

**THE IMPACT OF TRANSFORMATIONAL LEADERSHIP STYLES AND
ORGANIZATIONAL CULTURE ON THE PERFORMANCE OF MSME
EMPLOYEES THROUGH MEDIATION OF ORGANIZATIONAL LEARNING**

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Abstract: *The goal of this study is to evaluate the scope of human resource challenges in small businesses. Human Resources in MSMEs are fascinating because in today's advanced world, firms and organizations must continue to expand and adapt, and MSMEs are no exception. One of the areas in which the organization can improve is its leadership style. Not only does the organization's or company's culture have an impact on employee performance, but it also has an impact on the organization's or company's learning. This study employs a qualitative approach and is conducted in East Java's MSMEs. In order to analyze the data, the researchers used survey methods. Meanwhile, the traditional assumption test was used to analyze the data. The goal of this study is to see how transformational leadership, organizational culture, and performance affect MSMEs.*

Keywords: *Transformational Leadership, Organizational Culture, Learning Organization, Performance*

1. Introduction

Indonesians have the view that daily activities cannot be separated from various services and goods created by MSME actors. In the morning, at breakfast, people consume porridge or traditional cakes sold by MSMEs, buy basic necessities in stalls or shops near their homes, to leave or provide early education in playgroups which are also MSMEs. As for the current digital era, some even don't have a store and only market their products online, and don't have a business license yet. Business actors with these characteristics can be found around us, namely relatives, neighbors, friends or ourselves. UMKM itself is a labor-intensive business so that it does not really need certain requirements, such as the level of education, worker skills and the use of business capital is relatively small and the technology used is still simple.

Since the reform era until 2018, the number of MSMEs throughout Indonesia has not decreased. Based on the results of the annual report obtained by Bank Indonesia, it shows that the number of MSMEs from year to year continues to increase until they are able to absorb 85 million to 107 million workers until 2012. In that year the number of entrepreneurs in Indonesia was 56,534,592 units. Of this number, there are 56,534,592 micro, small and medium enterprises. Based on this number, micro, small and medium enterprises are 56,534,592 or almost 99%. The remaining around 4968 units or 0.01% are large businesses (Bank Indonesia, 2015).

The explanation above shows that the role of MSMEs cannot be separated from the performance of each business actor or employee who is in it. Organizations or companies to achieve goals required employee performance to achieve them. One of them conveyed by

(Mangkuprawira, 2012) said that performance is the result of certain work processes in a planned manner at the time and place of the employee and the organization concerned.

Performance itself also has a meaning as stated by Robbins (2008), performance has a definition, namely a result achieved by employees in their work based on certain criteria that apply to a job. Performance itself can also be said that work performance or work results are seen in real terms with work standards that have been set by the organization.

One of the things that can affect performance is a learning organization, which as explained in research (Anggriawan & Rusilowati, 2014) states that the era of values in an organization is growing and the learners must continue to live. This proves that learning organization theory is very important because from here the leader instills corporate values or culture through this learning organization. This statement is also supported by Popper & Lipshitz (2000) who argue that leadership is a factor that can affect organizational learning. Leaders can create and shape cultural organizational structures that generate influence through various affairs, actions and services. So basically the leader plays an important role in the organizational learning process.

Organizational culture also plays an important role in organizational learning processes besides leadership according to Daft (2001) which states that organizational learning is an important feature for organizational culture to have by encouraging organizations to change and continue to adapt. In addition, the existence of a learning organization will also build communication and work patterns between fellow employees who are in the organization (Peón & Ordás, 2004).

The impact of the above is an increase in employee performance has a relationship with a strong organizational culture and learning in the organization. It is said so because a strong and entrenched culture has a greater impact on employee attitudes. The more members of the organization who accept the core values contained in the organizational culture and the greater the employee's commitment to company values, MSMEs are no exception. Therefore, it will be more deeply rooted and strong a culture. A strong culture will clearly have a greater influence on the attitudes of organizational members compared to a weak culture. A strong culture will demonstrate unanimity towards goals that will form organizational engagement, loyalty, and commitment. That way it will affect performance in achieving organizational goals (Robbins, 2006).

In addition to organizational culture, one of the things that supports employee performance is the leader in the organization. As stated by Koesmono (2005) revealed that the existence of a leader in the organization is needed to bring the organization to the goals that have been determined. Leaders usually apply appropriate leadership styles to influence the performance of their subordinates. The leadership style used in MSMEs is more towards using a transformational leadership style because this leadership style motivates its employees more and does not only focus on themselves. Some research results show that the transformational leadership style is more effectively used in MSMEs because it is easier for leaders to focus on inspiring and motivating with a small number of employees (Franco, M., & Maltos, 2014). Because of the small size of MSMEs, leaders can be someone who creates vision and direction, therefore leaders must be able to convey and communicate expectations to each employee personally (Matzler, 2008).

The leader character needed in MSMEs is a leader who can inspire or motivate employees to work and achieve goals together. The increasing number of MSMEs forces leaders to continuously develop their businesses in order to compete in the market. The number of

employees in MSMEs is not too many, ranging from 5 to 99 people. This is also supported by the research of Ng, Kee, & Ramayah (2016) which explains that transformational leadership has a positive impact on the success of the MSME business. Given the many challenges faced in the development of MSMEs, MSME leaders are expected to be able to utilize their resources and abilities to survive and then grow into a successful business entity.

2. Research Method

The data collection procedure used in this study was a survey method, using a questionnaire. Questionnaires are prepared based on operational definitions of variables, will be arranged following a Likert scale model. This Likert scale is used to measure attitudes, opinions and perceptions of a person or group towards social phenomena and the Likert scale has a level from strongly agree to strongly disagree such as a value of 5 for the indicator strongly agree, a value of 4 for the indicator agree, a value of 3 for the indicator neutral, 2 for indicators disagree and a value of 1 for indicators strongly disagree (Sugiyono, 2011). The object of this research is MSMEs in East Java which has one of the characteristics of having a minimum of 50 employees in its business unit.

3. Results and Discussion

3.1. Results

The results of this study provide clues regarding the impact of transformational leadership and organizational culture on employee performance through learning orientation. This study has the characteristics of respondents who provide information related to gender, age, years of work, and level of education. Characteristics of respondents based on gender are 52% for men and 48% for women in this transportation sector company. Respondents in this study had an average age of 26-30 years, represented by 35% of the calculation results, the rest of the distribution was divided into the 31-35 year age group by 21% and then for the 36-40 age group by 15% the rest was divided into various age groups. the remaining.

The results of this questionnaire also show that the average respondent has 3-4 years of entrepreneurship, which is indicated by the amount of 34%. The remaining years of work are in the range of 1-2 years by 26% and 5-6 years by 18%. Furthermore, for the average education level, this transportation service company has an education level of S-1 with a total of 80%, the rest are at the S-2 education level of 12% and D3 by 6%.

Validity Test

An item is said to be valid if the loading factor is positive and greater than 0.6 (Hair, et al. 2014). Based on the results of the analysis of the first order measurement model, it can be seen that all the indicators measure the variables of Transformational Leadership, Organizational Culture, Learning Orientation, and Employee Performance. Resulting in a loading factor greater than 0.5. The indicators that measure the dimensions or variables are just declared valid. The results of the 1st Convergent Validity test can be seen in the table below:

Table 1
Variable Descriptive Statistic

Variable	Loading Factor
<i>Transformational Leadership</i>	0,614
<i>Organization Culture</i>	0,891
<i>Learning Orientation</i>	0,630
<i>Employee Performance</i>	0,547

The transformational leadership indicator shows a loading factor of 0.614 which indicates that the indicator is dominant in measuring the transformational leadership variable. The organizational culture indicator also has a value of 0.891 which indicates that the indicator has a fairly large value on this variable. Furthermore, the Learning Orientation indicator also shows a value of 0.630 and employee performance of 0.547 which proves that the indicator already represents these two variables as an indicator of questions.

Reliability Test

Calculations that can be used to test construct reliability are Cronbach alpha and composite reliability. The criteria in the reliability test state that if the composite reliability value is greater than 0.7 (Hair, et al., 2014) and the Cronbach alpha value is greater than 0.6 the construct is declared reliable. The following are the results of the reliability test calculation:

Table 2
Convergent Validity Testing

Variable	Composite Reliability	Cronbachs Alpha
<i>Transformational Leadership</i>	0,985	0,942
<i>Organization Culture</i>	0,950	0,982
<i>Learning Orientation</i>	0,896	0,915
<i>Employee Performance</i>	0,931	0,864

Based on the table above, it can be seen that the composite reliability value on the variables of Transformational Leadership, Organizational Culture, Learning Orientation and Employee Performance has a value of more than 0.7. The results shown in the table above show that all indicators are reliable. Furthermore, the value of Cronbach's Alpha which is owned by the variables of Transformational Leadership, Organizational Culture, Learning Orientation and Employee Performance has a value of more than 0.6. These results indicate that all indicators of these variables are reliable.

Structural Model Testing (Inner Model)

Goodness of fit model is used to assess the ability of endogenous variables in explaining the diversity of exogenous variables, or in other words the contribution of exogenous variables to endogenous variables. Goodness of fit Model in PLS research is carried out using Predictive Q-Square Purpose (Q2).

Tabel 3
R-Square Result

Variable	R²
<i>Learning Orientation</i>	0,967
<i>Employee Performance</i>	0,939
$Q2 = 1 - (1 - R12) (1 - R22) \rightarrow Q2 = 1 - (1 - 0,967) (1 - 0,939) = 0,906$	

Variable R-square Learning Orientation is 0.967 or 96.7%. This can indicate that the variable Learning orientation is explained by the variable Transformational leadership and organizational culture by 96.7%, while the remaining 4.3% is the contribution of other variables not discussed in this study.

In the next variable, the R-square of employee performance is 0.939 or 93.9%. It can be said that this shows that the diversity of employee performance variables is explained by transformational leadership and organizational culture variables of 93.9% or it can be concluded that transformational leadership and organizational culture on employee performance are 93.9%, while the remaining 7.1% is the contribution of other variables. which were not discussed in this research.

The results of the PLS analysis produce a path diagram of the relationship between research variables both directly and indirectly as follows:

The research hypothesis is used to assess whether exogenous variables have an effect on endogenous species. Variable: Variable. The test criteria state that if there is a t-statistical value for the t-table (1.96) the significant impact of exogenous variables on endogenous variables (Hair, et al., 2014).

Table 5
Hypothesis Test Result

Variables effect	Original Sample (O) Standard Error	Standard Error (STERR)	t-statistics (O/STERR)	Information
<i>Transformational Leadership</i> → <i>Learning Orientation</i>	2,434	2,449	95,318	Significant

<i>Transformational Leadership → Employee Performance</i>	0,970	0,970	13,941	Significant
<i>Learning orientation → Employee Performance</i>	1,623	1,641	9,647	Significant
<i>Organizational Culture → Employee Performance</i>	0,129	0,118	0,171	No Significant
<i>Organizational Culture → Employee Performance</i>	0,005	0,006	1,843	No Significant

The effect of direct or indirect impact between research variables, can be used to test research hypotheses. The results of hypothesis testing for the study are described in the section below.

Hypothesis 1: Transformational leadership has a significant effect on employee performance

The results of hypothesis testing the influence of transformational leadership on employee performance resulted in a path coefficient of 2.434 with a t-statistic value of 95.318. The test results show that the t-statistic value is >1.96. This means that there is a significant influence of transformational leadership on employee creativity. This result is accepted by the research of Hypothesis 1 that the stronger the transformational leadership will improve the performance of employees in SMEs which is carried out by the researcher.

Hypothesis 2: Transformational leadership mediated by learning orientation has an effect on employee performance.

In testing the results of the hypothesis, the effect of transformational leadership on employee performance through mediation of learning orientation produces a path coefficient of 0.970 with a t-statistic value of 13.941. Based on the test results obtained t-statistic value > 1.96. This means that there is a significant influence of transformational leadership on employee performance through mediating learning orientation. These results prove the second hypothesis that transformational leadership can affect employee performance if mediated through learning orientation.

Hypothesis 3: Organizational culture mediated by learning orientation affects employee performance.

The results of the hypothesis test of the influence of organizational culture on employee performance through mediation of learning orientation resulted in a path coefficient of 0.129 with a t-statistic value of 0.171. Based on the test results show that the value of t-statistic <1.96. That is, learning orientation cannot mediate organizational culture and employee performance.

Hypothesis 4: Organizational culture has a significant effect on employee performance.

The results of hypothesis testing the effect of learning orientation on employee creativity obtained a path coefficient of 0.006 with a t-statistic value of 1.843. Based on the test results

show that the value of t-statistic < 1.96 . This means that organizational culture can not affect the performance of employees in this study.

3.2. Discussion

Research has similarities in hypothesis 1 with research conducted by (Irjanto and Setiawan, 2016) which states that leadership has a positive effect on employee performance in the MSME industry. More specifically, in this study, MSMEs in East Java are caused by the encouragement of leaders to continue to play a role in developing their business and following changes that are always there, encouraging employees to continue to develop according to what is requested by the company's leadership. The leaders of this company, with their transformational leadership, are expected to always be able to adapt to uncertain business conditions and have the ambition to continue to grow.

Furthermore, based on the results of the analysis conducted, this study also shows that the second hypothesis shows that democratic leadership has an impact on learning orientation and employee performance. This is also supported by previous research conducted (Chang, S. C., & Lee, 2007) which states that the impact of leadership will also affect employee performance. This influence on the learning orientation in the company and the performance of employees is also supported by the results of research conducted (Irjanto, B., & Setiawan, 2016) that the impact of all of this will affect employee performance. In this study, it is proven that the impact given by learning orientation in MSMEs will have an impact on the performance of employees in these MSMEs.

This study also has differences with hypothesis 3 which was rejected not in accordance with previous research, namely research conducted (Chang, S. C., & Lee, 2007) which stated that organizational culture will have an impact on learning orientation. In the study this did not happen due to cultural differences in each company and the learning orientation of each MSME was also different, this was adjusted to market needs which would later build culture in the organization because it did not affect the employee performance also did not have a significant impact on this research also that in the discussion of hypothesis 4 the results are not accepted.

This study proves that the role of the leader is very important in the business development process that begins with good employee performance and the learning orientation that is applied must be in accordance with what the leader wants. With leadership that has transformational leadership capabilities, it is expected that employee performance will have a significant impact, and in the end the company will develop when employee performance is good.

4. Conclusion

Transformational leadership has a huge impact on MSMEs on the performance of employees, leaders who are visionary and can adapt to circumstances will make them try to compete in their business processes.

Transformational leaders will also influence the learning orientation method given to influence employee performance in business processes that will be run in the future.

Organizational culture will not have a significant effect on employee performance mediated by learning orientation, this is because culture has not been able to change or develop employees if it is not accompanied by a transformational leader who is able to adapt to the business climate being run. As explained above, organizational culture will also not have an

impact on learning orientation because culture is a habit and not necessarily the culture in the existing learning orientation can improve employee performance at this MSME itself.

Recommendations

In future research, regional differences may also affect the accepted results. Several studies have conveyed that related to the characteristics of MSMEs in 2 regions, it is hoped that further research will explore the characteristics of leaders in MSMEs in the western part of Java.

In future research, it can replace other types of leadership such as charismatic or various other types of leadership. Because the dynamic business world makes even leaders can have different characteristics.

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