from leaders. Strategic leader needs to understand the market and owned resources. The research result is that strategic leadership has an effect toward employees empowerment and work satisfaction (Azbari et al., 2015), and also towards the business success of company (Hirschi and Jones, 2009). A strategic leader has to give authority and delegate responsibility to the manager until certain limit in order to formulate and apply the strategic business unit and strategic corporate effectively (Hitt et al., 2009). Freire (1992) explains that empowerment is a method that tries to change the perception including change the motivation and environment, so that it is possible for the individual to adapt to his environment. Besides that, empowerment can facilitate a creative potential from one (Morley, 1995). Hirschi and Jones (2009) also add that strategic leadership is strongly related to business success of company. If a company has a limitation on a strategy-oriented leader, then the company will lose its focus on a long term, it does not have vision to the future, and it cannot achieve the company goals. That is why it can be explained that strategic leadership tends to be able to achieve sustainable competitive advantage in the market place. Another research finding gives a result that the empowered workforce is giving large contribution in the business success (Watson, 2010). This is also added by Ozaralli (2003) that empowerment is an important element to improve work motivation and organization efficiency. Burgess (2014) also strengthens the previous research that if empowerment is improving, then the leader can decrease employee resistance when there is a change in the organization.

H1. Strategic leadership has positive and significant influences toward manager empowerment.

H2. Strategic leadership has positive and significant influences toward business success of company.

H3. Manager empowerment has positive and significant influences toward work motivation of manager.

H4. Manager empowerment has positive and significant influences toward business success of the company.

A strategic leader is a leader who has clear vision and ability to achieve the goal which is consistent with vision and mission of the organization. The leadership style of a leader will be able to improve work motivation of employees (Khuong and Hoang, 2015; Gopal and Chowdhury, 2014). A strong fit between transactional leadership and extrinsic motivation will happen when it is focused on the external aspect and short term. Transformational leadership gives satisfaction in the intrinsic motivation aspect of an individual (Kappen, 2010). Leadership has influence toward motivation and has an impact towards organizational performance (Osabiya and Joseph, 2015), meanwhile motivation has an impact towards organization effective (Manzoor, 2012) and organizational performance (Nizam and Shah, 2015). When employees become unsatisfied to an organization, they probably will show negative behaviors that can inhibit the profit achievement and productivity. By that, a leader needs to have an important strategy for the organization to fix its work place by focusing on Maslow's motivational approach (Richardson, 2014).

Chen et al., (2003) research result recommends that increasing productivity and employee performance of organization can be done by improving the employee empowerment and motivation. Kroth (2007) also adds that the ability of a leader is to persuade and influence other people to work on the same direction. Someone who has a good work motivation will have three important indicators, which are energy, direction, and sustainability. When these three indicators are running together, then it will be able to increase work productivity of someone. The research findings from Gottfridsson and Nordell (2011) conclude that manager has intrinsic motivation to fasten the business growth of company. The intrinsic motivation factors that are required included; belongingness, interest in the area of work, individual development, and fun at work. This research is more focused on the motivation concept using Clayton Alderfer approach. This is based on the reason because the ERG theory is a motivation theory that emphasizes understanding toward individual behavior (Arnold and Feldman, 1986; Alderfer, 1969; Schneider and Alderfer, 1973). Clayton Alderfer expert sums up Maslow's theory into three hierarchies of needs, which are existence, relatedness, and growth (ERG). Alderfer combines psychological needs and sense of securities into the existence dimension, the need love/friendship and internal self-esteem into the dimension of relatedness, and self-actualization into the dimension of growth (Arnold and Feldman, 1986; Alderfer, 1969).

H5. Strategic leadership has positive and significant influences toward work motivation of manager.

H6. Manager motivation has positive and significant influence toward business success of the company.

Research Methods

This research was conducted on three state-owned manufacturing enterprises that are in the process of merging. These three will become one holding company and

have a vision of become a world class state-owned enterprise. Indonesian government has agreed to that advice and through the strategic holding group it has been determined to synergize all of the operational activities of the companies. The basic idea of the establishment of holding company is aim to create value added and improve company competitiveness. Those three companies were selected because the three of them have been doing consolidation since 1995 and it is related to the central theme of the research. The type of this research is a survey using questionnaire and interview with some key manager that can represent those three manufacture company. Population and respondents of this research is the entire managers who are directly involved in program changes and act as agent of change of company. The sampling technique in this research was done using stratified proportional area random sampling method, which is a method where the population has members or elements that are homogeneous based on strata or certain areas selected as research objects. There are three areas selected as research objects and spread over three islands in Indonesia. The target of respondents planned to be used in this research is 200 respondents. This number is considered to be able to fulfill the type of survey research (Hair et al., 1995). Managers at some of that state-owned manufacturing companies are divided into three levels: (1) top management; directors, head of compartments, and division head, about 75 people, (2) middle management; bureau chief about 180 people, (3) first line management; section head and team head, about 450 people. Each manager operates on different directorate, such as; financial and accounting, research and development, marketing, mainstream, and production. The response rate level of this research is about 75%. Questionnaires that is completely answered and feasible to analyzed are 165 questionnaires. This research are using four main variables which are; strategic leadership, empowerment, motivation, and program changes failure. The scale technique that is used is Likert scale with 7 alternative answers: 1 for Very Disagree to 7 for Very Strongly Agree. The number of items and item references of each variable is:

1. Strategic Leadership (SL) with three items; strategic thinking, acting, and influencing modified from Hughes and Beatty (2005).
 2. Empowerment (Em) with three items modified from Burgess (2014).
 3. Motivation (Mot) with three items modified from Arnold and Feldman (1986; Alderfer, 1969)
 4. Business Success (BS) with four items modified from Hirschi and Jones (2009).
- The data analysis technique is using Partial Least Square (PLS). The validity and reliability test of all items and variables is valid and reliable.

Research Result

Respondent Characteristics

The majority of respondents in this research are male (69%), aged 42-47 years old (33%), level of education is bachelor degree (73%), and work on the main directorate (33%).

Hypothesis Test

The hypothesis test in this research can be seen on Table 1.

Table 1. Path Coefficient of Strategic Leadership, Empowerment, Motivation, and Business Success

Hypothesis	Path	Original Sample	Standard deviation	T Statistics	Description
1	SL → Em	0.461	0.111	4.153*	Accepted
2	SL → BS	0.068	0.084	0.809	Rejected
3	Em → Mot	0.503	0.111	4.531*	Accepted
4	Em → BS	0.598	0.144	4.152*	Accepted
5	SL → Mot	0.539	0.164	3.286*	Accepted
6	Mot → BS	0.780	0.087	8.965*	Accepted

* = Sign 0.05

Discussion

The research result supports the first (H1) and fourth (H4) hypothesis which is strategic leadership, has positive and significant influences toward manager empowerment and that manager empowerment has positive and significant influences toward business success of company. This supports the research of Azbari et al., (2015; Hitt et al., 2009). If the leader is successful in implement his strategic thinking into real action and able to influence other employees, then it will be able to improve the empowerment (Muafi and Uyun, 2018). Manager will feel a sense of responsibility and have a high sense of belonging if they are given an authority in a strategic decision making and behave in accordance to achieve the goal. Company can use this strategy because usually employees feel proud to be a part of company family and part of team that is involved as agent of change in the program changes. Manager should be given space for decision making so it can push them to have innovation and creativities (Freire, 1992; Morley, 1995), business success (Watson, 2010) and organization efficiency (Ozaralli, 2003). The Company can use empowerment as a soft strategy and not only asking them to work and letting them working without any control. This supports the third hypothesis (H3), which states that manager empowerment has positive and significant result toward work motivation of manager. This also supports the research of Ozaralli (2003). When manager has given authorities for strategic decision making of technical, then manager will feel rewarded. This rewarded feeling, even if it is not in the form of finance; it can improve his work motivation. As a leader who is considered as representation of the company, the manager has to influence his staff to work diligently and enthusiastically, and also participate in the company success. Positive energy and right direction from manager for the achievement of vision and mission of company will be able to improve the productivity of the company.

This research result also supports the fifth (H5) and sixth (H6) hypothesis, which conclude that strategic leadership has positive and significant influences toward

work motivation of manager and that manager motivation has positive and significant influences toward business success of the company. This finding also supports the previous research of Gottfridsson and Nordell (2011) which states that if the intrinsic motivation of manager increases then it can fasten the business and the growth of company. Motivation also can have an effect toward organization success (Manzoor, 2012; Nizam and Shah, 2015). There are three hierarchies of need that needs to be noticed by company; existence, relatedness, and growth (ERG). The merger process requires certainty of security and can ensure the company sustainability in the future. It will impact indirectly toward the fulfillment of physiological needs of managers and all members of the organization. Guaranteed position and social interaction with other employees and feel rewarded is other needs, beside the need of self-actualization. If all of those needs can be fulfilled, then it improves business success of company and improves competitive advantage of company.

The research result that surprising is that strategic leadership does not have any influence toward business success. This is not support the second hypothesis (H2) and the previous research of Hirschi and Jones (2009), which states that an organization that has strategic oriented leadership should be able to send the organization toward success and improve competitive advantage of organization in the future. But in fact, this research has concluded otherwise. This indicates that when there is a change, organization is not only need a strategic oriented leader, but also a leader with real action and serving nature. It probably has caused by some employees who feel worry or anxious if the changes that is going to be implemented fail and not as expected. Change is not only an intention to change, but it also needs a real and strategic action. The employee who actually is eager to change also lost spirit because the impact of the change is not significant as the employee does not have any faith in the company goal. Leader needs to have continuous communication toward change and result of every step. Employees need to understand the advantage, adjust themselves, and see the progress of change itself.

Conclusion

This research gives implication theory that on the change process, organization is not only need strategic leadership, but also actual leadership that has a serving nature. Leader has to be a model and give actual example, not just as a symbol and smart to talk. The communication of program changes needs to be done continuously, so that the employee supports every step of the changing process. A strategy to do an empowerment to the manager and staff also required improving work motivation and then it can improve business success of company.

Practical implication can be done with: (1) involving manager in the strategy formulation process by adjusting level of the manager and his responsibility; (2) strategy implementation will be done by involving manager as agent of change so that he can have high level of involvement and engagement in the process of

organization change; (3) socialization and communication of change, especially on the result of changes at each stage of change should be done continuously; (4) appointing managers and employees who contra to change as agent of change, because it helps to accelerate the achievement of company goals; (5) improving work motivation of manager and staff by giving reward and punishment fairly and transparently. Strong leadership and support of key employees are very important for the success of change, beside strong motivation from all managers and staff. For resistance and contra employee, the action can be taken by negotiation, reward, manipulation, or even coercion.

Limitation of this research and its future agenda are; (1) business success model in the organization fit theory framework especially, strategic human resources still have many other elements/variables that can be studied by configuration or contingency, (2) this research uses only the data from three SOEs that are merging, so this research is not really able to generalize the population of SOEs company in Indonesia, (3) respondent's answers from the questionnaire are influenced much by situation and condition happened when the research was conducted. Although the validity and reliability have been tested, it is still possible that there will be bias.

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CZYNNIKI WPLYWAJĄCE NA SUKCES DZIAŁALNOŚCI BIZNESOWEJ: BADANIE PROCESÓW POŁĄCZENIA PRZEDSIĘBIORSTW PAŃSTWOWYCH

Streszczenie: Badanie to ma na celu przetestowanie i przeanalizowanie wpływu strategicznego przywództwa na sukces biznesowy trzech przedsiębiorstw państwowych, które są w trakcie łączenia. Te trzy firmy zostaną połączone i staną się jedną z firm holdingowych na światowym

poziomie. Do badań opracowano ankietę wykorzystującą kwestionariusz i wywiad z kluczowym menedżerem, który może reprezentować firmę. Ludność i respondenci to menedżerowie trzech przedsiębiorstw państwowych, którzy bezpośrednio uczestniczą w zmianie programu i działają jako agent zmian. Technika pobierania próbek wykorzystuje losowe pobieranie próbek w warstwowej proporcji. Technika analizy danych wykorzystuje metodę częściowych najmniejszych kwadratów. Wyniki badań prowadzą do następujących wniosków: (1) przywództwo strategiczne może poprawić upodmiotowienie i motywację do pracy menedżera, (2) wzmocnienie pozycji może zwiększyć motywację do pracy menedżera i sukcesu firmy oraz (3) działalność przedsiębiorstwa będzie mogła wzrosnąć wraz ze wzrostem motywacji do pracy menedżera. Z drugiej strony, to odkrycie jest zaskakujące, ponieważ postrzeganie strategicznego przywództwa nie może wpłynąć na sukces firmy w przyszłości. Wydaje się, że istnieją nadmierne obawy o niepowodzenie firmy w przyszłości.

Słowa kluczowe: przywództwo strategiczne, wzmocnienie pozycji, motywacja, sukces w biznesie.

影响业务成功的因素：对国有企业合并过程的调查

摘要：本研究旨在测试和分析三家正在合并的国有企业战略型领导对企业成功的影响。这三家公司将合并，他们将成为世界级的控股公司之一。这项研究的类型是使用问卷调查和可以代表公司的关键经理进行的调查。人口和受访者是三个国有企业的经理，他们直接参与改变计划并担任变革的推动者。采样技术采用分层比例面积随机采样。数据分析技术使用偏最小二乘法。结果就是这样；(1) 战略领导能够提高经理的授权和工作动机；(2) 授权可以增加经理和公司业务成功的工作动机；(3) 随着经理工作动机的增加，公司业务将会增加。另一方面，这一研究结果令人惊讶，因为战略领导力被认为不会影响公司未来的商业成功。看起来对未来公司业务失败有过分担忧。

关键词：战略领导力，赋权，动机，商业成功。