Transformational Leadership and Team Performance: The Role of Innovation in Indonesia Property Agent Industry

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Abstract—This study aims to examine the role of innovation in Indonesia property agent industry through the relationship between transformational leadership and team performance. It conducted at PropNex Reality Property Agent, branch Malang, and Surabaya. To examine the hypotheses, Partial Least Square (PLS) used as data analysis. This research found that all hypotheses tested were positive and significant. Additionally, it also found that innovation has a partial mediation role in the relationship between transformational leadership and team performance. These results confirmed and contradicted to the previous studies conducted.

Keywords— transformational leadership, team performance, innovation

I. INTRODUCTION

Property or real estate business in Indonesia is increasingly promising and proliferating. A large number of housing developments, apartments, office buildings, shop houses, condotels, and regional development in various cities and towns become industrial areas or common residential locations, being one of the proofs of very significant business growth. Besides, the ease of obtaining a home or building ownership financing in the form of a home loan from banks in Indonesia, as one of the potential business phenomena, increases the interest of the community or the customer to have a residence.

Urbanization, as a result of high economic growth in urban areas and business or industry developments that offer many opportunities and employment opportunities to people who come from the village. The growth of business infrastructure development and land clearing for housing is a solution to the high demand for property in Indonesia. Bank Indonesia, in 2016, issued data on the banking market share [6]. To develop this culture of innovation, the role of high innovation carried out, the company will be able always face business challenges and competition in seizing the market and becoming market leaders, including competing with companies. Improving company performance, in this context, becomes inevitable. Gibson [1] explained that the company's performance depends heavily on employee performance, both individual performance and team performance. In other words, individual performance will significantly contribute to improving company performance. Performance, theoretically, is caused by the existence of practical leadership factors [2]. One type of leadership that is proliferating is transformational leadership. Transformational leadership is present as a leadership pattern that offers not only in the form of rewards and material, but more than that [3]. A transformational leader must have visionary character, integrity set an example, and be able to motivate subordinates [4], both team leaders and top management leaders. This is a characteristic inherent in transformational leadership style, which in the last decade has become a leadership style that is widely used by leaders, public, and private organizations [2].

This leadership also facilitates employee learning needs adequately, and optimally develops their skills and abilities. Dividing authority by empowering employees based on trust, considering their abilities and willingness, guiding and developing employee creativity, as well as paying attention to practical strategic problem solving, is a prerequisite for transformational leaders in order to improve their organizational performance [5]. Another factor that influences improving company performance is innovation. Innovation and creativity are a prerequisite for companies to face business challenges and competition in seizing the market and becoming market leaders, including competing property agent companies.

Innovation is the implementation of successful creative ideas in an organization [6], value creation, and new products or processes within an organization or company [7]. With the high innovation carried out, the company will be able always to compete and be able to develop and increase its market share [6]. To develop this culture of innovation, the role of leaders is crucial in creating a climate that is relevant for its
growth, such as how the behavior of leaders in responding to conditions and challenges, both internal and external organizations [8]. Researchers who have proven the existence of a relationship and the influence between transformational leadership on innovation and team performance [9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21] and between innovation and team performance [9, 10, 13, 14, 18, 19, 20].

This research is interesting to do; first, transformational leadership is widely examined separately with innovation and performance, for example between leadership and innovation [11, 15, 16, 17] and between leadership and team performance [9, 10, 22, 23, 24]. Secondly, research on leadership relationships and team performance specifically are still lacking in depth [21]; third, the role of innovation as a mediator in the relationship between transformational leadership on team performance in property agent service companies still requires in-depth study [21, 25, 20].

II. LITERATURE REVIEW

Transformational leadership is the leadership that encourages the achievement of changes in the values, beliefs, attitudes, behavior, emotional, and needs of subordinates in realizing a better change in the future. Transformational leaders are agents of change that inform the organization and its stakeholders in its entirety in order to achieve optimal and maximum performance [26]. Transformational leaders activate needs at the highest level of subordinates, namely how a leader motivates and awakens subordinates to actualize themselves and develop themselves according to their abilities. There is an inner urge to act and actualize the organization based on these needs without any coercion or force [2].

Transformational leadership is the influence of leaders or superiors on subordinates [27]. The subordinates feel the trust, pride, loyalty, and respect for their superiors, and they are motivated to do more than expected. The primary function of a transformational leader is to provide services as a catalyst for change, but at the same time as a controller of change [28]. Empirical evidence of the relationship between leadership and team performance can be seen in the findings [22]. He concluded that there was an indirect relationship between transformational leadership and team performance through trust and team effectiveness. Meanwhile, also found transformational leadership influential on team performance by including empowerment teams as mediation in the relationship [23].

Based on other findings, transformational leadership has a significant effect on performance [25, 21, 24]. However, according to Lee et al. [29], only dimensions Intellectual stimulation, which has a positive and significant relationship on team performance, so the following hypothesis is formulated.

H1: There is a significant effect between transformational leadership and team performance

Innovation is a new finding in products, quality, production process, markets, resources, and organizational structure [24]. Meanwhile, innovation as production, adoption, assimilation, and exploitation of added value that is new in the economy and social [24]. Innovation also referred to as a corporate mechanism for adapting to a dynamic environment [30], as a new product or process used by organizations to meet market and external user needs [31]. Some dimensions of innovation categorized into technological and administrative innovations, exploratory and exploitative innovations, product innovation, and process innovation [32, 33, 34]. The focus of this research is on the last category.

The competitive advantage, according to Damanpour and Gopalakrishnan [35], depends on product innovation and process innovation that is carried out within a company. Product innovation focuses on improving production efficiency, product quality, and the introduction of new production methods. Meanwhile, process innovation focuses on creating new tools and knowledge that can help operational management in production. Process innovation can improve the production and management efficiency of organizational processes, by always paying attention to new methods and equipment, new management approaches, and technology [35]. In other words, process innovation contributes more to the efficiency of organizational management.

To differentiate product innovation and process innovation, explained that first, there are strategic differences, where product innovation focuses on markets and customers, while process innovation focuses more on media development between inputs and outputs, such as equipment, methods, and machines [24]. Second, both types of innovation are different ways in supporting business strategies, product innovation focuses on superior product performance, while process innovation focuses more on low-cost strategy in the organization. Third, both types of innovation are related to different characteristics of knowledge. Product innovation is associated with knowledge from outside the organization, while process innovation is related to internal and systematic knowledge.

For decades, transformational leadership has had a significant effect on innovation [14, 15], internal factors of organizational innovation [16]. [9, 10], [11], [12], and [13] affirm the strong relationship and influence between transformational leadership and innovation, both product, process, only innovation, and organizational innovation.

H2: there is a significant effect between transformational leadership and innovation

Regarding the relationship between innovation and team performance, Morales, et al., [10] stated that team performance could increase the existence of a creative and innovative climate that is formed based on the support of leaders who understand well the needs of subordinates, both in individual and team. With high innovation, individual performance increases and ultimately helps the team to meet the targets [13]. In another study, [14] proved that innovation has a positive and significant effect on improving individual and team performance.

Morales, et al., [9] by adding mediating variables organizational learning also found that innovation has a positive influence on team performance, and the effect is more significant in the role of companies with high organizational learning. Meanwhile, [18] emphasized the importance of innovation in improving organizational performance, the importance of product and service innovation that must be improved to increase team performance [19].
quantity, quality, and satisfaction [22]. Team performance
al., identify three dimensions in team performance, namely:
the various existing literature. Jung and Avolio in Chou et
performance was also not separated from the importance of growing trust
and satisfaction [22]. Beliefs, according to them, our beliefs and desires that depend on others. Thus, team
members who have high confidence in the process of their
interaction in the team, they tend to be able to make more
significant efforts in collaborating with the team [22].

Hoegele and Gumuenden [36] added that team
performance supported by communication, coordination, a
balance of team contributions, mutual support, and cohesion
between each member in the team. The existence of excellent
communication between members or with the chairman or
coordinator of the team is believed to be an essential factor
that can significantly improve team performance. Likewise,
effective coordination between divisions or units within the
organization causes the management process to run
optimally. This also applies to many other factors, such as
the balance of roles in the team, mutual support from each
other among team members and the suitability between
individuals in the team, equally having an equally important
role in improving team performance.

Team performance represented the effectiveness and
efficiency of a team. Effectiveness refers to the extent to
which the team can meet expectations related to the quality
of the results set by the company. In context, innovative
projects, effective performance can be interpreted as
fulfilling quality in products, services or services, and
processes developed within the company. Meanwhile,
efficiency refers to fulfillment according to the schedule,
such as production and marketing schedules according to the
specified time target. Thus, effectiveness is a comparison
between reality and desired output, while efficiency is a level
based on the comparison between reality and desired input
[36].

A team has great potential in contributing to the
achievement of organizational goals. There are ideas,
knowledge, and experiences from each which, as a whole,
becomes the company's strength in pursuing the specified
target. Meanwhile, coordination and teamwork are the
backbones of high team performance [24]. From some
previous studies it has been empirically proven that
transformational leadership has a positive influence on
innovation [9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20].

Furthermore, the relationship between transformational
leadership and team performance has been proven by
[37]; [9, 10]; [13]; [14]; [18]; [19]; [20]; [38];
[22]; [23]; [29]; [25]; [24]; and [21]. In addition, the
empirical study related to the relationship between
innovation and team performance was carried out by [9, 10];
[13]; [14]; [18]; [19]; and [20], which has proven a positive
and significant influence between innovation and
performance. Thus, the hypothesis is as follows.

H₂: transformational leadership influences team
performance through innovation..

III. METHOD

This research conducted at PropNex Realty Indonesia
Company, located in Surabaya and Malang, consisting of 30
teams and three persons each team. The test the hypothesis,
this study uses PLS analysis. Transformational leadership
involved Idealized Influence, Inspirational Motivation,
Intellectual Stimulation, and Individualized Consideration
by The Multifactor Leadership Questionnaire (MLQ) [26].
Meanwhile, innovation consists of product innovation and
process innovation [12]. Besides, team performance uses
instruments [36] consisting of two indicators, effectiveness
and efficiency.

IV. RESULTS

The instrument, by PLS analysis, was tested by using
convergent validity and discriminant validity and reliability
construct examined by reliability test. The standard of
validity and reliability are determined by; the value of the
loading factor is more than 0.6; the value of Average
Variance Extracted (AVE) is more than 0.5 for all variable.
Furthermore, the value of the loading factor is more than the
correlation value of the indicators on other variables.
Besides, reliability called reliable when the value of
Cronbach alpha and composite reliability was more than 0.6
and 0.7, respectively [40]. All criteria in this study
completed, and the detail data can be seen in the Figure 1.

Figure 1 showed that the value of beta coefficient and T
statistic in the relation between X and Y, X and Z, and Y,
and X-Z-Y are positive and significant. All criteria fulfilled.
It indicates that all Hypothesis 1-4 are accepted. The
detailed test shown in the Table 1.

Table 1. Hypothesis Testing

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Coef.</th>
<th>Std. Error</th>
<th>T-statistic</th>
<th>Sign.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁: X → Y</td>
<td>0.207</td>
<td>0.073</td>
<td>2.853</td>
<td>*</td>
</tr>
<tr>
<td>H₂: X → Z</td>
<td>0.451</td>
<td>0.074</td>
<td>6.076</td>
<td>*</td>
</tr>
<tr>
<td>H₃: Z → Y</td>
<td>0.596</td>
<td>0.068</td>
<td>8.813</td>
<td>*</td>
</tr>
<tr>
<td>H₄: X → Z → Y</td>
<td>0.269</td>
<td>0.050</td>
<td>5.331</td>
<td>*</td>
</tr>
</tbody>
</table>

Regarding leadership roles in improving team
performance, theoretically and empirically, it is stated that
the nature and behavior of leaders illustrated in leadership
patterns developed by leaders [26]. By transformational
leader, the followers have trust, pride, loyalty, and respect. They are motivated to go beyond what is expected [27].

The findings support by [25], [23], [21], [24], [42], and [43] that there is a strong effect between transformational leadership and team performance. Furthermore, an indirect relationship between transformational leadership and team performance through trust and team effectiveness [22]. However, these contradict to Lee et al., [29], which only mention intellectual stimulation that affects team performance. This study found that all transformational leadership dimensions have a direct effect on team performance.

The problem of leadership role is effectiveness. It determined by the behavior of leaders illustrated through leadership styles [26]. Appropriate leadership styles can encourage followers to work beyond their expectation. Robbins also indicated that transformational leadership could motivate members to act more innovative and creative [39]. Therefore, followers have confidence, motivation, competitiveness, capacity, and commitment.

Transformational leadership positively and significantly influences organizational innovation [16]. They also equally justify a positive and significant relationship between transformational leadership and innovation in other cases [14, 15]. Besides, [9, 10], [11], [12] and [13], affirms that the relationship between transformational leadership and innovation affect both individual and organizational innovation.

Competitive advantage depends on the extent to which a company can innovate its processes and product [35]. A company can lead the market and compete with other companies by creating innovative thinking both in product innovation or technology used in the company. Therefore, the company can adapt dynamically to the business environment [30].

This finding supports some previous research conducted by [10] who found that team performance can be enhanced by the creative and innovative climate that is formed based on the support of leaders who understand the needs of subordinates carefully, both individually and team. Similarly, these findings support [13] who also find that through exceptional innovation, individual performance is automatically improved and ultimately helps the team to meet the targets. Furthermore, [14], [18], and [19] also found that innovation positively and significantly influenced individual and team performance improvement.

In contrast, other findings suggest that innovation variables have been shown to serve as a mediating variable between transformational leadership towards team performance. This shows that either directly or indirectly, transformational leadership affects team performance through the role of innovation, leaders can perform leadership effectively to facilitate the work of leaders in influencing subordinates to work optimally in teams. In other words, the more leaders have high innovation, the higher the potential, the team leader success leading the team.

These results support previous studies such as [10], [11], [12], [13], [14], [15], and [42] that found empirically transformational leadership positively influences on innovation. While other studies that have the similar results [9], [16], [17], [18], [19], and [20], who found that innovation can be an important variable in transformational leadership. Furthermore, these results are also demonstrated by [38], [22], [23], [29], [25], [24] that there were a strong influence of transformational leadership on team performance. To sum up, the results of the mediation relationship indicated that innovation positively and significantly has a direct and indirect effect on team performance. Thus, such mediation is called partial mediation [41].

V. CONCLUSION

This study indicated that leaders who have high charisma, modeling, prioritizing the interests of the organization rather than individual interests or theoretically called individualized influence, and able to motivate subordinates or usually called inspirational motivation, are proven to improve team performance. Besides, leaders who can encourage subordinates to develop themselves and be more creative and innovative (intellectual stimulation), and attention to his individual (individual consideration) can create an innovative atmosphere into the team. In other words, the higher the transformational leadership characteristics implemented in the team leader, the higher the creativity and innovation. Furthermore, the transformative team leader can also lead to the effectiveness and efficiency of team performance. Besides, creative and innovative team leaders can build massive emotional and cultural relationships with team members. Thus, the leader can create and build a team that has a high performance as expected. Thus, a transformative and innovative team leader can form a team that has an effective and efficient performance within the company.

Team leaders in Propnex Surabaya or Malang work units must focus their attention on strengthening the character of individual consideration or more care for their subordinates by paying attention to the development of their work by conducting strengthening and self-development training. Another thing that is also important to note is the provision of rewards, self-motivation training and the development of employee skills in order to pay attention and provide certainty of the fulfillment of the interests of organizational members (intellectual stimulation), such as welfare, career, self-development, and others.

REFERENCES


