Journal of Accounting Inquiry, Vol. 5, No. 1 (2026) 001-011
Published by Department of Islamic Accounting, Universitas Islam Negeri Sunan Kalijaga Yogyakarta
e-ISSN: 2961-8673
https://doi.org/10.14421/jai.2026.5.1.001-011

The Effect of Leadership Style and Management Control System on Organizational Performance

Dwi Marlina Wijayanti
Department of Islamic Accounting, Faculty of Islamic Economics and Business
UIN Sunan Kalijaga Yogyakarta

Corresponding Author: dwi.wijayanti@uin-suka.ac.id

Abstract

Purpose: This study analyses the influence of leadership style (initiating structure) and management control systems (diagnostic) on company performance.
Methodology: This study employs a quantitative approach, using a self-administered survey as the data collection method. The respondents consist of 86 top-level management executives from various organizations across Indonesia, as they are considered to possess sufficient understanding of company performance and the management control systems implemented. Data analysis was conducted using Structural Equation Modelling with Partial Least Squares (SEM-PLS).
Findings: The findings of this study indicate that the initiating structure leadership style has a positive contribution to improving company performance. Furthermore, the diagnostic control system is proven to act as a mediating variable (fully) in the relationship between the initiating structure leadership style and company performance
Novelty: This study contributes to the literature by integrating management control systems with leadership style in explaining company performance, which has not previously been examined within the context of management control system practices. It highlights the mediating role of diagnostic control systems in translating initiating structure leadership into improved performance, providing new insights into how formal controls and leadership behavior interact at the top management level.

Keywords: Organizational performance, leadership style, management control system

Article History:
Received: April 2026; Revised: May 2026; Accepted: May 2026

Introduction

The current business environment is changing rapidly, leading to increasingly intense competition. In a highly competitive environment, organizations are required to maximize their performance. Performance is considered a key indicator in assessing the effectiveness of an organization. According to Puni et al. (2014), performance can be measured not only from financial aspects but also from non-financial aspects. Issues related to organizational performance remain a widely discussed topic in Indonesia, prompting researchers and practitioners to explore the factors causing low performance as well as strategies that can be implemented to improve it.

Human resources (HR) are a strategic asset of a company and play an essential role in improving organizational performance (Ulrich et al., 2024). The optimization of HR roles can be achieved through the implementation of appropriate leadership styles and effective management control systems. Top management holds the primary responsibility for managing an effective management control system (MCS) to maximize the utilization of organizational resources. In line with Simons (1995), the effective use of control systems, particularly through diagnostic, enables organizations to align strategic objectives with operational activities, thereby enhancing overall performance. Responsibility for managing an effective control system to maximize the utilization of all company resources. The way top management manages these resources is strongly influenced by the leadership style applied. Puni et al.

(2014) define leadership as a positive persuasive behavior that inspires both subordinates and leaders to achieve individual, team, and organizational goals. Differences in leadership styles are reflected in how top management sets, communicates, and directs the achievement of organizational objectives. This study adopts the initiating structure leadership style, which has also been widely used in previous studies (e.g., House, 1971; Shea, 1999; Rowold, 2010, 2014; Hartmann et al., 2010).

Leadership style has a significant influence on subordinate performance. According to Puni et al. (2014), leadership can enhance organizational productivity and profitability; however, this success largely depends on the suitability of the leadership style applied to ensure that subordinates can perform optimally. Subordinates tend to behave in accordance with the directions given by their supervisors (Hartmann et al., 2010). Differences in leadership styles affect subordinate behavior because the control mechanisms implemented by top management are also shaped by the leadership style they adopt. Demands placed on subordinates to demonstrate performance without clear guidance regarding performance targets may trigger dysfunctional behavior (Michaels and Dixon, 1994). To prevent such dysfunctional behavior, the adoption of an appropriate leadership style by top management is essential.

One of the most observed leadership styles is initiating structure. The initiating structure leadership style focuses on the clarity of directions and the achievement of organizational targets. Bass (1990) explains that managers specify in detail what needs to be done and how to accomplish it, emphasizing the importance of clear communication and structured work patterns within the organization. Clear directions help subordinates understand their tasks and responsibilities, enabling them to work systematically in accordance with established standards. Downey et al. (1975) found that the initiating structure leadership style is significantly related to subordinates' performance expectations due to the clarity of instructions and work patterns provided by supervisors. With such clarity, employees are motivated to act in alignment with set targets. When employees work in accordance with directions and organizational objectives, organizational goals, including performance targets, can be effectively achieved.

Empirical research on the initiating structure leadership style remains relatively limited (Rowold, 2010). According to Puni et al. (2014), the implementation of leadership styles can enhance cooperation, motivate employees, and foster enthusiasm, ultimately having a positive impact on performance. In line with this, House (1971) also found that the initiating structure leadership style influences employee performance. Similar findings were reported by Rowold (2010), who stated that this leadership style has a significant relationship with performance improvement. In general, leadership styles in the workplace can affect employee behavior, both positively and negatively, through the creation of a specific work climate. Further empirical studies are needed to provide stronger evidence regarding the effect of leadership styles on performance.

Performance improvement through leadership style is closely related to the Management Control System (MCS) implemented in the company. MCS functions as an information-based tool designed to guide managers' decision-making (Chenhall, 2003). To optimize employees' roles, companies require an appropriate MCS. According to Arachchilage and Smith (2013), the most important aspect is not merely the type of control used, but how the organization utilizes the control system through Simons' Levers of Control (LoC), particularly the diagnostic control system. The main difference in this system does not lie in its features, but in how managers apply it (Thoren and Brown, 2004). Ultimately, the way the system is used is influenced by the leadership style adopted by managers.

Simons (1994) explains that diagnostic control emphasizes a formal feedback system to monitor organizational outcomes and appropriate deviations from predetermined performance standards. This control system makes it easier for managers to assess the performance of subordinates by comparing plans and realization. Chong and Mahama (2014) stated that in diagnostic control, managers are less involved in personal interactions with their subordinates.

The diagnostic control emphasizes giving clear directions and targets to subordinates. According to path-goal theory, an important goal of leaders is to influence subordinates' expectations to achieve

organizational goals (such as Hartmann et al., 2010; House, 1996). One of the goals of the organization is to achieve the expected performance. Through the leadership style that is owned by top management, the expected performance can be achieved. The application of control systems within a company (diagnostic) is determined by how top management uses the system. The way top management operates depends on its leadership style. Therefore, leadership style and control system are interrelated.

Much of the literature on leadership styles has focused on job satisfaction (Puni et al., 2014). However, empirical examination of the relationship between leadership style and organizational performance remains necessary. Prior studies suggest that the work climate can influence employee behavior, and such a climate is shaped by how leaders direct their subordinates. Empirical evidence on the effect of initiating structure leadership style on performance remains inconclusive (Shae, 1999; Rowold, 2010). These inconsistencies may be explained by the presence of other influencing factors. For instance, House (1971) highlights variables such as job scope and task autonomy. Building on this, the present study introduces diagnostic control as a mediating variable in the relationship between leadership style and performance. To the best of our knowledge, no prior research has explicitly linked these variables. Therefore, it is important to further examine the relationship between leadership style, management control systems, and organizational performance.

Literature Review

Organizational Performance

Company performance is the result (outcomes) of a series of actions implemented through predetermined strategies and tactics (Liang & Li, 2025). Performance targets must be in accordance with organizational goals. Organizational goals can be achieved from the performance measures determined by the company. Richard et al. (2009), defines organizational performance as the most important criterion in evaluating organizations, organizational behavior, and the environment. Venkatraman & Ramanujam (1986) highlight that organizational performance can be seen from the results (outcomes) of the company which are shown in three aspects, namely financial performance (profit, Return on Assets, and Return on Investment), product marketing performance (sales and market share), and shareholder return (total shareholder return and Economic Value Added). The scope of organizational performance used is reflected using the Balanced Scorecard (BSC) framework from Kaplan and Norton which uses financial and non-financial performance measures (Arachchilage and Smith, 2013). Organizational performance in this study was measured using financial and non-financial measures. Both measures are used because they can represent the overall performance of the company.

Leadership Style

Leadership style is considered a crucial aspect of human resource management that directly influences outcomes (Puni et al., 2014). Puni et al. (2014) define leadership as a form of positive and persuasive behavior that motivates and inspires both followers and managers to achieve individual, team, and organizational objectives. Literature on leadership frequently discusses various types or styles of leadership, highlighting that leadership dimensions often align with supervisory approaches. The initiating structure leadership style, in particular, focuses on providing clear task instructions and setting specific performance targets (Bass, 1981, 1990). This style of leadership is among the most commonly observed behaviors in organizational settings (House, 1971). Managers or leaders who adopt an initiating structure approach guide their subordinates to perform tasks systematically and in accordance with defined objectives (Bass, 1981, 1990). According to Downey et al. (1975), this leadership style is strongly associated with subordinate performance expectations due to the clarity of instructions and structured guidance provided by top management.

Management Control System

The Management Control System (MCS), in a formal sense, refers to information-based routines utilized by managers to sustain or modify patterns of organizational activities (Simons, 1994). This concept encompasses planning systems, reporting mechanisms, and review procedures that rely on information (Henri, 2006). Simons (1994) introduced the Levers of Control (LoC) framework, which includes the diagnostic control system. Diagnostic control systems demonstrate the role of traditional feedback as SPM which is used to review and reward achievement of previously set goals. Responsibility for implementing the system lies with top management, meaning the system's effectiveness is contingent upon how management utilizes it, which in turn reflects their leadership style. Chong and Mahama (2014) stated that in diagnostic control top management is less involved in personal interactions with their subordinates. These findings highlight a strong interrelationship between leadership style and control systems.

Hypothesis Development

Initiating structure leadership and performance

One theory that explains leader behavior is the path-goal theory (House and Mitchell, 1975). This theory states that leader behavior is important for performance and as a function of influencing subordinates' perceptions of the path that defines goals and the attractiveness of goals. Called the path-goal theory, because it explains how leaders influence subordinates' perceptions of their work goals, personal goals, and paths to achieving goals. Based on path-goal theory, an important goal of leaders is to influence subordinates' expectations to achieve organizational goals (Hartmann et al., 2010; House, 1996). One of the goals of the organization is to achieve the expected performance. Through the leadership style that is owned by top management, the expected performance can be achieved.

Views that support the use of leadership style on company performance believe that the ways, roles, and responsibilities of leaders in decision-making direct organizations to find solutions to challenges that will have an impact on profitability (Waldman and Yammarino, 1999). Another view believes that leadership is too weak to affect performance except through a combination of several factors (Meindl, 1990). Empirical evidence suggests that leadership plays a limited role in influencing organizational members on firm performance (e.g. Koene et al., 2002; Judge et al., 2004). The difference in views can be seen from the results of research that are still inconsistent.

Research conducted by House (1971) found that leadership style (initiating structure) influences performance. Rowold (2010) found that the initiating structure leadership style had an effect on performance. Rowold (2014) examined the application of the initiating structure leadership style in the profit and non-profit sectors. Rowold found that the two initiating structure leadership styles were more important in the profit sector. Based on the path goal theory which states that leaders can influence the perceptions and behavior of subordinates through their leadership style and based on the results of previous studies examining the effect of leadership style on performance, the leadership style initiating structure has a positive effect on organizational performance. Therefore, the hypothesis is formulated as follows.

H1: Initiating structure leadership style has a positive effect on performance

Diagnostic control systems mediate the relationship between leadership style initiating structure and organizational performance

The way to assess the effect of using management control system (MCS) on organizational performance is based on contingency theory which suggests that managers must obtain a fit between MCS and contextual factors within the organization to achieve good performance (Chenhall, 2003; Su et al., 2015). Companies in determining the use of MCS are influenced by the leadership style possessed by top management. Research examining MCS use and performance is limited. Several studies have tested the effect of diagnostic control on performance (Sakka, 2013; Arachchilage and Smith, 2013; Su et al.,

2015), but there have been no studies that have examined the relationship between leadership style, MCS (diagnostic), and organizational performance.

The diagnostic control system is related to the initiating structure leadership style. Rowold (2010) states that the initiating structure leadership style emphasizes behavior such as structuring tasks, making assignments, and compiling tasks related to goals. Through this behavior, subordinates will get clear procedures for carrying out their duties. In line with the diagnostic control system which emphasizes control based on the mechanism used to direct, review, and support the achievement of the desired goals (Henri, 2006). Both emphasize on giving clear directions and targets to their subordinates. Based on these similarities and relationships, a positive relationship exists between initiating structure leadership style and organizational performance at least in part through the use of a diagnostic control system. Therefore, the hypothesis is formulated as follows.

H2: Diagnostic control systems mediate the relationship between leadership style initiating structure and organizational performance

Method

Research Design and Sample

This research is quantitative survey research. Researchers build arguments, research questions, and hypotheses in a structured manner which are then tested statistically with the aim of being generalizable (Cooper and Schindler, 2011). The data collection method used in this study was a self-administered survey, namely by giving a questionnaire containing questions that the respondents had to answer and fill in themselves. The sample in this study are senior executives in organizations/companies in Indonesia. Senior executives are chosen because they are the people who are responsible for communicating company goals to subordinates, understand the control system implemented, and know the overall performance of the organization.

Variable Measurement

In this study, leadership style is assessed using an instrument based on leader behavior as described by Stogdill (1963) and later applied by Hartmann et al. (2010). The validity of this instrument has been confirmed through a meta-analysis conducted by Judge et al. (2004). The tool comprises eight items designed to measure the initiating structure leadership style. The dependent variable is organizational performance, which can be evaluated across multiple dimensions, typically including both financial and non-financial aspects. Performance is measured using 18 items to capture the multidimensional nature of organizational performance, adapted from literature by Govindarajan and Fisher (1990), Hoque and James (2000), and Arachchilage and Smith (2013). All items are rated on a Likert scale from 0 to 6 (0 = not known, 6 = very high) for performance and 1 to 6 (never – always) to other variable. The “0 = not known” option is included to accommodate respondents who lack sufficient knowledge to assess company performance, thereby reducing the risk of random or uninformed responses. Furthermore, this option functions as a screening mechanism, where responses coded as “0” are treated as missing values and excluded from the analysis to ensure the validity and reliability of the data. The mediating variable in this study is the diagnostic control system, which emphasizes providing motivation and information to subordinates in the form of important organizational strategies and goals to be achieved by the organization. Subordinates are provided opportunities to demonstrate initiative and participate in certain decision-making processes. The diagnostic control system is measured using seven items developed and validated by Dess and Davis (1984), Kotha and Vadlamani (1995), Robinson and Pearce (1988), and also applied by Arachchilage and Smith (2013). Responses are recorded on a 0–5 Likert scale (0 = not at all, 5 = to a great extent).

Data Analysis

The research model was tested using Partial Least Squares (PLS). PLS is a general method for estimating path models involving latent constructs indirectly measured using several indicators (Chin and Newsted, 1999). PLS can be used for small to moderate sample sizes. PLS is employed to analyze the data using a two-step approach, involving the assessment of the measurement model's reliability and validity, followed by the evaluation of the structural model. This step is carried out to ensure that construct measures are valid and reliable before trying to draw conclusions based on the relationship between constructs (Barclay et al., 1995). The structural model was evaluated by examining R2 values and structural path coefficient measures (Hartmann et al., 2010). Through the structural model, it can be seen the level of significance and beta value of the variables tested for each variable relationship (direct and mediating effect) so that conclusions can be drawn regarding the proposed hypotheses.

Results and Discussion

Respondents

Respondents in this study consist of 86 senior management in several companies spread across Indonesia. Paper-based instruments and online-based instruments are sent directly to employees in accordance with the criteria of researchers who are in technical positions. The online survey instrument was distributed to senior management, after which the researchers selected respondents who met the predefined criteria. Respondents are selected based on similarities in their work characteristics to ensure a homogeneous sample, thereby minimizing the potential confounding effects of demographic factors on the study outcomes. Demographic characteristics of respondents divided by gender, age, companies age, and companies sectors. More detail of these characteristics can be seen in table 1.

Table 1. Demographic Characteristics of Respondents

Information		Frequency	Percentage	Total Frequency	Percentage of Total
Gender	Male	23	26,74%		
	Female	63	73,26%		
				86	100%
Companies Age	< 5 years	14	16.28%		
	6 – 10 years	11	12.79%		
	11 – 15 years	12	13.95%		
	16 – 20 years	14	16.28%		
	> 20 years	35	40.70%		
				86	100%
Age	20 – 30 years	33	38.37%		
	31 – 40 years	21	24.42%		
	41 – 50 years	19	22.09%		
	>50 years	13	15.12%		
				86	100%

Source: Author work

Validity and Reliability Testing

The validity testing is performed to determine the instrument's ability to measure what should be measured from a concept (Cooper and Schindler, 2011). Validity is determined by testing the convergent validity and discriminant validity of each indicator. Convergent validity is determined using three criteria estimates. First, the outer loading should be greater than 0.7 (> 0.7). Second, communality should be greater than 0.5 (> 0.5). Third, the Average Variance Extracted (AVE) value should be greater than 0.5 (> 0.5). Discriminant validity is determined using the square root of AVE whose value must be higher than the correlation between latent variables in the same column. Fulfillment of assumptions seen

from the value of cross loading is greater than 0.7 (> 0.7). The following is the result of testing the convergence validity and discriminant validity.

Table 2. Convergent Validity Testing

	P	ILS	CLS	DCS	ICS	SE	P value
Performance (P), AVE = 0.510							
P2	(0.589)	0.384	0.030	-0.240	0.310	0.091	<0.001
P3	(0.647)	-0.186	0.267	0.096	-0.106	0.089	<0.001
P4	(0.648)	-0.191	0.239	-0.242	0.105	0.089	<0.001
P9	(0.613)	-0.222	0.097	-0.304	0.230	0.090	<0.001
P10	(0.604)	-0.233	0.117	0.124	-0.164	0.090	<0.001
P16	(0.614)	0.378	-0.443	-0.010	0.011	0.090	<0.001
P17	(0.768)	0.042	-0.054	0.353	-0.247	0.086	<0.001
P18	(0.625)	0.049	-0.259	0.131	-0.065	0.090	<0.001
Initiating Structure Leadership Style (ILS), AVE = 0.618							
ILS1	0.036	(0.875)	-0.065	-0.027	-0.066	0.084	<0.001
ILS2	-0.031	(0.868)	-0.110	-0.165	0.135	0.084	<0.001
ILS4	-0.076	(0.862)	-0.007	0.152	-0.236	0.086	<0.001
ILS5	0.084	(0.755)	-0.008	-0.009	0.011	0.084	<0.001
ILS6	-0.041	(0.845)	0.193	0.396	-0.325	0.089	<0.001
ILS7	0.037	(0.658)	-0.172	0.032	0.121	0.085	<0.001
ILS8	0.066	(0.811)	-0.133	-0.029	0.050	0.092	<0.001
Diagnostic Control System (DCS), AVE = 0.635							
DCS1	0.124	-0.031	-0.002	(0.539)	-0.773	0.092	<0.001
DCS2	-0.059	0.192	-0.124	(0.889)	-0.017	0.083	<0.001
DCS4	0.068	0.140	-0.064	(0.609)	0.473	0.090	<0.001
DCS5	0.003	-0.188	0.139	(0.883)	-0.091	0.083	<0.001
DCS6	-0.081	0.058	0.008	(0.874)	0.306	0.083	<0.001
DCS7	0.015	-0.137	0.023	(0.903)	-0.048	0.083	<0.001
DCS1	0.124	-0.031	-0.002	(0.539)	-0.773	0.092	<0.001

Source: Author work

Table 2 shows that latent variables have loading above 0.7 (>0.7). It means that the first convergence validity criterion is met. In addition, AVE values meet the assumption of convergent validity that is above 0.5 (>0.5). The table also shows that the convergent validity for reflective constructs is supported with significant p values (<0.001). Indicators having loading below 0.5 are not included in the analysis. This is done to maintain the validity of data. Indicators that do not meet the assumption of convergent validity are dropped.

Reliability testing is done to see the reliability accuracy of the measuring instrument to know the consistency of the result from the measurement (Hartono, 2008). The reliability testing is performed using Cronbach's alpha and composite reliability. The value of Cronbach's alpha must be greater than 0.7 (> 0.7) for the indicator to be reliable. In addition, the composite reliability must be greater than 0.7 (> 0.7). Here is the reliability of the instruments used in this study.

Table 3. Reliability Testing

	P	ILS	ICS
Chronbach's alpha	0.793	0.908	0.921
Composite reliability	0.847	0.927	0.937

Source: Author work

Table 3 shows that the research instrument meets the assumption of reliability. Cronbach's alpha and composite reliability values are greater than 0.7 (> 0.7). It means that the research instrument has reliability accuracy for measuring performance, management control system (diagnostic), and leadership style (initiating structure).

Hypothesis Testing

The structural model in SEM-PLS is evaluated by using R^2 for the dependent construct. Next is to look at the value of path coefficients or t-values to see significance in hypothesis testing (Hartono, 2011). The value of R^2 is used to measure the level of variation of the independent variable changes to the dependent variable. That is, the higher the value of R^2 means the better the prediction model of the proposed research model.

The first hypothesis testing is to test the direct influence between independent variable and dependent variable. The second step is to test the hypothesis for the mediation relationship. This study has two direct relationships namely the direct relationship between initiating structure leadership style to performanc. Here is the output table coefficient path and p-values direct relationship between independent variables to the dependent variable.

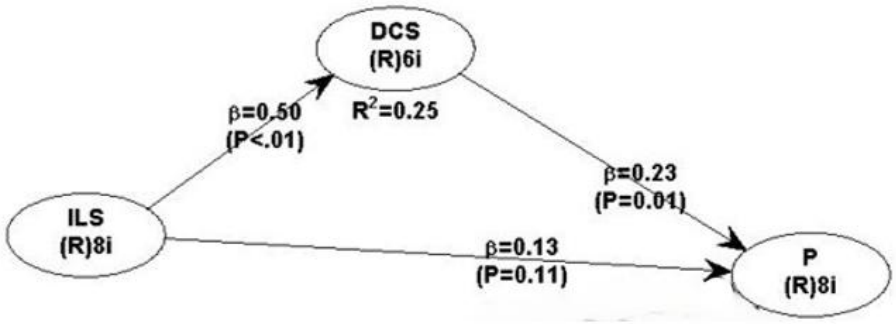
Table 4. Hypothesis Testing of Direct Effect

Path	Path Coeffisient	P Values	R-Squared	Information
ILS – P	0.31	<0.01	0.14	Supported significantly

Source: Author work

Table 4 shows that the direct correlation between initiating structure leadership style to performance has a positive and significant relation with coefficient 0.31 ($p < 0.01$) and $R^2 = 0.14$. Based on these results, H1a is supported significantly.

The next part is to test the mediation relationship between independent variables (leadership style), mediation variables (management control system), and the dependent variable (performance). The hypothesis testing procedure is done in two stages. First, make an estimate of direct effects between independent and dependent variables. Second, to estimate indirect effect simultaneously between independent variables, mediation, and dependent (Hair et al., 2011). The following is a model for testing the influence of mediation in this study.



Source: Author work

Figure 1. Indirect Effect Result

The next result is the indirect influence between independent variables, mediation, and dependent. Based on Figure 1 above, the results can be presented in the following table.

Table 5. Hypothesis Testing of Indirect Effect

Path	Path Coefficient		Total effect	VAF	Mediation Form	Information
ILS-DCS-Performance	0.50***	0.23***	1.125	0.324	Fully Mediation	Supported significantly

***p<0.01

Source: Author work

Based on Table 5, the result shows that initiating structure leadership style coefficient on performance decreased to 0.18 and not significant with P = 0.11. It means that the structural model is fully mediated by the mediating variable. The coefficient of initiating structure leadership style to diagnostic control system is 0.50 and significant at p <0.01, diagnostic control system coefficient on performance is 0.23 and significant at p = 0.01, and VAF value is 0.324. This means that hypothesis 2 is significantly supported.

Discussion

Based on the results of hypothesis testing, this study provides strong evidence that the initiating structure leadership style significantly enhances company performance. These findings are consistent with prior studies, such as House (1971), Shea (1999), and Rowold (2010), which demonstrate that leadership styles emphasizing task structure and clarity positively influence performance outcomes. This effect can be explained by the characteristics of initiating structure leadership, where leaders establish clear roles, set well-defined expectations, and closely monitor task execution. Such structured guidance reduces ambiguity, enhances coordination, and ensures that employees clearly understand their responsibilities and performance targets. As a result, employees are more likely to perform efficiently and align their actions with organizational objectives.

Furthermore, the mediation analysis reveals that the diagnostic control system plays a significant mediating role in the relationship between initiating structure leadership and company performance. This finding suggests that leadership behavior is translated into organizational outcomes through formal control mechanisms. Leaders with a strong initiating structure orientation tend to design and implement control systems that emphasize goal setting, performance monitoring, and variance analysis. These systems function as tools to ensure that organizational activities remain aligned with predefined targets. In this context, the diagnostic control system serves not only as a monitoring mechanism but also as a means of reinforcing accountability and performance discipline across the organization.

This result is in line with Henri (2006), who highlights the role of diagnostic control systems in directing, evaluating, and supporting the achievement of organizational goals. By embedding leadership characteristics into formal control systems, organizations are able to institutionalize structured leadership practices, thereby enhancing consistency in performance management. Overall, this study underscores the importance of the interplay between leadership style and management control systems, demonstrating that the effectiveness of leadership in improving performance is significantly strengthened when supported by appropriate control mechanisms.

Conclusions

This research examines the diagnostic management control system in mediating the relationship between initiating structure of leadership style and performance. Company performance is determined by how a leader can direct his subordinates well. The way a leader directs his subordinates will be influenced by his leadership style. This is reflected in the way of communicating and giving instructions so that this behavior will form a control system that is in line with a leader's leadership style. The initiating structure leadership style will lead to the formation of a diagnostic control system because a leader uses measurable and firm methods in providing direction and control.

The results of this research provide theoretical and practical contributions. Theoretically, the results of this research prove that the control system categorized by Simon can be formed from the personality of a leader. This can enhance the understanding that individual characteristics can serve as a reflection of the systems operating within the organization. Moreover, this research supports path-goal theory because it explains how leaders influence subordinates' perceptions of their work goals, personal goals, and paths to achieving goals. Practically, this study can serve as a consideration for boards of

directors and commissioners in selecting leaders whose styles align with employee characteristics. A mismatch between leadership style, management control systems, and employee characteristics may lead to decreased individual productivity, which can ultimately affect overall company performance. The board of commissioners and board of directors can choose leaders who suit the characteristics of the individuals in the company.

References

Anthony, R. N. (1965). *Planning and Control Systems: a Framework for Analysis* (Graduate School of Business Administration, Harvard University ed.). Boston: Graduate School of Business Administration, Harvard University.

Arachchilage, Nirosha Dilhani Kapu, dan Malcolm Smith. (2013). The Effects of Diagnostic and Iteractive Use of Management Control Systems on the Strategy-Permormance Relationship. *Journal of Applied Management Accounting Research*. 11 (1), 9-28.

Barclay, D., Higgins, C., dan Thompson, R. (1995). The Partial Least Squares (PLS) Approach to Causal Modeling: Personal Computer Adoption and Use as an Illustration. *Technology Studies*. 2, 285-309.

Bass, B. M. (1981). Handbook of Leadership: A Survey of Theory and Research (New York: Free Press).

Bass, B. M. (1990). Bass and Stogdill's Handbook of Leadership. Theory, Research and Managerial Applications (New York: Free Press).

Chenhall, Robert H. (2003). Management Control Systems Design within Its Organizational Context: Findings from Contingency-Based Research and Directions for the Future. *Accounting, Organizations, and Society*. 28, 127-168.

Chin, W. W., dan Newsted, P. R. (1999). Structural Equation Modeling Analysis with Small Samples using Partial Least Squares, in: R. Hoyle (Ed.). *Statistical Strategies for Small Sample Research*. 307–341.

Cooper, D. R., dan Schindler, P. S. (2011). *Business Research Methods, Eleventh Edition.* New York, NY: McGraw Hill.

Dess, G. G., dan Davis, P. S. (1984). Porter's Generic Strategies as Determinants of Strategic Group Membership and Organizational Performance. *Academy of Management Journal.* 27 (3), 467-488.

Chong, Kar Ming, dan Habib Mahama. (2014). The Impact of Interactive and Diagnostic Uses of Budgets on Team Effectiveness. *Management Accounting Research*. 25, 206-222.

Downey, H. K., Hellriegel, D., dan Slocum, J. W. (1975). Environmental Uncertainty: The Construct and Its Application. *Administrative Science Quarterly*. 20(4), 613-629.

Govindarajan, V., dan Fisher, J. (1990). Strategy, Control Systems and Resource Sharing: Effects on Business-Unit Performance. *Academy of Management Journal*. 33 (2), 259-285.

Hartmann, Frank, David Naranjo Gil, dan Paolo Perego. (2010). The Effects of Leadership Styles and Use of Performance Measures on Managerial Work-Related Attitudes. *European Accounting Review*. 19 (2), 275-310.

Henri, J. F. (2006). Management Control Systems and Strategy: A Resource-Based Perspective. *Accounting, Oganizations, and Society*. 31, 529-558.

House, Robert J. (1971). A Path Goal Theory of Leader Effectiveness. *Administrative Science Quarterly*. 16 (3), 321-339.

House, R, J., dan Terence R. Mitchell. (1975). Path-Goal Theory of Leadership. National Technical Information Service.

House, R. J. (1996). Path-Goal Theory of Leadership: Lessons, Legacy, and A Reformulated Theory. *The Leadership Quarterly*. 7(3), 323-352

Hoque, Z., dan James, W. (2000). Linking Balanced Scorecard Measures to Size and Market Factors: Impact on Organizational Performance. *Journal of Management Accounting Research*, 12 (1), 1-17.

Judge, T. A., Piccolo, R. F., dan Ilies, R. (2004). The Forgotten Ones? The Validity of Consideration and Initiating Structure in Leadership Research. *Journal of Applied Psychology*. 89 (1), 36-51.

Koene, B. A., Vogelaar, A. L., dan Soeters, J. L. (2002). Leadership Effects on Organizational Climate and Financial Performance: Local Leadership Effect in Chain Organizations. *The Leadership Quarterly.* 13(3), 193-215.

Kotha, S., dan Vadlamani, B. L. (1995). Assessing Generic Strategies: an Empirical Investigation of Two Competing Typologies in Discreet Manufacturing Industries. *Strategic Management Journal.* 16 (1), 75-83.

Liang, X., & Li, J. (2025). Sustainable human resource management and employee performance: A conceptual framework and research agenda. Human Resource Management Review, 35(2), 101060. https://doi.org/10.1016/j.hrmr.2024.101060

Meindl, J. R. (1990). Leadership, an Alternative to The Conventional Wisdom. *Research in Organizational Behavior.* 12, 159-203

Michaels, Ronald E., dan Andrea L. Dixon. (1994). Sellers and Buyers on the Boundary: Potential Moderators of Role Stress-Job Outcome Relationships. *Journal of the Academy of Marketing Science*. 22 (1), 62-73.

Puni, Albert, Samuel B. Ofei, dan Abednego Okoe. (2014). The Effect of Leadership Styles on Firm Performance in Ghana. *International Journal of Marketing Studies*. 6 (1), 177-185.

Richard, P.J., Devinney, T.M., Yip, G.S., dan Johnson, G. (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*. 43 (2), 109-116.

Robinson, R. P., dan Pearce, J. A. (1988). Planned Patterns of Strategic Behaviour and Their Relationship to Business-Unit Performance. *Strategic Management Journal*. 9 (1), 43-60.

Rowold, Jens (2010). Relationship between Leadership Behaviors and Performance: the Moderating Role of a Work Team's Level of Age, Gender, and Cultural Heterogeneity. *Leadership dan Organization Development Journal*. 32 (6), 628-647.

Rowold, Jens, Lars Borgmann, dan Kai Bormann. (2014). Which Leadership Constructs Are Important for Predicting Job Satisfaction, Affective Commitment, and Perceived Job Performance in Profit versus Nonprofit Organizations? *Nonprofit Management dan Leadership*. 25 (2), 147-164.

Sakka, Ouafa, Henri Barki, dan Louise Cote. (2013). Interactive and Diagnostic Uses of Management Control Systems in IS Projects: Antecedents and Their Impact on Performance. *Information and Management*. 50, 265-274.

Shea, Christine M. (1999). The Effect of Leadership Style on Performance Improvement on a Manufacturing Task. *The Journal of Business*. 72 (3), 407-422.

Simons, R. (1994). How New Top Managers Use Control Systems as Levers of Strategic Renewal. *Strategic Management Journal*. 15, 169-189.

Stogdill, R. M. (1963). Manual for the Leader Behavior Description Questionnaire-Form XII (Columbus: Ohio State University, Bureau of Business Research).

Su, Sophia, Kevin Baird, dan Herb Schoch. (2015). The Moderating Effect of Organisational Life Cycle Stages on The Association Between the Interactive and Diagnostic Approaches to Using Controls with Organisational Performance. *Management Accounting Research*. 26, 40–53.

Thoren, K., dan Brown T. E. (2004). The Entrepreneurial Firm: Resources, Capabilities, and Perceptions. *Journal of Management Studies* (special issue), Ohio State, USA.

Ulrich, M. D., Way, S. A., & Wright, P. M. (2024). Building strategic human capabilities that drive performance. The International Journal of Human Resource Management, 35(20), 3341–3373. https://doi.org/10.1080/09585192.2024.2408026

Waldman, D. A., Bass, B. M., dan Yammarino, F. (1990). Adding to Contingent Reward Behavior the Augmenting Effect of Charismatic Leadership. *Group and Organization Management.* 15(4), 381-394.

Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. Academy of Management Review, 11(4), 801–814.