

THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON COMPANY PERFORMANCE WITH ORGANIZATIONAL INNOVATION AS A MEDIATING VARIABLE IN PERUMDA TIRTA HITA BULELENG

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ABSTRACT

Perumda Tirta Hita Buleleng during the 2017-2022 period has a good and healthy performance but if further analyzed the value obtained from the performance assessment decreases from year to year. This condition indicates that although performance achievements are included in the good and healthy category, there is a decrease in the quality value of governance in Perumda Tirta Hita Buleleng. This research analyzes the influence of transformational leadership on Company Performance using mediation variables in the form of organizational innovation at Perumda Tirta Hita Buleleng. The population in this study was all employees at Perumda Tirta Hita Buleleng. Determination of samples using the purposive sampling method, namely employees who have a minimum work period of 3 years and other related ones totaling 100 people. This research uses a quantitative research design, which is based on the positivism paradigm. The data in this study was collected in the form of questionnaires and the data were managed using Structural Equation Modeling (SEM) with a Partial Least Square (PLS) approach. The results of this study show that: Organizational Innovation has a positive and significant effect on company performance, meaning that increasing organizational innovation in Perumda Tirta Hita Buleleng can improve company performance. Based on the research findings and analysis of the research results, it can be concluded that organizational innovation and transformational leadership have a positive and significant effect on company performance.

Keywords: *transformational leadership, organizational innovation, corporate performance*

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INTRODUCTION

Based on a report from Top Bisnis Indonesia (June 2021) stated that all business sectors in Indonesia experienced the impact of a decrease in turnover due to limited business activities that created economic pressure for most people. A number of industrial sectors that have closed have caused the level of basic consumption of electricity, water, and basic industrial needs to decrease significantly, including drinking water management companies. Drinking water management companies throughout Indonesia experienced a decline in revenue due to a decrease in water consumption in the commercial business sector. Although indications of water consumption during the pandemic increased because people were doing more activities at home, on the one hand, the majority of the industrial sector chose to temporarily close business operations, so this condition caused the income of regional drinking water companies to decrease significantly. Regional Public Company (Perumda) Tirta Hita Buleleng is one of the regional drinking water companies in Buleleng Regency, Bali Province that has been affected by Covid-19. During the Covid-19 period in

Table 1 Performance Assessment of Perumda Tirta Hita Buleleng based on Kepmendagri No. 47 of 1999 and the Ministry of PUPR for the 2017-2021 Period

| Year | Performance Appraisal | | | |
|-------------|----------------------------|------------------------|------------------|------------------------|
| | Kepmendagri No. 47 of 1999 | | Ministry of PUPR | |
| | Value | Success Classification | Value | Success Classification |
| 2017 | 72,30 | Good | 4,39 | Healthy |
| 2018 | 73,88 | Good | 4,14 | Healthy |
| 2019 | 72,50 | Good | 4,11 | Healthy |
| 2020 | 72,08 | Good | 3,91 | Healthy |
| 2021 | 70,38 | Good | 3,77 | Healthy |

Source: Secondary Data (processed, 2022)

Based on Table 1 above, it can be seen that based on the performance assessment from Kepmendagri No. 47 of 1999 and the Ministry of PUPR during the 2017-2021 period, shows good and healthy performance. Good and healthy performance shows that Perumda Tirta Hita Buleleng has good governance, but if further analyzed, the value obtained from performance appraisal decreases from year to year. This condition indicates that although performance achievements are included in the good and healthy category, there is a decrease in the quality value of governance in Perumda Tirta Hita Buleleng. Performance achievements in the 2017-2021 period included profitable and healthy conditions but in terms of corporate governance, value decreased throughout the period of the year. This gives an indication that there is a decline in the quality of governance and performance in Perumda Tirta Hita Buleleng based on two assessments from the ministry. Factors of changes in the external environment due to the occurrence of Covid-19 trigger a decrease in the overall performance of the organization.

Organizational overall performance dimension targets the sustainability of the manner of identifying, measuring, and growing the overall performance of people and running companies and aligning overall performance with the strategic goals of the enterprise. It is vital to make certain that worker overall performance is aligned with the company's strategic goals (Ismail & Gali, 2017). Several previous studies have shown results that innovative companies tend to achieve higher performance. The development of innovations in the organization in general has a direct impact on the performance of the enterprise. Specifically, organizational innovation goals to enhance the overall performance of the business enterprise through the implementation of enterprise strategies and practices that bring about better performance and decrease expenses through enterprise reengineering, paintings responsibilities that don't want to be removed in order that the performance of the business enterprise is better even as the value is decreased. New organizational strategies within the business enterprise's enterprise practices also can result in better high-satisfactory of labor and purchaser service. In fact, the OECD (2005) indicates that organizational innovation can enhance the place of business pride or productiveness and/or lessen administrative/transaction costs, which in turn, results in better commercial enterprise performance. Therefore, theoretically, organizational innovation will enhance the company's performance (Bigliardi, 2013; Marques & Ferreira, 2009; Ndubisi & Iftikhar, 2012; Roberts & Dowling, 2000).

Transformational leadership has been described as a leadership approach that allows organizations to create change in people and social systems (Strukan et al., 2019). The changes

created are useful and real with the aim of developing followers into leaders (Rattanaborworn & Ussahawanitchakit, 2015). Transformational leadership supports employee achievement and a level of self-development. In essence, transformational leadership is a theory of leadership in which managers encourage, inspire, and intellectually stimulate their followers to valuable innovation and positive change, which helps to encourage and shape the future competition of the organization. The concept of transformational leadership highlights the rewards, sentiments, and importance of leadership adopted to drive innovation in individuals (Abazeed, 2018; Rohana & Abdullah, 2017).

Several previous studies have found that transformational leadership can increase organizational innovation. Leadership is identified as a factor that influences organizational innovation. Leadership is very important to implement and implement innovation strategies, develop organizational learning, and motivating teams to innovate. Leadership is one of the important factors that determine the extent to which employees will strive to innovate (Arif & Akram, 2018).

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METHOD

This research uses a quantitative research design, which is based on the paradigm of positivism. Positivism is an approach that departs from the belief that the legitimacy of science and research comes from the use of precisely measurable data, obtained through surveys/questionnaires and interviews then combined with statistics and hypothesis testing that are value-free/objective. Quantitative research is used because this approach has a strong theoretical basis so it is easy to generalize. A phenomenon can be analyzed to then find the relationship between the variables involved in it. The relationship is a correlation relationship or causal relationship analyzing the influence of organizational innovation and transformational leadership on company performance (Organizational performance).

This research was conducted first using interviews and observations since conducting the initial survey and distributing questionnaires to respondents and then calculating three financial ratios to assess the quality of financial decisions. Furthermore, quantitative analysis is based on multivariate analysis using structural equation modeling or SEM (structural equation modeling) based on Partial Least Square (PLS).

In this study, the population of places that were conserved was leaders, employees/staff totaling 335 people. The sample of organizations that will be used as the object of research is represented by decision-makers in the industry (company), namely leaders/managers related to decision-making related to the orientation of the company's strategy, such as Head of Section, Head of Sub-Section, Staff who have a minimum service period of 3 years and other related. This is done on the grounds that employees who have a minimum service period of 3 years have been declared eligible to be appointed as permanent employees of Perumda Tirta Hita

Buleleng so that they can represent or reflect on the organization, are actors who have made strategic orientation decisions.

This study used a sample range of 100-200 to produce good goodness of fit. The number of samples in this study was as many as 100 employees of Perumda Tirta Hita Buleleng.

RESULTS AND DISCUSSION

Based on the results of the questionnaire answers, it can be seen that out of 100 respondents by gender, 53 people were dominated by men and 49 were women. The education level of respondents was dominated by Bachelor / S1 as many as 63 people. Furthermore, the age of respondents is dominated by vulnerable aged 25-40 years as many as 48 people. The respondent's work experience was dominated by 39 people from 11 – 20 years. The position of respondents was dominated by staff of as many as 90 people, Kabag as many as 5 people, and Sub Kabag as many as 5 people.

Based on the results of the questionnaire answers, 100 respondents in this study had an average value for the Transformational Leadership variable of 4.3 included in the Agree category. The results of this study state that the dimensions of Transformational Leadership implemented in Perumda Tirta Hita Buleleng have been felt by all organizations that support the company's overall performance. During the research process, it was found that the leadership at Perumda Tirta Hita Buleleng always provides inspirational motivation during meetings, morning apples, and other formal activities that remind all employees to instill a sense of pride and respect in each employee towards the company and always remind the importance of achieving the company's vision and mission in serving the community. This action is a manifestation of the individual consideration and inspirational motivation of transformational leadership in Perumda Tirta Hita Buleleng.

The average value for the Organizational Innovation variable of 4.4 falls into the Agree category. The results of this study found that the dimensions of Organizational Innovation implemented in Perumda Tirta Hita Buleleng related to business plans are always stated in formal documents that have been discussed and approved by the supervisory board and elements of the Buleleng Regency local government. The master plan will contain the targets of the future work plan by allocating the resources needed by the company. Through this work plan, Perumda Tirta Hita Buleleng will design a cross-sectional or departmental work process to achieve the targets of the business plan, so that with cross-sectional or departmental performance, a level of flexibility is needed and demanded by each employee. Cooperation support with business Mita and local governments and other parties is often carried out through working visits in the context of benchmarking the water management innovation system both among Bermuda in Indonesia and other parties as stakeholders in technological innovation in Perumda Tirta Hita Buleleng. This action is a concrete step of organizational innovation carried out by the board of directors and employees at Perumda Tirta Hita Buleleng.

The average value for the Company Performance variable of 4.6 falls into the Strongly Agree category. During the research process, it was found that the entire board of directors and staff have a commitment to participate in the development and sustainability of the company. The existence of Perumda Tirta Hita Buleleng as a company that has authority in managing regional water is very important for the community, so the role of all members of the organization becomes very important in providing services to the community. As a concrete

step in maintaining water quality, Perumda Tirta Hita Buleleng has standard operating procedures in conducting clinical trials through laboratories to maintain and supervise water quality, while also maintaining the availability of sufficient water discharge for all customers. Promotional activities for the community related to the importance of maintaining health and protecting the environment for community involvement to maintain water sources are always provided through information media placed in front of service offices that are easily read by the community.

The hypothesis is tested by a t-test. If in the test a p-value of 0.05 ($\alpha = 5$ is obtained), then the test is significant. Direct effect and indirect effect analysis to determine the effect of each construct directly or indirectly. Effect size (f^2) analysis to determine the effect caused by the non-inclusion of one of the constructs in the model. The description of parameter estimation values along with the critical ratio values of the structural model is presented in Table 2 below.

Table 2 Estimation of Structural Model Parameters

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| Organizational Innovation (Y₁) >> Corporate Performance (Y₂) | 0,514 | 0,498 | 0,113 | 4,560 | 0,000 |
| Transformational Leadership (X) >> Corporate Performance (Y₂) | 0,254 | 0,302 | 0,141 | 2,802 | 0,032 |
| Transformational Leadership (X) >> Organizational Innovation (Y₁) | 0,233 | 0,266 | 0,088 | 2,657 | 0,008 |
| Transformational Leadership (X) >> Organizational Innovation (Y₁) >> Corporate Performance (Y₂) | 0,120 | 0,134 | 0,055 | 2,171 | 0,030 |

Source: secondary data (2022)

Based on Table 2, it is known that the results of the estimated parameters of the organizational innovation influence model on company performance are 0.514; p value of 0.000; Based on the original sample coefficient that measures the effect of organizational innovation on the performance of the company tested positive and significant, it can be concluded that hypothesis 1 is accepted. These findings are relevant to previous research showing that innovative companies tend to achieve higher performance. The development of innovations in the organization in general has a direct impact on the performance of the enterprise. Specifically organizational innovation aims to improve the performance of the company through the implementation of business methods and practices that result in higher

efficiency and lower costs through business reengineering, work tasks that do not need to be eliminated so that the efficiency of the company is higher while the cost is lower. New organizational methods in the company's business practices can also lead to a higher quality of work and better customer service). In fact, the OECD (2005) suggests that organizational innovation can improve workplace satisfaction or productivity and/or reduce administrative/transaction costs, which in turn, leads to higher business performance. Therefore, theoretically, organizational innovation will improve the company's performance (Bigliardi, 2013; Marques & Ferreira, 2009; Ndubisi & Iftikhar, 2012; Roberts & Dowling, 2000).

The results of estimating other structural model parameters show the value of transformational leadership estimates to company performance of 0.254; p-value of 0.032; Based on the original sample coefficient that measures the effect of transformational leadership on the company's performance tested positive and significant, it can be concluded that hypothesis 2 is accepted. The results of this study are relevant to the findings of previous studies that stated that the influence of leadership styles is considered decisive in a crisis, and its response to such situations can quickly change the social, economic, and health status of the organization, ultimately improving the welfare of employees. The increased emotional connection between the leader and his subordinates so that subordinates can provide performance that exceeds expectations, so that leadership has a positive impact on the work of subordinates. The concept of Transformational leadership can be direct, participate, relationship orientation, or task orientation, depending on the situation and personal character.

The results of estimating other structural model parameters show the estimated value of transformational leadership to organizational innovation of 0.233; p-value of 0.008; Based on the original sample coefficient that measures the influence of transformational leadership on organizational innovation tested positive and significant, it can be concluded that hypothesis 3 is accepted. These results show that the transformational leadership carried out at Perumda Tirta Hita Buleleng has significantly influenced organizational innovation. The findings confirmed that the leadership at Perumda Tirta Hita Buleleng provided a discussion room for all section heads and staff to provide advice and input in solving the problem. The provision of discussion space is part of the act of autonomy for each employee to develop creativity in solving a problem with a new and different approach but still under the guidance of the board of directors. In addition, the company's leadership also supports all forms of cooperation with business mitra and local governments and other parties through work visits in the context of benchmarking the innovative system of water management both among perumda in Indonesia as technology transfer and management activities at Perumda Tirta Hita Buleleng

The results of estimating other structural model parameters show the estimated value of organizational innovation mediating the influence of transformational leadership on company performance by 0.120; p value of 0.030; Based on the original sample coefficient that measures the indirect influence of transformational leadership on company performance through mediation of innovation the company tested positive and significant, it can be concluded that hypothesis 4 is accepted. These findings are relevant to previous research that states that Organizational innovation is just as important as technological innovation, as it has had a positive effect on organizational performance. Organizational innovation emphasizes thoughts that might be knowledge- and behavior-based, which might be transformative. Therefore

innovation seems at how new thoughts and behaviors are portrayed in a specific corporation and all that serves to undoubtedly impact the corporation. Organizational improvements are improvements pertaining to both the manufacturing or adoption, assimilation, and use of the newness of any brought fee withinside the social and financial sphere; updates or enhancements to services, products, or maybe marketplaces; facilitation of opportunity strategies of manufacturing; and a brand new control system. The definition states that innovation may be each a system and final results at an identical time. The definition of organizational innovation like that is certainly pretty complete and touches on diverse elements associated with innovation, which include marketplace improvement, thoughts, behaviors, and different elements that translate to advantage the corporation. (Damanpour et al., 2009; Sapprasert & Clausen, 2012).

CONCLUSION

Based on the research findings and analysis of the research results, it can be concluded that organizational innovation and transformational leadership have a positive and significant effect on company performance. In addition, organizational innovation can be a mediation in the influence of transformational leadership on the performance of the company. Further research can use other proxies in measuring company performance such as Balance Score Cards, and can add other contingencies, such as personality.

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