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# Transformational Leadership and Financial Performance: The Mediating Role of Corporate Reputation

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## ABSTRACT

*This study aims to determine the effect of the transformational leadership style on the reputation and financial performance of the manufacturing company. The survey was conducted using a questionnaire by collecting data on manufacturing companies listed on the Indonesia Stock Exchange. The data is processed using a structural equation model. The results of this study indicate that the transformational leadership style can improve the company's reputation which in turn improves the company's financial performance. Company reputation can act as a mediation in the relationship between transformational leadership and financial performance. Intellectual stimulation is the most powerful indicator of transformational leadership style. These findings give implication that companies must pay attention on how they implement transformational leadership in order to create a good corporate reputation and ultimately help the company in improving financial performance.*

**Keywords:** Transformational Leadership, Corporate Reputation, Financial Performance.

## Introduction

The manufacturing sector is one of the most significant contributors to the national GDP. Based on the Ministry of Industry data, Indonesia's manufacturing sector contributed 19.86% of the national GDP or around Rp. 2.95 thousand trillion in 2018 and 19.62% in 2019 (Ministry of Industry, 2019). However, this contribution continues to decline, as shown by data from 2015 to 2019 caused by a decline in global economic growth and a decline in exports (Arief, 2020). The data shows that Indonesian manufacturing companies are facing tougher global challenges, and many are likely to stop operating or go bankrupt. This is also evidenced by the cumulative decline in stock prices of 40 manufacturing companies listed on the IDX. The highest decrease was shown by PT. Hanjaya Mandala Sampoerna Tbk (HMSP) by 43.4% since the beginning of the year and followed by PT. Gudang Garam Tbk which decreased by 36.5% since the beginning of the year (Kontan, 2019).

From the data above, it can be seen that the Financial Performance of companies in the Indonesian manufacturing sector is experiencing major challenges. Financial performance is one of the measures used to measure the company's success in generating profits (Kaplan & Norton, 2001). Therefore, as one of the most significant contributors to the national GDP, it is important for manufacturing companies in Indonesia to improve

Financial Performance. The larger the scale of the company, the more profitability will also increase because large companies are able to achieve economies of scale (Rajan et al., 2005). In order to increase profitability, the company must have a good reputation. The results of previous research (de Salles Vance & de Angelo, 2007) shows that corporate reputation is the primary source of driving organizational performance and shows a strong relationship with financial performance (Roberts & Dowling, 2002; Eberl & Schwaiger, 2005). This is evidenced by the findings showing that a good corporate reputation among stakeholders provides benefits in the form of higher customer retention (Preece et al., 1995; Deslandes, 2011) thereby increasing repurchase and higher product prices (Shapiro, et al., 1995). 1983), which leads to higher revenues and reduced costs by reducing the cost of capital (Beatty & Ritter, 1986) and personnel costs by reducing personnel fluctuations (Eidson & Master, 2000). Corporate reputation is able to attract customers to repurchase and be willing to pay higher prices (Roberts & Dowling, 2002; Eberl & Schwaiger, 2005) which leads to higher profitability and has an impact on Financial Performance.

According to Fombrun (1996), Corporate Reputation is a network of affective or emotional reactions from consumers, investors, employees, and the public to the good or bad, strong or weak the name of a company. The positive reaction of employees to the company is considered to be able to help in building and protecting Corporate Reputation in a turbulent environment because employees are seen as a credible source for external stakeholders (Grunig et al., 2003; Men, 2011). Men (2013) argued that with the help of social media, employees build their own information and dialogue networks and talk about the company both inside and outside. However, in order to gain a positive employee perspective, companies need to implement appropriate leadership behaviors. The study show that transformational leadership has a positive effect on employee perceptions of organizational reputation, not only directly but also indirectly, through employee empowerment.

Transformational Leadership Behavior communicates a shared vision and high-performance expectations, provides appropriate role models, encourages collaboration among employees to achieve common goals, stimulates new perspectives and ideas, emphasizes the quality of relationships with employees, shows concern for the personal feelings of employees and well-being, thereby directly fostering a favorable employee's overall perception of the organization and enhancing a company's reputation (Men & Stacks, 2013). Transformational leaders itself has the ability to motivate their employees, stimulate their creative ideas, increase their desire to work effectively, and create a dynamic vision so that employees are able to develop in carrying out their duties which will ultimately improve Financial Performance (Uddin et al. , 2014). Transformational leadership also increases the desire of their employees to learn new knowledge and new skills in order to be able to face dynamic changes and support good performance in the long term (Bass, 1999; Masa'deh et al., 2016).

Previous recent studies have already argued and examined the relationship between transformational leadership and financial performance even though with inconclusive result where some found positive significant effect (Ocak & Ozturk, 2018; Son, et al., 2020) while other found no significant effect (Chammas & Hernandez, 2018). Other studies have also examined the relationship between corporate reputation and financial performance (Derun & Mysaka, 2018; Baah, et al., 2020). It can be concluded that most previous studies only examine these relationships separately. However, there were very limited studies combine the relationship between transformational leadership, corporate reputation, and their impact on financial performance. Therefore, this research is relatively new study that

combines transformational leadership, Corporate Reputation, and also Financial Performance in companies in the Indonesian manufacturing sector. This research is expected to be able to provide benefits for companies engaged in the manufacturing sector in order to build corporate reputation and also financial performance through their leadership style in emerging market context.

The results of this study show that the transformational leadership style cannot directly influence financial performance. However, transformational leadership style can improve the company's reputation which in turn improves the company's financial performance. Company reputation can act as a mediation in the relationship between transformational leadership and financial performance. This study contributes to the literature as one of the few studies that combining the identification of the impact between transformational leadership, corporate reputation, and their impact on financial performance. Furthermore, this study provides empirical evidence from manufacturing companies in emerging market perspective which contribute to the inconclusive result of the direct relationship between transformational leadership and financial performance.

### **Leadership Theory**

Leadership is the process of guiding or directing the behavior of others towards achieving a goal, and leadership itself is always put forward as the basis for the success of an organization (Strukan et al., 2017). Leadership Theory itself developed from "Great Man" Theory, Trait Theory, Contingency Theories (Situation), Style and Behavior Theory, Process Leadership Theory, Transactional Theory, and also Transformational Theory (Zakeer Ahmed et al., 2016). Burns (1978) in his book "Leadership" introduces that leadership is divided into 2, namely Transactional and Transformational. In another 2003 book, Burns wrote that leaders cannot be both because transactional leaders seek to satisfy the basic needs of followers in exchange for achieving goals, whereas transformational leaders interact with followers in a mutually enriching environment that allows them to realize higher-order needs and their abilities to initiate the process of growth and self-transformation (Khanin, 2007; Gomes, 2014).

### **Transformational Leadership**

Transformational leadership is one of the most popular theories in the area of leadership. Transformational leadership is a leadership style that integrates creative enlightenment, energy and persistence, intuition, and sensitivity to the needs of others to implement an integrated strategic culture (Bass & Avolio, 1993). Transformational leadership itself was first used by (Wilkinson & Downton, 1974), which was later developed by Burn (1978). According to Burn (1978) Transformational leadership is a type of leadership where company leaders participate in the activities of their subordinates which will create good communication and will ultimately increase motivation and morale.

Transformational Leadership has four essential factors (Bass & Avolio, 1993):

1. Idealized Influence  
Leaders become role models for employees so that the actions of leaders become habits followed by employees
2. Inspirational Motivation  
Leaders have high expectations of a target and the leader is able to achieve that target by motivating his subordinates



3. Intellectual Stimulation  
Actions are taken by the leader to raise awareness of a problem and challenge subordinates to be innovative through questioning assumptions, reframing problems, and solving old problems through new approaches.
4. Individualized Consideration  
Leaders focus on developing their subordinates by providing support, encouragement, and training.

### **Corporate Reputation**

In the last few decades, research on Corporate Reputation has attracted increasing attention (Graham & Bansal, 2007; Choi & Wang, 2009; Derun & Mysaka, 2018; Baah, et al., 2020). Corporate reputation is described as the perceptions and feelings of stakeholders about the organization (Fombrun, 1996). Reputation represents stakeholders' expectations of future actions of the organization based on previous experiences (Weigelt and Camerer, 1988), which also shape the future behavior of customers and employees towards the company (Brown and Dacin, 1997). In addition, corporate reputation is considered to be able to measure the company's net affective image perceived by customers, investors, employees, and the general public (Eberl and Schwaiger, 2005). According to Fombrun and Gardberg (2000), Corporate Reputation can be described through six key dimensions, namely:

1. Emotional Appeal: How much the company is liked, admired, and respected.
2. Products and Services: Perceptions of the quality, innovation, value, and reliability of its products and services.
3. Vision and Leadership: How much the company demonstrates a clear vision and strong leadership.
4. Workplace Environment: Perceptions of how well the company is managed, what it is like to work for, and the quality of its employees.
5. Social Responsibility: Perceptions of the company as a good citizen in its dealings with communities, employees, and the environment
6. Financial Performance: Perceptions of its profitability, prospects, and risk.

### **Transformational Leadership & Corporate Reputation**

A corporate personality, also known as corporate character or identity, is the core of an organization. The main aspects of corporate personality are corporate culture and how the organization develops strategies (Nguyen et al., 2019; Mickson & Anlesinya, 2019). To build a reputation, companies must develop a corporate identity that is central and internal to the company's culture (Roper & Fill, 2012). Representation and the way the organization makes stakeholders considered. These are the modes that organizations use to generate uniqueness and competitiveness. Corporate identity communicates three aspects to its stakeholders, namely what the organization does, how it does it, and what it is (Olins, 1989). Bernstein (1984) states that different stakeholders' perceptions of an organization are known as corporate image.

Corporate image is described as the vision of the organization's external stakeholders and how they perceive the company's personality (Liu et al., 2017). Therefore, the corporate image of an organization is the result of a combination of various factors, such as the beliefs,

values, and attitudes that individuals or organizations have. The characteristics (beliefs, values, and attitudes) of such an organization will not be formed without the input of Transformational Leadership and branding efforts that employees feel this is the best place to work. Transformational leadership is a leadership style in which the leader works with his employees to understand the changes needed, generates a vision through motivation and inspiration, and finally achieves the desired target with a committed workforce (Bloom & McClellan, 2016). Furthermore, this leadership style is committed to boosting the performance of subordinates, their motivation, and morale by being a role model to generate a sense of employee identification with the organization (company branding) in order to produce high commitment, employee loyalty, good performance, and finally an excellent corporate reputation (Kia et al., 2019). Therefore, based on the literature above, our first hypothesis is:

**H1: Transformational Leadership has a positive effect on Corporate Reputation.**

### **Corporate Reputation & Financial Performance**

The results of research conducted by Roberts and Dowling (1997) show that reputation impacts future performance where a good reputation positively affects Financial Performance. Using the Fortune Most Admired Company report, Roberts and Dowling (2002), in a follow-up study, found that companies with relatively good reputations were better able to maintain superior earnings over time. In addition, Choi and Wang (2009) add that despite having different dimensions, companies with a reputation for excellence are equally able to maintain superior profitability in the long term and recover from a low financial performance position faster than companies without a reputation for excellence. This proves that reputation affects Financial Performance indirectly, which can be observed by examining the company's ability to maintain above average profitability in the long term.

Another study was conducted by Orlitzky (2005), which found that the leading cause of the positive effect on the company's financial results was due to reputation. This is supported by data collected by Fombrun and Van Riel (2004), who found that companies with good reputations outperformed companies with bad reputations in all aspects of financial measures over a five-year period. In addition, Davies et al. (2004) stated that reputation accounts for about 3-7.5% of income each year and is not considered an expense but an investment towards increasing income.

This evidence is reinforced by several studies which have confirmed the relationship between reputation and earnings in several different industries. In the airline industry, Graham and Bansal (2007) find that every one-point increase in an airline's reputation makes consumers willing to pay 18\$ more for a plane ticket. In another study in the pulp and paper industry, Bragdon and Marlin (1972) concluded that companies with the best records on pollution control and the environment were also the most profitable. The results of several other studies also support a positive relationship between corporate reputation and company financial performance. Therefore, some of the results of the previous research above resulted in the following hypothesis formulation:

**H2: Corporate Reputation has a positive effect on the company's Financial Performance**

### **Transformational Leadership & Financial Performance**

Based on research by Soru et al. (2020) transformational leadership has an influence on the financial performance of manufacturing and service companies in China. The study also shows that transformational leadership affects financial performance better than

operational performance. Research conducted by (Strukan et al., 2017) shows that Transformational leadership has a positive impact on the company's Financial Performance because transformational leadership is how leaders can motivate, develop, and implement significant changes to the company to motivate employees to be able to work better.

The two studies above are in accordance with other research studies, such as Ocak & Ozturk (2018), where this research was conducted on manufacturing companies in Turkey. The positive relationship between transformational leadership and company performance also occurred in previous research in Pakistan (Ari & Akram, 2018). In addition, the meta-analysis study by Wang et al. (2011) shows that transformational leadership is closely and positively related to organizational performance and is needed for better organizational performance (Thomson et al., 2016), where financial performance is one part of organization performance.

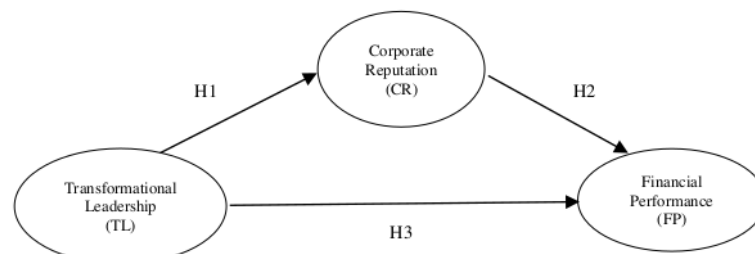
H3: Transformational Leadership has a positive effect on the company's Financial Performance

### Mediating Effect of Corporate Reputation

Corporate reputation has an important relation with transformational leadership as Kia et al., (2019) mentioned that this leadership style is committed to boosting the subordinate performance by being a role model to generate a sense of employee identification with the organization (company branding) and finally produce an excellent corporate reputation. Leadership has been an important part of corporate reputation since it shows how much the company demonstrates a clear vision and strong leadership (Fombrun & Gardberg, 2000). Other studies have confirmed the relationship between corporate reputation and financial performance (Graham & Bansal, 2007; Choi & Wang, 2009; Derun & Mysaka, 2018; Baah, et al., 2020). Other studies have also examined corporate reputation as mediator towards organization performance (Saeidi et al., 2015; Javed et al., 2020; Le, 2022). Therefore, based on the literature above resulted in the following hypothesis formulation:

H4: Corporate Reputation can act as a mediation in the relationship between transformational leadership and financial performance

Figure 1 – Conceptual Model



### Methodology

#### Research design

This study uses a quantitative approach with the object of research being Manufacturing Companies in Indonesia. Researchers collected primary data through a questionnaire-based survey prepared using a 5-point Likert scale where point 1 strongly



disagree and point 5 strongly agree. The sampling technique used is Non-Probability Sampling, so that samples will be taken with several criteria, namely (i) having registered email and web, (ii) email and web must be valid, and (iii) the company returns the questionnaire to the researcher. This criterion was chosen because the questionnaire was distributed using email to obtain respondents. Of the total number of questionnaires distributed, 46 questionnaires were answered by the company's employees, and 30 companies met the criteria. There are 16 questionnaires that cannot be used, this is because the unit analysis of this study is company however there are different respondents who come from the same company.

## Measurement

This study developed the measurement items based on a thorough review of the strategy literature and made minor modifications to reflect the focus of our study. In this study, there are three research variables namely the independent variable is Transformational Leadership, the dependent variable is Financial Performance, and the intervening variable is Corporate Reputation which connects the independent and dependent variables. To measure Transformational Leadership, we adapted the scale developed by Bass & Avolio (1993) to see whether organizational leaders embrace Transformational Leadership through 4 criteria, namely Idealized influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. To measure financial performance, we adapted the scale developed by Anees-Ur-Rehman, et al. (2018), which consists of 4 items, namely profitability, sales growth, profit growth, and sales margin. To measure Corporate Reputation, we adapted the model developed by Frombun et al. (2000) called Reputation Quotient (RQ). This model measures Corporate Reputation in the eyes of stakeholders using 6 factors, namely emotional appeal, products and services, vision and leadership, workplace environment, social and environmental responsibility, and financial performance.

## Result and Discussion

Respondents were from 30 manufacturing companies in Indonesia with total employees' composition as follow, 6 (20%) companies have less than 100 employees, 9 (30%) companies have 100 – 1000 employees, and 15 (50%) companies have more than 1000 employees. The total sample following the rules from Sekaran (2016) which states the sample size preferably 10 times or more as large as the number of variables in the study for multivariate research. Respondent profiles based on gender consisting of 19 men (63.33%) and 11 women (36.67%). Based on age consisting of 17 respondents (56.67%) less than 30 years, 30-50 years 11 respondents (36.67%), and 2 people (6.67%) who were more than 50 years old. Based on the length of time the respondents worked at the company, there were 15 respondents who worked <5 years (50%), 5 respondents with a working time of 5-10 years (16.67%), 6 respondents with a working time of 11-20 years (20%), and 4 respondents with more than 20 years of working time (13.33%). Table 1 contains the respondents' scores for each variable, where the CR/S&ER item has the most significant mean value in the CR variable, which is 4.33. This shows that most of manufacturing companies value their Corporate Reputation highly.

**Table 1 – Mean, Range and Standard Deviation**



Indicator	Total Mean	Range	SD
TL/II	4.4	3	0.81
TL/IM	4.23	4	0.94
TL/IS	4.13	3	0.82
TL/IC	4.43	3	0.82
CR/EA	4.4	3	0.72
CR/P&S	4.57	2	0.57
CR/V&L	4.27	2	0.69
CR/WE	4.3	3	0.75
CR/S&ER	4.47	3	0.68
CR/FP	4.33	2	0.66
FP/P	3.97	3	0.81
FP/SG	4.03	3	0.93
FP/PG	4.0	3	0.87
FP/SM	3.93	3	0.87

To test the construct validity in this study, it is necessary to consider convergent and discriminant validity. Convergent validity describes the extent to which the scale is positively correlated with other measures of the same construct, where the loading factor must be higher than 0.5 (ideally higher than 0.7). The data in Table 2 shows that almost all of the loading factors are more than 0.7, which means that the convergent validity of the data is excellent. Discriminant validity is used to measure the level of uniqueness of a construct compared to other constructs, in which the factor loading of the related latent variables must be higher than the cross-loading of other latent variables. From Table 2 it can be seen that the loading factor for each related indicator is higher than the loading factor for other constructs. Through the evaluation of convergent validity and discriminant validity, it can be concluded that the construct of this research is valid.

**Table 2 - Combined Loadings and Cross-Loadings**

	TL	CR	FP	Se	P value
TL/II	0.903	0.171	-0.05	0.117	<0.001
TL/IM	0.919	-0.059	-0.076	0.116	<0.001
TL/IS	0.931	0.019	0.074	0.115	<0.001
TL/IC	0.950	-0.124	0.048	0.114	<0.001

CR/EA	0.321	0.711	-0.102	0.128	<0.001
CR/P&S	-0.315	0.681	-0.164	0.130	<0.001
CR/V&L	-0.384	0.681	-0.164	0.130	<0.001
CR/WE	0.273	0.770	-0.242	0.125	<0.001
CR/S&ER	-0.164	0.826	-0.129	0.121	<0.001
CR/FP	0.229	0.761	0.398	0.125	<0.001
FP/P	-0.276	0.225	0.817	0.122	<0.001
FP/SG	0.187	-0.223	0.942	0.114	<0.001
FP/PG	-0.057	0.008	0.889	0.117	<0.001
FP/SM	0.107	0.020	0.930	0.115	<0.001

The results of the research reliability test can be seen in Table 3, which shows each variable has a composite reliability value and Cronbach alphas above 0.7. This shows that each dimension used in measuring the variables of this study is reliable even though it is used several times. Therefore, every question used in obtaining data proved capable of being used as a measuring tool for this research.

The effect size for the path coefficient value in Table 4 shows a value higher than 0.02, so this means that the value is quite relevant. From all research variables, it can be seen that the TL-FP relationship has the lowest effect size value, which is 0.054. The test results and the model of the relationship between the variables of this study can be seen in Figure 1.

**Table 3 - Correlations among latent variables with sq.rts. of AVEs, composite reliability and Cronbach's alpha**

	TL	CR	FP	Composite reliability	Cronbach's alpha
TL	0.926	0.697	0.289	0.960	0.944
CR	0.697	0.741	0.532	0.879	0.834
FP	0.289	0.532	0.896	0.942	0.917

**Table 4 - Effect size for path coefficients**

	TL	CR	FP
TL			
CR	0.510		
FP	0.054	0.376	

Table 5 provides information on direct and indirect relationships between research variables. In a direct relationship, it is known that the relationship between Transformational Leadership and Corporate Reputation is positive and significant ( $P < 0.01$ ), thus supporting H1. This shows that if a manufacturing company implements Transformational Leadership, it can significantly increase Corporate Reputation. Thus, these results are in line with previous research by Roper and Fill, where Transformational Leadership is one of the leading drivers of increasing Corporate Reputation. Then, the relationship between Corporate Reputation and Financial Performance is positive and significant ( $P < 0.01$ ), so H2 is accepted. These results are consistent with previous research conducted by Roberts and Dowling, where a good corporate reputation positively affects future financial performance. However, apart from that, Figure 2 also finds that Transformational Leadership has a negative and insignificant effect ( $P = 0.23$ ) on Financial Performance. These results prove the previous research by Onagh & Hazimi (2018) and Doan et al. (2019) which showed a negative significant correlation between the effect of Transformational Leadership on Financial Performance. The indirect relationship between TL-CR-FP has a significant positive effect with a value of  $= 0.415$  and  $p < 0.001$ . Therefore, it can be concluded that CR can be a medium that helps TL in increasing FP, thus supporting H4.

Figure 2 - PLS-based structural equation model

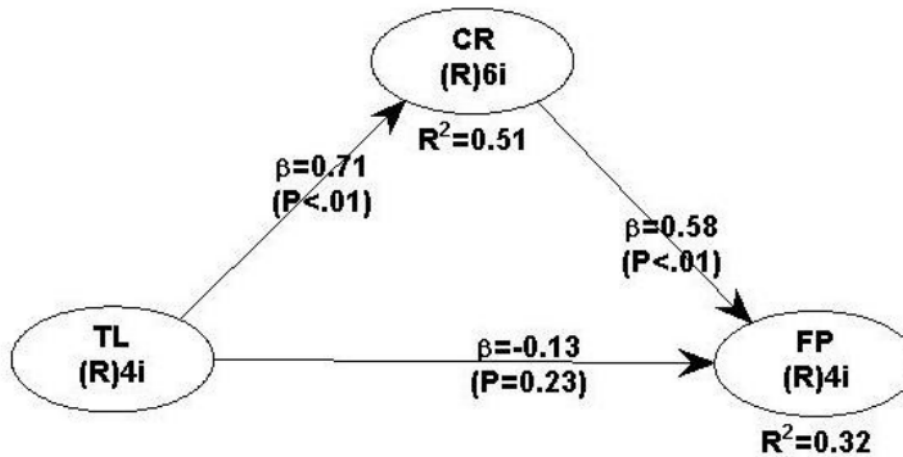


Table 5 - Inner model result

	Direct Effect	Indirect Effect	Total Effect
TL → FP	-0.127 (p=0.23)	TL→ CR → FP 0.415 (p < 0.001)	0.288 (p =0.039)
TL → CR	0.714 (p<0.001)	-	0.714 (p <0.001)
CR → FP	0.581 (p <0.001)	-	0.581 (p <0.001)

## Discussion

The results of this study indicate that Transformational Leadership has no significant and negative impact on Financial Performance ( $P = 0.23$ ), so H3 of this study

was rejected. This is in accordance with the opinion of Doan et al. (2019), which states that when employee awareness in the company is low, transformational leaders will worsen the company's financial performance. However, on the other hand, a positive and significant relationship ( $P < 0.01$ ) is seen in the relationship between Transformational Leadership and Corporate Reputation, which is in accordance with previous research by Kia et al. (2019) which states that Transformational Leadership is committed to boosting their subordinates' performance, motivation, and morale in order to produce high commitment, employee loyalty, good performance, and finally a good Corporate Reputation, so that H1 of this study is accepted. In addition, the relationship between Corporate Reputation and Financial Performance also shows positive and significant results, so H2 of this study is also accepted. This is in accordance with previous research, which found that the main cause of a positive effect on the company's financial results is due to reputation (Orlitzky, 2005). Thus, it can be concluded that the application of Transformational Leadership in manufacturing companies in Indonesia is able to create a positive assessment of Corporate Reputation, where a good Corporate Reputation can later improve Financial Performance and maintain long-term profits.

The influence of Corporate Reputation in improving Financial Performance is primarily determined by the effectiveness of the application of Transformational Leadership. A corporate reputation that can help maintain superior profits in the long term can only have a positive effect on Financial Performance when the company is able to communicate its identity to every stakeholder so that it can create a positive perspective on the company. The stakeholder perspective on an organization or what is known as the corporate image is the result of the beliefs, values, and attitudes that each stakeholder has towards the company, which can be formed through the application of a good leadership style, one of which is Transformational Leadership. Transformational leadership is a leadership style in which the leader invites employees to work together in building a vision and mission in order to achieve the desired target so that it can indirectly generate a sense of employee identity in the organization and generate commitment, loyalty, productivity, and lead to a good corporate reputation. When leaders fail to implement Transformational Leadership, a good Corporate Reputation is difficult to create and not optimal in improving Financial Performance.

These findings indicate that the application of Transformational Leadership increases Corporate Reputation, and Corporate Reputation is able to improve Financial Performance. Therefore, companies must implement Transformational Leadership in order to create a good Corporate Reputation and ultimately help the company in improving Financial Performance.

## Conclusion

With the declining contribution of the manufacturing sector in Indonesia as the most significant contributor to the national GDP, it shows that manufacturing companies in Indonesia must make more efforts to improve their Financial Performance. Therefore, this study aims to examine how Transformational Leadership can improve Financial Performance with Corporate Reputation as an intervening variable.

The results of the study prove that Transformational Leadership has a significant positive impact on Corporate Reputation and Corporate Reputation significantly has a positive impact on Financial Performance, as presented in H1 and H2. However, the



research results related to the relationship between Transformational Leadership and Financial Performance showed opposite results, so H3 was rejected. Thus, manufacturing companies in Indonesia can apply Transformational Leadership to create a positive assessment of Corporate Reputation, where a good Corporate Reputation can later improve Financial Performance and maintain long-term profits. However, Transformational Leadership did not have a significant impact and could worsen the Financial Performance of manufacturing companies in Indonesia. Therefore, we conclude that manufacturing companies in Indonesia should focus on creating a good Corporate Reputation in order to create sustainable profits and improve their Financial Performance.

■ This study has not been able to prove another hypothesis, namely whether Transformational Leadership has a significant positive impact on Financial Performance. This is due to several limitations in this study, including (1) The sample obtained is relatively limited, namely from 46 questionnaires, only 30 questionnaires meet the criteria; (2) The sample is only limited to one industrial sector, namely the manufacturing industry, so there is no variation in the sample; (3) The limitations of the analysis model are not differentiated based on the characteristics of the company. Therefore, the researcher recommends that the number of research data is further reproduced and expanded with samples of company data from various types of industries. In addition, research can also be carried out using control variables, such as company size in order to identify differences in the effect of Transformational Leadership style on small, medium, to large companies.

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