

The Effect of Transformational Leadership and Organizational Learning on Organizational Performance on Embroidery Msmes in Tasikmalaya - Indonesia

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Abstract

Embroidery MSMEs in Tasikmalaya are still running well, although many have had to close their business activities or switch to other industries. Along with organizational performance is good, it is supported by the role of transformational leadership and organizational learning in it. The purpose of this study was to find out how transformational leadership and organizational learning affect organizational performance on Embroidery MSMEs in Tasikmalaya, both simultaneously and partially. The research method used is explanatory research to test the correctness of data collection in the field and test hypotheses about the influence of the two variables independent transformational leadership and organizational learning and one variable dependent is performance organizational using path analysis. This study shows that transformational leadership and organizational learning have a significant simultaneous effect on organizational performance.

Introduction

Indonesia is rich in various types of creative industries that are advanced and developing in society. This creative industry is developing in the scale of micro, small and medium enterprises in the community. One of them is in Tasikmalaya, West Java Province, where various leading commodities have developed quite well, especially in the handicraft business. The Department of Cooperatives, MSMEs, Industry of the City of Tasikmalaya noted several creative industry potentials in the region.

Table 1

Tasikmalaya Industrial Potential Data Recapitulation 2017

| No. | Featured Commodity | Business unit |
|---------------|-------------------------------|----------------------|
| 1. | Embroidery | 1,449 |
| 2. | Footwear (Cellum and Sandals) | 495 |
| 3. | Processed Food | 485 |
| 4. | Processed Wood | 253 |
| 5. | Mendong Weaving Craft | 176 |
| 6. | Bamboo Woven Crafts | 76 |
| 7. | Batik | 42 |
| 8. | Umbrella Geulis | 5 |
| Amount | | 2,981 |

Source: Department of Cooperatives, MSMEs, Industry and Trade of Tasikmlaya City

Based on these data, the most developed industry in Tasikmalaya is the Embroidery Industry. The embroidery industry is one type of textile product, namely in the form of embroidery or decoration made on cloth or other materials using sewing needles and threads. The embroidery industry has been growing since the 1940s. However, based on legality, License of Micro and Small Business (IUMK) by business type embroidery, convection, and fashion 2020 new there are 34 (thirty-four) offenders Micro Small Medium Enterprises (SMEs) embroidery of Tasikmalaya City registered to have a License of Micro and Small Business (IUMK).

The Embroidery MSMEs shows good organizational performance from year to year. In <https://repjabar.republika.co.id/> on August 2, 2021, it was reported that the turnover of the embroidery business continued to accelerate compared to when it started its business, currently the profit from an embroidery MSMEs every month reaches Rp30 millions. The self-motivation of the embroidery MSMEs actors to continue to expand the embroidery market not only domestically but also internationally. But not a few MSMEs Embroidery forced to close down due to not able to achieve organizational performance targeted as a decrease in operating profit, increasing production costs due to rising prices of both fabric and yarn, declining interest in the market dikarena consumers to switch to substitute products such as fabric embroidery printing , the limitations of the technology used, and the limited quality of human resources because embroidery MSMEs empower many workers who come from the surrounding community. So that organizational performance on embroidery MSMEs needs to be considered from various perspectives, namely in the perspective of finance, customers, internal business processes, and learning & growth, Competition between MSMEs actors is certainly unavoidable in the large

business potential, each MSMEs actor has ways and strategies to advance the business they are involved in. utilization of technology, information, and internet networks in running a business is one of the keys that can be used by business actors today. This is supported by the message conveyed by the Minister of Trade Muhammad Lutfi at the Gojek virtual press conference, that MSMEs can take advantage of technology such as online sales platforms to help their business, especially in the midst of the current Covid-19 virus pandemic (Tuesday, 09 February 2021). In addition, MSMEs need to adapt to keep up with changes in market demand, the quality of workers who are smarter in anticipating changes, accelerating the development of production, processes and services. Therefore, an MSME leader must be able to motivate, train, educate, and improve the performance of the workers in his organization to keep up with existing developments.

Good organizational performance in MSMEs is certainly influenced by several factors, including leadership style. The leadership style applied must be adapted to current industry developments and competition. Transformational leadership is the most ideal leadership to face the business dynamics today, articulating a sense of vision aimed at workers, leaders workers align with the vision and empowering the workers responsible for achieving part of the vision. Transformational leadership as a teacher who is responsible for developing employees to employees who have great potential. Leaders who are sometimes also owners of Embroidery MSMEs are considered capable of implementing transformational leadership. Several studies suggest that a transformational leader moves workers and makes them work more than what is expected. Transformational leadership supports the idea that creative leadership is not only about teaching best practices for achieving success, but also about empowering others, setting an example of hard work to be done, transformational leaders stimulate and inspire followers to achieve extraordinary results and develop their own leadership capacities, Patton's motto "Never tell people how to do something. Tell them what to do and they will surprise you with their ingenuity" applies to this type of leadership (Bass & Riggio, 2006). This type of leadership is seen as leadership that helps increase levels of achievement and self-development, while promoting group and organizational development. Transformational leadership can raise higher levels of awareness about key issues while increasing the confidence of workers within the organization, thereby shifting their goals from concern and interest in survival to higher achievement and self-development.

Organizational performance in MSMEs is also influenced by organizational learning. Organizational learning is how the information and knowledge that has been obtained, is distributed to all workers in the organization in order to store and use it for the sustainability of the organization (Abazeed, 2018). Embroidery MSMEs are able to convey information and knowledge, especially regarding the smooth production and business processes. So that with good information dissemination, human resources in Embroidery MSMEs have good abilities in carrying out activities such as production, duplicate, etc. Organizational learning being a mandatory and involuntary decision by organizations to help them compete and continue, organizational learning is broadly defined as it involves not only the stage of access to information and knowledge, but also the dissemination of this knowledge to workers within the organization and thus retaining it in the knowledge repository (Al-Hawary, 2015). Based on this background, the researcher will examine the effect of transformational leadership and organizational learning on organizational performance at Embroidery MSMEs in Tasikmalaya. And the researchers identified problems based on this background that the organizational performance of the Embroidery MSME experienced an increase in some MSMEs but many also experienced a decline marked by a decrease in profit so that many companies went out of business or switched to other industries. This can be influenced by the transformational leadership applied to the Embroidery MSMEs in Tasikmalaya as well as the organizational learning it applies. Based on the research background and problem identification, the researcher formulated the problem, namely, how is transformational leadership, organizational learning, and organizational performance in Embroidery MSMEs in Tasikmalaya and to determine the effect of transformational leadership on organizational performance and organizational learning on organizational performance at Embroidery MSMEs in Tasikmalaya.

Literature Review

Transformational Leadership

The implementation of transformational leadership theories has been widely proven by studies of the concepts of transformational leadership and organizational performance which have produced many theoretical and empirical models over the last few decades (Chen, Yuan, Cheng, & Seifert, 2016; Garcia-Guiu, Moya, Molero, & Moriano, 2016; García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012; Getachew & Zhou, 2018). Transformational leadership in the field of human resource management (García-Morales et al., 2012; Herman & Chiu, 2014; Herman, Huang, & Lam, 2013; Sharma, Nagar, & Pathak, 2012), leader dynamics and organizational performance (Eberly, Bluhm, Guarana, Avolio, & Hannah, 2017; Getachew & Zhou, 2018; Nemanich & Keller, 2007; Wang, Law, Hackett, Wang, & Chen, 2005), the relationship between transformational leadership, corporate social responsibility, information and telecommunications, organizational learning, and organizational performance (Abazeed, 2018; Alrowwad, Obeidat, Tarhini, & Aqqad, 2017)

Previous studies have attempted to complete the inconclusive research by including mediation such as human resource management practices, exploitation, exploration, incremental innovation, radical innovation, organizational learning, market orientation, organizational innovation and moderators such as firm size, CEO founder status, CEO tenure, organic structure, and mechanic structure (Muterera, Hemsworth, Baregheh, & Garcia-Rivera, 2018; Obeidat & Tarhini, 2016). Transformational leadership creates an environment characterized by a high level of trust, commitment, and inspiration provided by subordinates which leads to performance that exceeds expectations (Pradhan & Pradhan, 2015). One of the mediator variables studied by previous researchers is organizational learning . Organizational learning as one of the mediator variables studied by previous researchers can overcome organizational problems because organizational learning can encourage organizational change, renewal, organizational transformation, innovation, competition and comparative advantage more quickly in maintaining their position in the industry (Bierly, Kessler, & Christensen, 2000; Goh & Richards, 1997). With a high interest in implementing a transformational leadership style that involves mistakes and educating employees on how to deal with problems and continuous communication as well as providing freedom among leaders and employees to express and think to reflect on learning abilities within the organization (Abazeed, 2018).

Organizational Learning

Various definitions of organizational learning that can be studied as stated by Al-Hawary (2015), "Organizational learning is defined as complex because it involves not only the stage of access to information and knowledge, but also the dissemination of this knowledge to staff within the organization and thus maintaining it within knowledge repositories".

In other words, organizational learning is not only the stage of accessing information and knowledge, organizational learning is how the information and knowledge obtained is disseminated to staff within the organization in order to store and use it for the sustainability of the organization. According to Chiva, R. , Alegre, J. , and Lapiedra, R. (2007), "Organizational learning is defined as the process through which the organization learns and learning capabilities are organizational and managerial characteristics that facilitate organizational learning or allow the organization to learn".

It can be interpreted that organizational learning is an organizational process that learns from organizational characteristics such as social, goals, activities, boundaries, and other values related to the character or style of the organization, as well as the managerial system as a facilitator in the organization. There are other studies on organizational learning dimensions that include openness, shared vision, and organizational commitment to learning. The dimensions of organizational learning in this study are:

a. Knowledge Acquisition.

Awan, Arnold, and Gölgeci (2021) in Abazeed (2018) states, the knowledge acquisition process is the first stage of learning at the individual and collective levels in organizations, and

is the basis of the process. This is done through the participation of working groups to generate new knowledge capital on new problems and practices that contribute to innovative and sustainable solutions. It also gives companies the ability to excel in delivery, start new jobs, accelerate problem solving, transfer best practices, develop professional skills, and help management manage and retain talent.

b. Knowledge Sharing

Teo and Wang et al. (2005) in Abazeed (2018) emphasize that communication between organizational departments is very important and is one of the most important dimensions of organizational learning. Solheim and Moss (2021) in Abazeed (2018) shows that knowledge sharing is the first step in the process of using knowledge. Knowledge Sharing means providing the right knowledge to the right people at the right time and in the context of knowledge sharing. The right form and at the right cost, where their employees share what will lead to increased experience and transfer of implicit knowledge in their minds to their colleagues. Al-Batayneh and Al-Mashaka (2010) in Abazeed (2018) show that knowledge sharing and distribution is an important process in increasing creativity and organizational performance to achieve learning organizations by encouraging increased R & D (Research & Development) and distribution of work groups, thus generating ideas and creations between teams and groups.

c. Knowledge Implementation

Luz, Mussi, Dutra, and Chaves (2021) in Abazeed (2018) explains that knowledge must be applied to organizational management activities by replicating the knowledge created in training materials or replicating knowledge that has been created and transformed into documents that can be used, and often individuals are exposed to different experiences for solve the problem. face the organization. At this stage, the greatest benefit of all the previous stages is reflected when the knowledge moves into practice and the benefits of what has been learned are reflected on the organization's performance, and allows its employees to solve the problems they face. face through the knowledge acquired and thus the knowledge acquired and disseminated throughout the organization becomes meaningful and valuable .

d. Knowledge storage

Knowledge is stored in knowledge repositories within the organization for the purpose of preserving and gaining access to knowledge that can be accessed and used by all members of the organization, especially knowledge that was used as a way to solve previous problems. Knowledge can be stored in a number of ways, including organizational memory. Knowledge retention refers to the importance of organizational memory. Organizations are at high risk of losing much of the knowledge that individuals leave behind for one reason or another. Knowledge retention and retention is particularly important for organizations with high job rotation rates, which rely on employment and use in the form of temporary contracts and consulting to generate knowledge.

Organizational Performance

Organizational performance according to WANASIDA, BERNARTO, SUDIBJO, and PRAMONO (2021) is the ability to achieve organizational tasks by using resources effectively and efficiently. There is no universally accepted definition of organizational performance, because every organization can measure its organizational performance with different approaches. Robert S. Kaplan and David P. Norton (Lu et al., 2020). The Balanced Scorecard concept was developed to complement financial performance measurement (otherwise known as traditional performance measurement) and as an important tool for corporate organizations to reflect new thinking in the era of competitiveness and organizational effectiveness. This concept introduces a company performance measurement system using certain criteria. These criteria are actually a description of what the company's mission and strategy are in the long term, which are classified into four different perspectives, namely:

- a. Financial perspective, how we are oriented to the shareholders.
- b. Customer perspective, how can we become the most valuable main supplier for customers.
- c. Internal business process perspective, what are the best business processes that we should do, in the long and short term to achieve financial goals and customer satisfaction.
- d. Growth and learning perspective, how we can improve and create value continuously, especially in relation to the ability and motivation of employees.

The research paradigm can be described as follows:

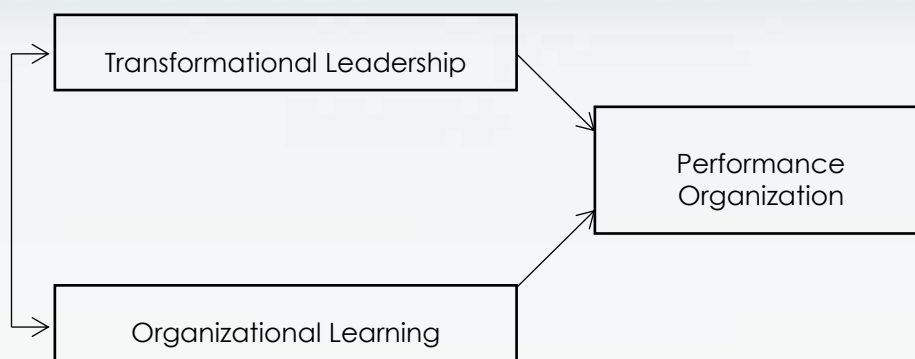


Figure 1. Research Paradigm

Method

This research is an explanatory research with a quantitative approach, which will explain the relationship between the relationships between the variables studied and give effect to the research hypothesis. This research uses transformational leadership and organizational learning as independent variable (X) and organizational performance as dependent variable (Y). Primary data was obtained from the results of empirical research by distributing questionnaires and interviews with Embroidery MSMEs in Tasikmalaya, while secondary data was obtained from journals and websites related to the research conducted. The sample in this study is registered MSMEs actors who have an IUMK in accordance with the IUMK Data by type of embroidery, convection, and fashion business in 2020 Tasikmalaya, totaling 34 (thirty-four) businesses. This study uses a path analysis technique which requires data requirements that have a measurement level of at least intervals, so that the ordinal data obtained from the questionnaire is first converted to interval data using the Methods of Successive Interval (MSI). The research hypothesis was tested using path analysis, the reason for using path analysis was to determine the magnitude of the influence of the variables of Transformational Leadership and Organizational Learning on Organizational Performance. F test was performed to test the suitability of the model and t test to test the significance of the effect of the independent variable on the dependent variable. The following is a picture of the structure of the relationship between variables:

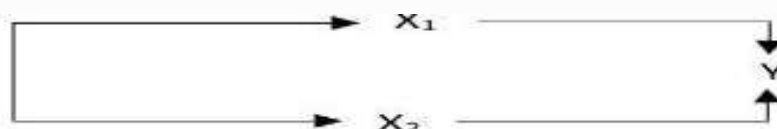


Figure 2. Variable Relationship Structure

Information:

X₁ : Transformational Leadership

X₂ : Organizational Learning

Y : Organizational Performance

Hypothesis 1:

H₀ : Transformational Leadership has no effect on the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

H_a : Transformational Leadership influences the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

Hypothesis 2:

Ho : Organizational Learning has no effect on the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

Ha : Organizational Learning affects the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

Hypothesis 3:

Ho : Transformational Leadership and Organizational Learning have no effect on the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

Ha : Transformational Leadership and Organizational Learning affect the Organizational Performance of Embroidery MSMEs in Tasikmalaya.

Results and Discussion

Descriptive Analysis

This study uses the variables of Transformational Leadership, Organizational Learning, and Organizational Performance as the basic theoretical variables to be able to examine the problems that arise from these variables. The descriptive analysis can be explained below:

Table 3.1

Recapitulation of Respondents' Responses to Transformational Leadership (x_1)

| Statement Items | Respondent's Answer | | | | | Total score | Information |
|-----------------|--|----|----|-----|-----|-------------|----------------|
| | 1 | 2 | 3 | 4 | 5 | | |
| X1.1 | 1 | 0 | 7 | 17 | 7 | 125 | Agree |
| X1.2 | 1 | 1 | 5 | 12 | 13 | 131 | Agree |
| X1.3 | 0 | 1 | 8 | 8 | 15 | 133 | Agree |
| X1.4 | 0 | 0 | 3 | 11 | 18 | 143 | Strongly agree |
| X1.5 | 0 | 0 | 7 | 14 | 11 | 132 | Agree |
| X1.6 | 0 | 0 | 9 | 13 | 10 | 129 | Agree |
| X1.7 | 1 | 0 | 8 | 10 | 12 | 125 | Agree |
| X1.8 | 0 | 0 | 1 | 15 | 16 | 143 | Strongly agree |
| X1.9 | 0 | 1 | 3 | 16 | 12 | 135 | Strongly agree |
| X1.10 | 0 | 1 | 5 | 13 | 13 | 134 | Agree |
| X1.11 | 0 | 3 | 2 | 10 | 17 | 137 | Strongly agree |
| X1.12 | 0 | 0 | 1 | 14 | 17 | 144 | Strongly agree |
| X1.13 | 0 | 0 | 6 | 13 | 13 | 135 | Strongly agree |
| X1.14 | 0 | 0 | 4 | 13 | 15 | 139 | Strongly agree |
| X1.15 | 0 | 0 | 2 | 12 | 18 | 144 | Strongly agree |
| X1.16 | 0 | 0 | 6 | 14 | 12 | 134 | Agree |
| X1.17 | 0 | 4 | 4 | 12 | 12 | 128 | Agree |
| X1.18 | 0 | 0 | 0 | 14 | 18 | 146 | Strongly agree |
| Total | 3 | 11 | 81 | 231 | 249 | 2.437 | Strongly agree |
| Average | | | | | | 135.39 | |
| Total score | = Score x Frequency | | | | | | |
| Classification | = Score Classification Range Per Question Item | | | | | | |

Source: July 2021 Questionnaire Results

In the table above can be in to tahui that respondents Strongly Agree with the characteristics possessed by the Transformational Leadership in MSMEs Embroidery Tasikmalaya, it has a meaning that leadership transformasional shown through idealized influence, inspirational motivation,

intellactual stimulation, and individualized consideration quality which is very good.

Table 3.2

Recapitulation of Respondents' Responses to Organizational Learning (x₂)

| Statement Items | Respondent's Answer | | | | | Total score | Information |
|-----------------|--|---|----|-----|-----|-------------|----------------|
| | 1 | 2 | 3 | 4 | 5 | | |
| X2.1 | 0 | 0 | 2 | 14 | 16 | 142 | Strongly agree |
| X2.2 | 0 | 1 | 3 | 17 | 11 | 134 | Agree |
| X2.3 | 0 | 0 | 2 | 18 | 12 | 138 | Strongly agree |
| X2.4 | 0 | 0 | 4 | 13 | 15 | 139 | Strongly agree |
| X2.5 | 0 | 0 | 8 | 8 | 16 | 136 | Strongly agree |
| X2.6 | 0 | 0 | 3 | 18 | 11 | 136 | Strongly agree |
| X2.7 | 0 | 1 | 5 | 13 | 13 | 134 | Agree |
| X2.8 | 0 | 0 | 3 | 19 | 10 | 135 | Strongly agree |
| X2.9 | 0 | 0 | 3 | 18 | 11 | 136 | Strongly agree |
| X2.10 | 0 | 0 | 5 | 18 | 9 | 132 | Agree |
| X2.11 | 0 | 1 | 1 | 14 | 16 | 141 | Strongly agree |
| Total | 0 | 3 | 39 | 170 | 140 | 1503 | Strongly agree |
| Average | | | | | | 136.64 | |
| Total score | = Score x Frequency | | | | | | |
| Classification | = Score Classification Range Per Question Item | | | | | | |

Source: July 2021 Questionnaire Results

In the table above, it can be seen that the respondents strongly agree with the characteristics possessed by Organizational Learning in the Embroidery MSMEs in Tasikmalaya, this means that organizational learning, namely knowledge acquisition, knowledge sharing, knowledge implementation, and knowledge storage has very good quality.

Table 3.3

Recapitulation of Respondents' Responses to Organizational Performance (y)

| Statement Items | Respondent's Answer | | | | | Total score | Information |
|-----------------|--|----|----|----|-----|-------------|----------------|
| | 1 | 2 | 3 | 4 | 5 | | |
| Y.1 | 3 | 13 | 10 | 3 | 3 | 86 | Just Agree |
| Y.2 | 0 | 3 | 15 | 10 | 4 | 111 | Agree |
| Y.3 | 0 | 3 | 17 | 5 | 7 | 112 | Agree |
| Y.4 | 2 | 9 | 14 | 2 | 5 | 95 | Just Agree |
| Y.5 | 0 | 0 | 3 | 4 | 25 | 150 | Strongly agree |
| Y.6 | 0 | 0 | 4 | 10 | 18 | 142 | Strongly agree |
| Y.7 | 0 | 0 | 1 | 11 | 20 | 147 | Strongly agree |
| Y.8 | 0 | 0 | 3 | 8 | 21 | 146 | Strongly agree |
| Total | 5 | 28 | 67 | 53 | 103 | 989 | Agree |
| Average | | | | | | 123.62 | |
| Total score | = Score x Frequency | | | | | | |
| Classification | = Score Classification Range Per Question Item | | | | | | |

Source: July 2021 Questionnaire Results

In the table above can be in to tahui that the respondents agree with the characteristics possessed by Performance Organizational within MSMEs Embroidery Tasikmalaya this case

meaning that the performance organisasi addressed through the perspective of *financial, customer, internal business process, learning, and growth* has quality good.

Verification Analysis

Table 3.4
Hypothesis testing
Partial Test

| Hypothesis | Significant t Value | t Count | t Table | Results | Statistical Conclusion |
|--|---------------------|---------|---------|-----------------|---|
| Transformational Leadership (x ₁) has an effect on Organizational Performance (y). | 0.142 > 0.05 | 1.51 | 2, 05 | Not significant | H1 is rejected, which means that there is no effect of x ₁ on y. |
| Organizational Learning (x ₂) has an effect on Organizational Performance (y). | 0.106 > 0.05 | 1.67 | 2, 05 | Not significant | H1 is rejected which means that there is no effect of x ₂ on y. |

Simultaneous Test

| Hypothesis | Significant F Value | F Count | F Table | Results | Statistical Conclusion |
|--|---------------------|---------|---------|-------------|---|
| Transformational Leadership (x ₁) and Organizational Learning (x ₂) affect Organizational Performance (y). | 0.002 < 0.05 | 7.85 | 3.32 | Significant | H3 is accepted, which means that there is an effect of x ₁ and x ₂ simultaneously on y. |

Source: July 2021 Questionnaire Results

Table 3.5
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | 0.59 ^a | 0.351 | 0.307 | 4.11 |

a. Predictors: (Constant), Organizational Learning (x₂), Transformational Leadership (x₁)

Source: July 2021 Questionnaire Results

Based on the *output* above, it is known that the *R Square* value is 0.351, it means that the influence of variables x₁ and x₂ simultaneously on variable y is 35.1% while the remaining 64.9% is a contribution from other variables not included in the study. For the value of e₁ can be found with the formula $e_1 = (1 - 0.351) = 0.806$. Thus, the path diagram of the structural model is obtained as follows:

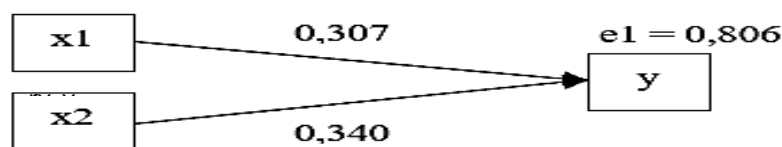


Figure 3. Structural Relationship Between X1, X2, and Y

Source: July 2021 Questionnaire Results

Conclusion

Based on the results of descriptive data processing, it shows that transformational leadership and organizational learning at Embroidery MSMEs in Tasikmalaya have very good quality, and organizational performance has good quality. Based on verification results of data processing and data analysis has been done on the research, it can be concluded that partially transformational leadership has a significant influence on the performance of the organization, as well as learning organizational have no significant effect on organizational performance. However, transformational leadership and organizational learning have a simultaneous influence on organizational performance in Embroidery MSMEs in Tasikmalaya. This is indicated by the leadership's ability to motivate its human resources by increasing understanding so that a new

perspective emerges in seeing problems in establishing trust values. Organizational learning in Embroidery MSMEs in Tasikmalaya City is carried out through collecting knowledge and having a data collection, and the exchange of knowledge can be a more effective solution in handling problems that arise in MSMEs. Organizational performance in the Tasikmalaya Embroidery MSME shows the ability to control the company's finances, the number of customers, create new innovations, increase production, and be able to trigger workers to learn something new related to the production process and embroidery business.

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