

ORGANIZATIONAL INNOVATION IN MEDIATING TRANSFORMATIONAL LEADERSHIP TO ORGANIZATIONAL PERFORMANCE

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Abstract

This research aims to see the effect of transformational leadership on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun Regency mediated by Inovasi. This study is a quantitative study that uses a sample of 60 respondents. Data analysis using Structural Equation Modeling (SEM) analysis with Smart PLS 2.0 software. The results showed that: (1) Innovation has a positive and significant effect on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun Regency, seen from the value of t values 2,589 greater than the standard set at 1.96, (2) Transformational Leadership has a positive and significant effect on Innovation in the office of the Border Management Department of the Regional Secretariat of Karimun Regency with a value of t values of 38,004, (3) Transformational Leadership has a positive and significant effect on the performance of the organization in the Office of Border Management Section of the Regional Secretariat of Karimun Regency with t values of 13,525, (4) Transformational leadership has a positive and significant effect on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun District mediated by Innovation with a value of t values of 40,493.

Keywords: **Innovation, Transformational Leadership, Performance, Organization**

1. INTRODUCTION

Any organization or company of any kind must have a leader who is inseparable from the life of that organization. Most of today's leaders prefer a transformational leadership style. A transformational leader will be able to receive criticism and advice from his subordinates and always provide motivation and trust because the leader has given authority to subordinates in carrying out their duties. Transformational leadership is an effort made by a leader to be able to influence and direct a person or group to perform obligations following the authority that has been given by the leader in achieving all the vision and mission of the organization or company (Paulsen et al. 2013).

Birasnav et al. (2011) added that transformational leadership attracts a lot of attention within the organization because it is very influential for corporate innovation, organizational learning and employee creativity. Transformational leadership also considers employees individually in work activities and empowers employees by motivating them to continuously improve their creative performance.

In his research, Warrick (2011) argued that transformational leadership focuses more on the ability of leaders in taking action to transform the organization to a new level (organizational transformation) and setting up new programs. Dewettinck and Ameijde (2011) explained that transformational leadership involves creating new ideas and communicating in charismatic ways that lead to the emotional commitment of followers and emphasize leadership

ORGANIZATIONAL INNOVATION IN MEDIATING TRANSFORMATIONAL LEADERSHIP TO ORGANIZATIONAL PERFORMANCE

DOI: <https://doi.org/10.54443/ijevas.v2i2.181>

behaviour especially when providing stimulation, motivation and inspiration and referring to behaviours related to the main focus direction of tasks such as giving instructions and setting goals.

According to Griffin (2004:398), organizational innovation is the stage at which an organization takes new ideas to be developed and used in manufacturing design or product delivery into a new process. Jung et al. (2003) stated that various factors can influence organizational innovation, from these factors leadership style is one of the most important to be influential. According to Rogers (2003:269), innovation can be supported by several supporting factors such as: (1). The desire to change oneself, from not being able to and from not knowing to know. (2). Freedom of expression. (3). The existence of insightful and creative advisers (4). Availability of facilities and infrastructure. (5). Harmonious environmental conditions. Organizational performance is defined as the level of achievement of established objectives seen in both financial and non-financial aspects (Bisbe and Otley, 2004).

2. IMPLEMENTATION METHOD

Research methods can be grouped into experimental, survey and naturalistic research methods (Sugiyono, 2016). In this study, researchers used a survey method that is to get data from a certain natural place (not artificial), but researchers conduct treatment in data collection, for example by circulating questionnaires, tests, structured interviews and so on. The research and samples in this study are civil servants who are in the Office of Border Management Section of the Regional Secretariat of Karimun District numbered 60 respondents. This research uses Structural Equation Modeling (SEM) technique with the help of Smart PLS 2.0 M3 software.

3. RESULTS AND DISCUSSION

Data processing using Partial Least Square (PLS) based Structure Equation Modelling (SEM) method requires two stages to assess the Fit Model of a research model (Ghozali, 2008). The first stage is to assess the outer model or measurement model by looking at the value of Convergent Validity, Discriminant Validity and Composite Reliability.

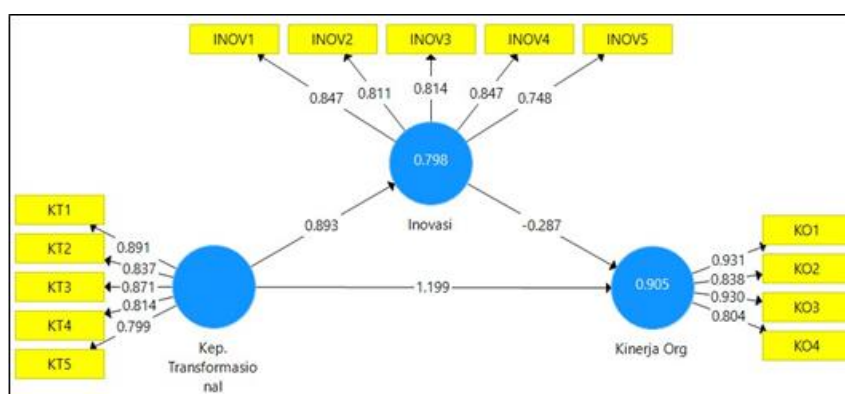


Figure 1. Output PLS Algorithm

3.1. Validity test

Validity test is conducted in two stages, namely convergent validity test with validity test based on factor loading value and phase two through discriminant validity test with validity test based on how to compare loading value on the intended construct should be greater compared to other construct loading values.

a. Convergent validity

Table 1. Value Loading Factor Variable Innovation

Variable	Indicator	Outer Loading Value	Standart Value	Description
Inovasi (X2)	INOV1	0.847	>0.6	Valid
	INOV2	0.811	>0.6	Valid
	INOV3	0.814	>0.6	Valid
	INOV4	0.847	>0.6	Valid
	INOV5	0.748	>0.6	Valid

Source: Smart PLS 2.0 Data Processing

Table 2. Value Loading Factor Transformational Leadership Variable

Variable	Indicator	Outer Loading Value	Standart Value	Description
Kepemimpinan Transformasional (X1)	KT1	0.891	>0.6	Valid
	KT2	0.837	>0.6	Valid
	KT3	0.871	>0.6	Valid
	KT4	0.814	>0.6	Valid
	KT5	0.799	>0.6	Valid

Source: Smart PLS 2.0 Data Processing

Table 3. Value Loading Factor Variable Organizational Performance

Variable	Indicator	Outer Loading Value	Standart Value	Description
Kinerja Organisasi (Y)	KO1	0.931	>0.6	Valid
	KO2	0.838	>0.6	Valid
	KO3	0.930	>0.6	Valid
	KO4	0.804	>0.6	Valid

Source: Smart PLS 2.0 Data Processing

Based on the table above, it can be seen that the results of the data processing using the SmartPLS 2.0 method, all loading factor values of the indicators used in this study are valid or have met the convergent validity. Of each of these indicators is worth more than 0.6 so all indicators are valid indicators to measure the construct.

b. Discriminant validity

Discriminant validity test is this value is a cross loading factor value that is useful to know if the construct has an adequate discriminant value by comparing the loading value on the intended construct should be greater than the loading value with other constructions (Hussein, 2015).

Table 4. Value Cross Loading Variable Research

	Inovasi (X2)	Kep. Transformasional (X1)	Kinerja Organisasi (Y)
INOV1	0,847	0,583	0,486
INOV2	0,811	0,891	0,822
INOV3	0,814	0,804	0,642
INOV4	0,847	0,588	0,474
INOV5	0,748	0,645	0,641
KO1	0,704	0,871	0,931

ORGANIZATIONAL INNOVATION IN MEDIATING TRANSFORMATIONAL LEADERSHIP TO ORGANIZATIONAL PERFORMANCE

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KO2	0,607	0,797	0,838
KO3	0,736	0,868	0,930
KO4	0,707	0,766	0,804
KT1	0,811	0,891	0,822
KT2	0,823	0,837	0,732
KT3	0,704	0,871	0,931
KT4	0,620	0,814	0,835
KT5	0,808	0,799	0,639

Source: Smart PLS 2.0 Data Processing

From Table 4, it is seen that the correlation value of the construct with its indicator is greater than the correlation value with other constructs. From the results of the data processing using smartPLS 2.0, that can be concluded all latent constructs of Transformational Leadership (X1), Innovation (X2), and Organizational Performance (Y) show a good discriminant validity because it can predict indicators on their blocks better than indicators on other blocks. Furthermore, the discriminant validity test is done by looking at the AVE (Average Variance Extracted) value. AVE value is good if it has a value greater than 0.50 (Gozali &Latan, 2015). The following is shown the AVE value in Table 5 below:

Table 5. Average Variance Extracted (AVE) Research Model

Va	Standart	AVE Value
Inovasi (X2)	0	0
Kepemimpinan Transformasional	0	0
Kinerja Organisasi (Y)	0	0

Source: Smart PLS 2.0 Data Processing

Table 5 shows the AVE value of the research model for all research variables has been valued above 0.5, so the AVE value for discriminant validity testing is already met for subsequent testing. Therefore, from the test results through stage one convergent validity and phase two discriminant validity has been fulfilled so that this research model has been valid.

3.2. Reliability test

Reliability test is a reliability test that aims to know how far the measuring instrument can be relied on or trusted. Reliability indicators in this study are determined from composite reliability values and cronbach's alpha for each indicator block.

a. Composite Reliability

Reliability test with composite reliability is data has a composite reliability value > 0.7 has a high reliability value. Here are the results of data processing using SmartPLS 2.0 from composite reliability.

Table 6. Composite Reliability Value Of Research Model

Variable	Composite Reliability	Standart	Description
Inovasi (X2)	0.908	>0.7	Reliable
Kepemimpinan Transformasional (X1)	0.925	>0.7	Reliable
Kinerja Organisasi (Y)	0.930	>0.7	Reliable

Source: Smart PLS 2.0 Data Processing

Based on Table 6 above, the composite reliability value of the research model shows that each variable has a composite reliability value above 0.7 with the lowest value of 0.908 of the Innovation variable (X2) and the highest value of 0.930 of the Organizational Performance variable (Y). from the results of the data processing, that the research model has met the value of composite reliability and high reliability test or reliable.

b. Cronbach's Alpha

The next stage of testing for reliabilitas is testing with cronbach's alpha value. This reliability test is reinforced by cronbach's alpha and the expected value is > 0.6 for all constructs (Hussein, 2015). Here are the results of the data processing for cronbach's alpha value in the table below.

Table 7. Value Cronbach's Alpha Research Model

Variable	Chronbach's Alpha	Standart	Description
Inovasi	0.875	>0.6	Reliable
Kepemimpinan Transformasional	0.898	>0.6	Reliable
Kinerja Organisasi	0.899	>0.6	Reliable

Source: Smart PLS 2.0 Data Processing

Based on the calculation of the data in Table 7, Cronbach's alpha value from the research model shows that each variable has a > value of 0.6 with the lowest value on the Innovation variable (X2) of 0.875 and the highest value on the Organizational Performance variable (Y) of 0.899. From these results, this research model has fulfilled the value of Cronbach's alpha. The two stages of reliability testing with composite reliability and Cronbach's alpha shows that this research model has met the reliability criteria and is a reliable and reliable measuring instrument.

3.3. Hypothesis Test

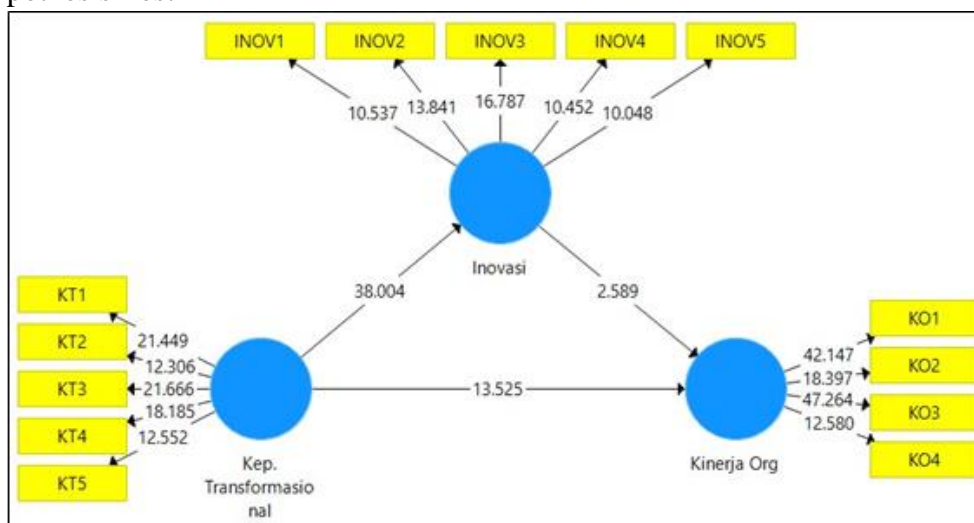


Figure 2. Bootstrapping output results
Table 8. Conclusion of Research Results

ORGANIZATIONAL INNOVATION IN MEDIATING TRANSFORMATIONAL LEADERSHIP TO ORGANIZATIONAL PERFORMANCEDOI: <https://doi.org/10.54443/ijevas.v2i2.181>

Hypothesis	Variables		Direct Effect	Indirect Effect	Total Effect	t - Values (>1.96)	Notes
	Exogenous	Endogenous					
1	Inovasi	Kinerja	0.287	-	0.287	2.589	Significant
2	Kepemimpinan Transformasional	Inovasi	0.893	-	0.893	38.004	Significant
3	Kepemimpinan Transformasional	Kinerja	1.199	-	1.199	13.525	Significant
4	Kepemimpinan Transformasional → Inovasi	Kinerja	0.893	0.287	1.180	40.593	Significant

DISCUSSION

Based on the results of the hypothesis test in this study is: the first hypothesis, Innovation has a positive and significant effect on the performance of the organization in the office of the Border Management Section of the Regional Secretariat of Karimun Regency, seen from the value of t values 2,589 greater than the standard set at 1.96. as for the value of direct relationships between variables of 0.287.

The second hypothesis, Transformational Leadership has a positive and significant effect on Innovation in the office of the Border Management Department of the Regional Secretariat of Karimun Regency with a value of t values of 38,004 greater than the standard set by researchers of 1.96 and the value of direct relationships between variables of 0.893. This shows that transformational leadership plays a big role in fostering innovation in the office of the Border Management Department of the Regional Secretariat of Karimun Regency.

The third hypothesis, Transformational Leadership has a positive and significant effect on the performance of the organization in the office of the Border Management Section of the Regional Secretariat of Karimun Regency with a value of T values of 13,525, greater than the standard value set at 1.96. the direct relationship between variables is 1,199. In this case, it can be explained that the leadership is very strong to influence in improving the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun Regency.

The fourth hypothesis, transformational leadership has a positive and significant effect on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun District mediated by Innovation with a value of T values of 40,493, greater than the standard set at 1.96. the direct relationship between variables is 1,180. This explains that transformational Leadership variables will have a huge impact on improving organizational performance with Innovation as a connecting variable between the two.

4. CONCLUSION

The conclusion in this study is: the first hypothesis, Innovation has a positive and significant effect on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun Regency, seen from the value of t values 2,589 greater than the standard set at 1.96. The second hypothesis, Transformational Leadership has a positive and significant effect on Innovation in the office of the Border Management Section of the Regional Secretariat of Karimun Regency with a value of t values of 38,004 greater than the standard set by researchers, namely 1.96 The third hypothesis, Transformational Leadership has a positive and significant effect on the performance of the

organization in the office of the Border Management Section of the Regional Secretariat of Karimun regency with a value of t values of 13,525, greater than the standard value set at 1.96.

The fourth hypothesis, transformational leadership has a positive and significant effect on the performance of the organization in the office of the Border Management Department of the Regional Secretariat of Karimun District mediated by Innovation with a value of T values of 40,493, greater than the standard set at 1.96.

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ORGANIZATIONAL INNOVATION IN MEDIATING TRANSFORMATIONAL LEADERSHIP TO ORGANIZATIONAL PERFORMANCE

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