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The Mediating of Change Organization in the Effect of Strategic Leadership Style and Innovation

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Abstract

Purpose - This paper measure the strategic leadership style, innovation and organization change in XYZ company. This study will explore and discuss the uses of strategic leadership style, innovation and organization change. Innovation variable as intervening variable, we measure direct and indirect effect leadership style have effect to change management.

Methodology - It is a causality study the which uses multiple regression for analyzing the data. The samples of this research are undergraduate students and the sample size of 50 employees

Findings - Variable transformational leadership style has significant effect to innovation but transactional there no effect. Transformational and transaction leadership style have effect to change organization. Innovation has effect to change organization

Research limitations / Implication - This research will know about effect of strategic leadership style and innovation to change organization. Field of the research only in XYZ company.

Originality / Value - This paper suggests contribution to the board of directors XYZ company

Keywords – Strategic Leadership Style, Transformational Leadership Style, Transaction Leadership Style, Innovation and Change Organization.

Introduction

The influence of leadership in an organization is very great, many companies are successful because of the leader factor, and not a few companies that lose also due to leader factors. The problems that faced in a company requires a leadership figure who is able to parse the problem to get the best solution. Culture of decision-making in many organizations at the Company is still showing their dependence on top management, so management level below lacks of decision-making capacity. Though this ability is needed to solve the problems facing the organization. In this context, leadership is the key of organization.

The complex changes that always be faced by the company can be overcome by strategic leadership, therefore, such a leadership that can lead the organization to face changes constantly as well as providing expertise in dealing with the impact of ongoing changes to management.

Strategic leadership studies focused on leader who has overall responsibility for the organization, such as executives, top management, the board of directors. Through their leaders, the organization made the choice of strategies that they adopt to improve their competitiveness. The role of the leader is the basis for the success of the organization. Therefore, identifying criteria for a successful leaders of organization will greatly help to increase the opportunity to achieve the goals of the organization.

The concept of strategic leadership is different from supervisor leadership theory. supervisor leadership concentrate on directing, commanding and supporting the men, while the strategic leadership to focus on efforts to make the meaningfulness of the organization and the achievement of goals (Boal and Hooijberg, 2001). An organization will have a good sense for its members and people outside the organization at the moment when organization achieve its objective, providing significant meaning for the members. It could all be achieved in any condition, if the organization is able to adjust. This means that organizations are required to always evolving and changing. Organizational changes became necessary with the expectations, the organization can always follow the way to the achievement of organizational goals. It also calls as innovations in the organization.

Innovation in a company is a form of response from the existing conditions of competition. Innovation is seen as one of the determinants and long-term success key in a competitive market of the company today. Companies with the ability and capacity of good innovation will be able to respond to environmental challenges faster and better. Innovation closely related to the technology that serves broaden company to new product or improve the design and manufacturing of products (services), which has owned by the company. In the development of new products, the company should consider a new product developed in order to excel in competition. This means that innovation has a change role within a company or organization (Sari and Fara, 2014).

XYZ company is one of the state-owned company that has changed status for several times. At the first XYZ company shaped as PTT (Post, Telegraph and Telephone). The business entities that led by a Chief of Bureau's with non-commercial operations and the functions are more directed to hold public services.

The development continues until the status of a State Enterprise of Posts and Telecommunications (Postel PN). Observing the times in which the postal sector and telecommunications is growing very rapidly, then in 1965 changed to the State Enterprise of Post and Giro (PN Post and Giro), and in 1978 turned into Perum Pos and Giro since that is confirmed as a sole corporation in organizing giropos and postal service both for relations within and outside the country. 17 years for Perum status, then in June 1995 turned into a limited liability company under the name of XYZ company

XYZ company had been at a nadir. For several years between 2004-2008, the financial performance of company continues to lose money. Not only at the post office interface, but also the car operations and infrastructure was getting dull. At 2009, Pos Indonesia finally able to emerge from the downturn. I Ketut Mardjana is a figure that can change the company logo of a

bird on the stump into profit. Even last year, revenue of Pos Indonesia jumped to Rp 3,078 trillion with a net profit of Rp 156.648 billion.

The awakening of XYZ company is inseparable from the extraordinary measures which is based on thinking out of the box by all levels of leadership and supported by transformational leadership style by all levels of leaders who have the vision, values and courage. Policy decision-making process is not monopolized by the leadership of the central level, but most business decisions delegated to the all area, this condition is intended to speed up the decision-making process and the commencement of the transformation step.

The need for a change that mentioned before require the strategic leadership. Directing strategic leadership and demanded a vision of all the time and develop the future leadership and organizational culture. The challenges of strategic leader are to encourage commitment among the people in an organization and stakeholders at the outside of organization to accept the changes and implement strategies that aimed at positioning the organization in order to remain successful in the future (Selly, 2013).

Based on the background above is interesting to examine the extent of strategic leadership that capable to bring changes in the organization of XYZ company. Is this transformational leadership that has run prompted to the emergence of new innovations as a strategy in the face of intense competition. In addition, whether the strategic leadership is also capable to move all employees of XYZ company to always change for the better.

Conceptual Framework

Dudin and Al-rbabah (2015) reported the results of his research that examines the influence of the strategic leadership to organizational change of Zarqa University. They propose several sub-variables, where strategic leadership is divided into creative, transactional and transformational leadership. While changes are divided into type of change, the rate of change and facilitators of change. From these results, they proposed the following conclusion:

- 1) Strategic leadership have influence on organizational change at Zarqa University.
- 2) Creative leadership have influence on organizational change at Zarqa University.
- 3) There is no impact on the change of leadership trasnformasional at Zarqa University.
- 4) Transactional leadership have influence on organizational change at Zarqa University.

Leadership, in general without mentioning specific styles have an important role in organizational change. Organizational change is a necessity for the organization to survive. Not only to live now, but prepare for life in the future. Abbas (2010) the results of the study showed that 70% of organizational change is fail, while a leadership role is very important in the process of organizational change. Both in the literature and conducted studies field showed that the leadership with vision and innovation is more effectively in the process of a successful organizational change. Innovative leadership in this regard will correlate with innovations that occur in the organization as long as the changes take place.

Ann-Louise and Stene (2015) examines that the relationship between leadership style to organizational change. They filed a transactional and transformative leadership as leadership style. From the research conducted, they concluded that transactional and transformational leadership is positively associated with organizational changes, in particular, especially through management. Managers are the ones who deal directly with subordinates to face any change in the organization. When managers make changes, it will be then followed by his subordinates.

Atif (2016) propose specific leadership, that transformational leadership affecting the management change of organizational at the Jordan Ahli Bank, Oman. The study that carried out showed that transformational leadership influence the organizational changes in the field of structure, technology and people. Ilir and Nurcan (2009) also argues that the leadership has an influence on organizational change. Among the transfromatonal and transactional leadership factors, the results of their research concluded that transformational leadership make succeeded more in bringing organizational changes compared to transactional leadership.

In contrast to Atif (2016), Dong et al. (2003) examines transformational leadership correlated with organizational innovation. As noted earlier, that the organizational innovation is nimportant in order to create a organization climate so organizations can grow and develop properly. Dong et al, (2003) proposed the conclusion that the top management of transformational leadership style significantly affects the ability of creativity and innovation. The positive impact is to improve organizational climate that strengthens employees and provide support to innovation.

Almost the same as Dong et al, (2003), Lale and Arzu (2009) examines the correlation between transformational leadership on creativity and innovation of organization. Their research put forward the conclusion that the impact of transformational leadership on creativity and innovation, both individual and organizational level. With the analysis test, they found no difference level in the creativity of individual workers and managers. Transformational leadership has a positive relationship with organizational innovation, where the criteria of market orientation is creating the country scale and new industrial.

Observing several results of previous studies, the innovation is an important factor for the existence of the organization both now and in the future. Hage (1999) put forward the importance of the concept of innovation and organizational change. There are three important things, namely the complexity of the workers part, high risk structure and strategy of steadily with regard to organizational innovation. From the three things, the complexity of labor is the most important because the capacity of creativity, problem solving and organizational learning can be realized. Therefore becomes important considering the relationship of innovation that done by workers in organizational change.

Shamsuri and Mazzarol (2010) conducted a study on the role of leadership in organizational innovation level can influence some SMEs in Malaysia. The results of their research confirms that there is a positive direct effect of transformational leadership on innovation at SMEs. These findings also emphasize that transformative leadership style had a strong influence on the process of innovation. While transactional leadership have minimal influence on organizational innovation.

Transformational Leadership

Leadership plays a central role in understanding the behavior of the group, because the leader is typically provide guidance toward achievement of goals (Robbins and Judge 2013). Leadership is the ability to influence a group toward the achievement of a vision or set goals (Robbins and Judge, 2013). Leadership can determine whether an organization is able to achieve the goals that has been set. According Hadari (2003) leadership is an attempt to use various types of influence rather than coercion to motivate members of the organization in order to achieve certain goals. Basically motivate means to do as an activity to encourage member of

organizations to carry out certain activities that do not force and lead to goal. Definition of leadership broadly covers the process of influence in determining the organizational objectives, motivate followers to achieve the objective behavior, influence to improve the group and its culture (Veithzal, 2004).

The leadership style is a way of leaders to influence subordinates (Reksohadiprodjo and Handoko, 2002). Organizations are increasingly looking for managers who can show the characteristics of transformational leadership (Robbins and Judge 2013). Transformational leadership is leadership approach to change the consciousness of doing business, excite and inspire subordinates / member of organizations to expend extra effort in achieving organizational goals, without feeling pressured or stressed (Hadari, 2003). Meanwhile, according to Robbins and Judge (2013), transformational leadership is the ability of leaders to inspire followers to transcend their self-interest for the benefit of the organization. According to Bass and Riggio (2006), transformational leadership is the ability of a leader that stimulate and inspire followers to achieve extraordinary results and in the process, develop their own leadership capacity. From these statements it can be seen that transformational leaders are trying to give power and elevate the followers. According Yukl (2013), a leader transform and motivate followers by: (1) make them more aware of the importance of the results of a job, (2) encourage them to be more concerned with the organization or team rather than self-interest, and (3) to enable their needs at a higher rate.

Components of Transformational Leadership Style

Bass and Riggio (2006) suggests a component of transformational leadership consists of four dimensions of leadership, namely:

1. *Idealized influence* (charisma)

Lead to transformational leadership behaviors which followers trying to work harder than what was envisioned. The followers particularly admire, respect and have trust as leaders. They identified the leader as a person, as well as the vision and the values they stand for.

2. *Inspirational motivation* (motivation inspiring)

Where the leader of the use as symbols to focus on efforts or actions and express purpose with simple ways. He also evokes the spirit of teamwork, enthusiasm and optimism among peers and subordinates.

3. *Intellectual stimulation* (intellectual stimulation)

Efforts to provide support to the followers to be more innovative and creative where leaders encourage followers to ask assumptions, bring ideas and new methods, and suggests the old approach with a new perspective way.

Transformational Leadership

The new paradigm of transformational leadership lift seven principles of transformational leadership to create a synergistic as below (Rees, 2001):

1. Simplification, the success of leadership begins with a vision that will be a mirror and a common goal. The ability and skills in expressing a clear vision, practical and transformational course that can answer the question such as "Where will we go?" The first thing that is important for us to implement.
2. Motivation, Ability to obtain a commitment from everyone that involved in the vision that has been described is the second thing that we need to do. At the time of transformational

leader can create a synergy in the organization, meaning that he should be also optimize, motivate and energize each of his followers. In practice this may be a task or job that is really challenging and provide opportunities for them also to be involved in a creative process both in terms of providing proposals or taking decisions in problem solving, so it also will provide added value to their own.

3. Facilitation, in the sense of the ability to facilitate "learning" effectively that occurs in the institutional organization, group, or individual. This will have an impact on the increasing intellectual capital of everyone who involved in it.
4. Innovation, the ability to be brave and responsible work for change when necessary and be a demand by the change. In an organization that is effective and efficient, everyone who involved needs to anticipate change and they should also not afraid of such changes. In certain cases, the transformational leader must swiftly respond to changes without sacrificing a sense of trust and teamwork that is already built.
5. Mobility, the mobilization of all available resources to complement and strengthen each person that involved in achieving the vision and goals. The transformational leader will always seek follower for full responsibility.
6. Alerts, which is the ability to always be ready to learn about themselves and welcome the changes with a new paradigm that is positive.
7. Determination, that determination to always get to the end, the determination to get things done properly and thoroughly. For this would need to be supported by the development of the discipline of spiritual, emotional, and physical as well as commitment.

Transformational Leadership Indicators

Tucker & Lewis (2004) defines transformational leadership as a pattern of leadership that can motivate employees by carrying on the ideals and high values to achieve the vision of the organization's mission which forms the basis for confidence in the leadership. This leadership style focuses on intangible qualities such as vision, shared values and ideas in order to build rapport, give greater meaning for each activity, and provide a common ground for the process of change.

According Bass and Riggio (2006). there were four components of transformational leadership behaviors are:

- a. *Idealized influence* emphasizes the type of leader that shows trust, confidence and admired / lauded follower.
- b. *Inspirational motivation* emphasis on how to motivate and inspire the subordinate to the challenges of the task. Its influence is expected to boost the spirit of the group.
- c. *Intellectual stimulation* emphasize the type of leader who seeks to encourage subordinates to think of innovation, creativity, methods or new ways.
- d. *Individualized consideration* emphasizes the type of leader who gives attention to the development and achievement needs of subordinates.

Transactional Leadership

According Siagian (2007) transactional leadership is the leader that provides an exchange through kickbacks to obtain compliance with what they have done. According to Bass and Riggio (2006) Transactional leadership is a leadership where leaders encourage employees or subordinates to work with providing the resources and rewards in exchange for motivation, productivity and achievement for effective duty. Based on the above definition, it can be

concluded that transactional leadership is a leader who motivates employees through rewards and worked by employees so that they can achieve their own goals or organization and helps employees to gain confidence in doing his job.

Definition of Transactional Leadership

Transactional leadership can be referred to as the leadership to motivate employees and reward them if their specified target is reached so that employees feel motivated to work better. According to Thomas and Wahyu (2007) transactional leadership is leadership that motivate subordinates by calling their own interest. Leadership behaviors focused on the results of the task and the relationship of good workers in exchange for the desired award. Transactional leadership encourages leaders to adjust the style and their behavior to understand the expectations of followers, while according to Bass and Riggio (2006) transactional leadership is a leadership where leaders encourage employees or subordinates to work to provide the resources and rewards in exchange for motivation, productivity and task achievement effective. In contrast to the opinion of both, according Yukl (2013) states transactional leadership style may involve values, but these values are relevant to the process of exchange such as honesty, fairness, responsibility and reciprocity, and according to Robbins and Judge (2013) suggested that the transactional leader is a leader who guide or motivate their followers to get to the target that set by clarifying role and task requirements. Translation of some opinion expert over the theoretical definition to Transactional leadership concluded that transactional leadership is a process of exchange in which a follower or employee has the adherence to demand a leader who gives encouragement to employees or subordinates to work by providing an award as a reward to motivate employees to get to the targets.

According Yukl (2013), argued that relations between employees with transactional leader is reflected in three aspects, namely:

- a. Leaders know what employees want and explain what they will get if it works as expected,
- b. Leaders exchanged the efforts made by the employees with reward
- c. Leader is responsive with employees' personal interests over the interests that comparable to the value of the work that done employee.

Transactional Leadership Indicators

According to Bass and Riggio (2006) indicator transactional leadership consists of:

a. *Contingent reward,*

Leaders did consensus about what things are done by subordinates and promised in return for what will be obtained when it is achieved. The size of the reward will depend on the (contingent) extent of subordinate in reaching the goals and objectives.

b. *Management-by-exception (active).*

Leaders establish goals and objectives to be achieved and work standards must be adhered to. If there are deviations, the leader does not hesitate to impose sanctions on subordinates. Leaders with such properties will tend to supervise subordinates to strictly and immediately take corrective action when there is a deviation, mistakes or errors.

c. *Management-by-exception (passive),*

Leader avoid corrective action or stir with a subordinate during the goals and objectives jointly agreed to be achieved.

Innovation

Schumpeter (1934) is an expert who first put forward the concept of innovation. He defines "innovation" as a new combination of production factors made by employers and the thought of innovation are important driving forces (critical driving force) in economic growth. Schumpeter's concept of innovation involving product innovation, process innovation, market innovation, the use of new raw materials and obtain the raw material in ways and innovations in the organization.

Perspectives on innovation in their own organizations has many different meaning by the experts. However it can be summed up into two groups: the first regards as a process and outcome. The views of innovation as a process in which innovation is defined with more emphasis on the innovation process at organizations and social processes create innovation as individual creativity, organizational culture, the environment context, and factors of socio - economic (Xu, 2009)

The second approach is the outcome that defines innovation as a product that is made or the creation of value-added products. In the perspective of innovation as a result (an outcome), innovation is divided into two types of radical innovation and incremental innovation, radical innovation is the technology that drives innovation (technology push) to create something new for the company and also to the market or customers. Incremental innovation is usually categorized as a market-oriented innovation (market pull) because of the ideas found in the creation of new products from the market, so it is often referred to as market-oriented products or marketable product.

Organizational innovation is the tendency of organizations to develop a new product / service or repair and the success in bringing products / services to the market (Lale and Arzu, 2009). Innovation is defined as the adoption of organization idea or behavior that is new for the organization (Damanpour, 1991). Innovation may involve new products, new services, new technologies and new administrative practices (Hage, 1999).

Organizational Changes

Organizational change is a series of different actions that result shift direction and / or processes that affect the way in which the organization's previous work (Hage, 1999). The need for organizational change started when the management of the organization feel dissatisfaction of the current situation. Organizational changes can be planned or unplanned. The most important thing in organizational change is very important thing is the handling of changes, planning and vision and the most important is leadership.

The planned changes are more related to management where management puts a deliberate attempt to make. a strong commitment and a systematic approach that is needed in the planned changes and the most important in the planned changes are based on the leader's vision and objectives stated.

The general objective of organizational change is adjusting to the environment or improvement of organizational performance. Involving organizational changes that change product, technology, administrative and changes in human resources as theory suggests. (Austin and Claassen, 2008). The main changes are administrative (process) which refers on organizational structure and administrative processes (mainly occur at the level of management)

and technical (product), changes in the products, services, production or technological processes and work of the organization activities.

The concept of metamorphosis and change

1. Metamorphosis

Metamorphosis is the change in form or structure, transitional forms. Metamorphosis is the change in form or structure, the tangible changes in the development. Thus the metamorphosis can be interpreted as a real change in organizational and the absolute change of organizational shape and can not return to previous forms.

2. Change

Changes occur because of the emergence of pressures on organizations, individuals, or groups. So, he focused on the statement of "why", which is why can be individuals, groups, or organizational change. From there he had to track down how change can be managed and produce something. Lewin concluded that the pressure forces (driving forces) will be faced with the reluctance (resistances) for change. Changes that might occur by strengthening the "driving forces" it, or weaken "resistances to change".

From there Lewin describes the theory of the change process as a pattern of events that occurred from the beginning of a change until the end. One earliest theory of change process is a model-style field of Lewin that suggested the process of change can be divided into three stages: unfreezing, changing and freezing. Unfreezing is an awareness process for the need or the need for change. Changing is a measures in the form of action, whether strengthening "Driving Forces" and weaken "resistances". While refreezing is an effort to bring back the organization to a new equilibrium (a new dynamic equilibrium). Organizational Change as cited by Irawati A. Kahar states that change is to choose a different action than ever done before. that Differences result a change.

One of fundamental change planning model that proposed by Kurt Lewin (Cummings, 2008) with a three step procedure of change. According to Lewin three steps of the procedure are:

- a. Searching (Unfreezing) This step usually involves efforts to make lower tensions in an organization to extent that there is at the present time. Unfreezing sometimes achieved by providing information that shows the differences between the desired behavior by members of the organization and the actual behavior that run at the present time.
- b. Action (Movement) The second step is to take action that will change the social system of the original behavioral level to a new level of behavior.
- c. Freezing (Refreezing) The third step is trying to stabilize the organization at a new equilibrium level. This action is usually achieved through the use of the best mechanism, which encourages organization to new equilibrium. The mechanism that could helps, among others, may be the culture of the organization, organizational norms, policies, and organizational structure.

Theory of Change

The theory of organizational change triggered by the concept that the organization depends on and a must to interact with the external environment for survival. Each external environmental factors that interfere with the ability of the organization to attract human resources, funding and infrastructure needed into force for the one change (a force of change).

Each factor in the internal environment that affect the organization carries out its activities, is also a force for change, as it also supported by the change agent (the leader) . So this change theory has three power principles, namely external forces (external forces), the internal forces (internal forces), change agents (leader / managerial).

Theories of change are:

- a. Motivation theory that formulated change will occur if the following conditions are met: Benefit-cost, greater benefits as a result of the change.
- b. Strong dissatisfaction of the current situation. Perceptions of the future, members of the organization see their hopes of a better future. Practical way, believes in a practical way to do to get out of the present situation.
- c. The theory of managerial change process involves many people to realize the need for change which control by leaders of organizations that seek to gain support, consensus and commitment. In carrying out the mission changes, this theory adopts other sciences such as psychology, sosiologi and antropologi, so that a leader has a psychological and cultural maps of individual character-based organizations in order to minimize stress and conflict in the change process.
- d. The theories of organizational development in organizational change is a theory that touches two categories that interact human and technological. Humans are the elements that make the process of organization such as communication, decision making, and problem solving. While the technology elements that affect the structure of the organization, such as job design, work methods, and organizational design. This theory believes that there needs to approach the techno-structure and human-intervention process that resulted in two categories of human needs in the completion of the task.
- e. The theory of change alpha-beta and gamma that formulate alpha changes are the changes that occurred belief in one dimension that stable in time before and after their teamworks. While the beta changes are changes that occur in assessing trust. Gamma changes, the changes that occur due to human or group saw a more important factor than being observed.
- f. Contingency theory in the management of change suggests that successful decision making is largely determined by the style that adopted in managing and implementing change. Contingency theory (probably) say that not only the motivation, commitment and participation of members of the organization that are needed but need to analyze the readiness of both sides.
- g. The theory of cooperation, believes that the change can not be done without the cooperation of all parties. This theory learn, why people would decide to cooperate and how to gain cooperation. According to Williams, people want to work, because of the following: 1) awarded motivation or worry about getting penalized; 2) loyalty motivation to the profession, occupation or company; 3) moral motivation, because cooperation is morally acceptable; 4) Motivation to run expertise; 5) Motivation that emerge because of attitude to life; 6) obedience motivation to authority.
- h. Theory to overcome the resistance to change which this theory proposed six strategies to overcome resistance, namely: communication, participation, Facilitation, Negotiation, Manipulation, and Fain. This theory has the flexibility, in each different group , then the theory used is also different, depending on the level of resistance.

Accounting -Turn around Model more emphasis on accounting and law. This theory states that not all corporate (organization) can be saved or to change, there must be a prerequisite for this, among them: the support of stakeholders, is still the core business that is able to bring in cash flow, the strong management team, have the financing sources in short, medium and long term. Turn-around Theory can be carried out by an organization that has decreased due to the loss or managerial were not good. In order to make improvements, the first thing to do is a financial analysis of the organization. Accounting-Turn around Model indeed very technically compared to eight theories before that have been described. Theories of change.

Transactional and transformational leadership enhances innovation (lale & arzu, 2009) its effectiveness on innovation in products and processes (Waldman, et, al. 2001). Transformational leadership is a leadership style in which leaders aim to inspire followers by appealing to their high level needs for self-actualization (Vaccaro et. al, 2012). Transformational leadership can stimulate product innovation more effectively than transactional leadership because employees work under rewards and transactional regimes tend to pursue short-term goals while ignoring the benefits of long-term innovation (Vaccaro et. al, 2012). However, transactional leadership can more effectively improve process innovation by creating an open communication environment and by increasing employee compliance with decisions (Elenkov & Manev, 2005; Yukl & Heaton, 2002). Transformational leadership as well as transactional leadership motivate employees to innovate, with ex-creative stimulating behaviors (lale & arzu, 2009; Jung, 2001) and the latter encouraging compliance behavior (Elenkov & Manev, 2005). Although significant influence of leadership on innovation, single perception above echelon theory can not fully explain the dynamics of innovation (Crossan & Apaydin, 2010).

The interaction between leadership and variable innovation has drawn attention in empirical studies (Halbesleben et al., 2003) many studies does not focus on the actual strategic leaders (Yukl, 2013). Nevertheless, there has been progress in exploring the linkages between the demographic characteristics of strategic leaders and innovation strategies in the above perspectives (Enns, Huff and Golden, 2003), but this study has failed to directly study the behavior of strategic leadership and its influence on organizational innovation processes (Cannella and Monroe, 1997).

Hypothesis 1: there is a significant effect of transformational leadership style to organizational innovation

Hypothesis 2: there is significant effect on the transactional leadership style organizational innovation

Innovation within a company is a form of response from existing business competition conditions. Innovation is seen as one of the determinants and key to long-term success in today's competitive market. Companies with good capacity and innovation capacity will be able to respond to environmental challenges faster and better. Innovation is closely related to technology that serves to open the company's insight about a new product or improve the design and manufacture of products (services) already owned by the company. In the development of new products, companies must consider that new products developed can excel in the competition. This means innovation has a change role in a company or organization (Sari and Fara, 2014).

Research on organizational innovation opens new perspectives on a number of interesting issues that have emerged recently, including issues of community evolution and

institutional change, the dynamics of the knowledge society (Hage, 1999), and the integration of macro and micro analysis. Beyond sociology, organizational innovation can make an important contribution to some of the important arenas of new research in economics. The most obvious is the study of the national system of innovation (Lundvall 1988, Nelson 1988), but equally relevant to endogenous the theory of economic growth,(Solow, 1992)

Hypothesis 5: there is significant effect of organizational innovation to organizational change

Navickaitė, (2013) describes the principal's transformational leadership while implementing organizational change in schools that require transformational leadership how to accept change and development. Fisher (2005) concentrates on the time of change of affection and human resources effectively and efficiently for success to change for useful. (Peus, et al, 2012) discusses the variables that have been identified as success factors of organizational change initiatives. He found that it was most effective in leading organizational changes in transformational leadership styles that included comprehensive vision communication and challenging goals and the provision of individual considerations and support.

Shere (2005) studied the necessary leadership actions to implement process improvement, which involves changing organizational culture. Davies and Davies (2010) trying to understand the nature and strategic dimensions of leadership. He created a strategic school model that focuses on strategic.

Hypothesis 6: significant effect of transformational leadership style to organizational change through organizational innovation factor

Hypothesis 7: there is significant effect of transactional leadership style to organizational change through organizational innovation factor

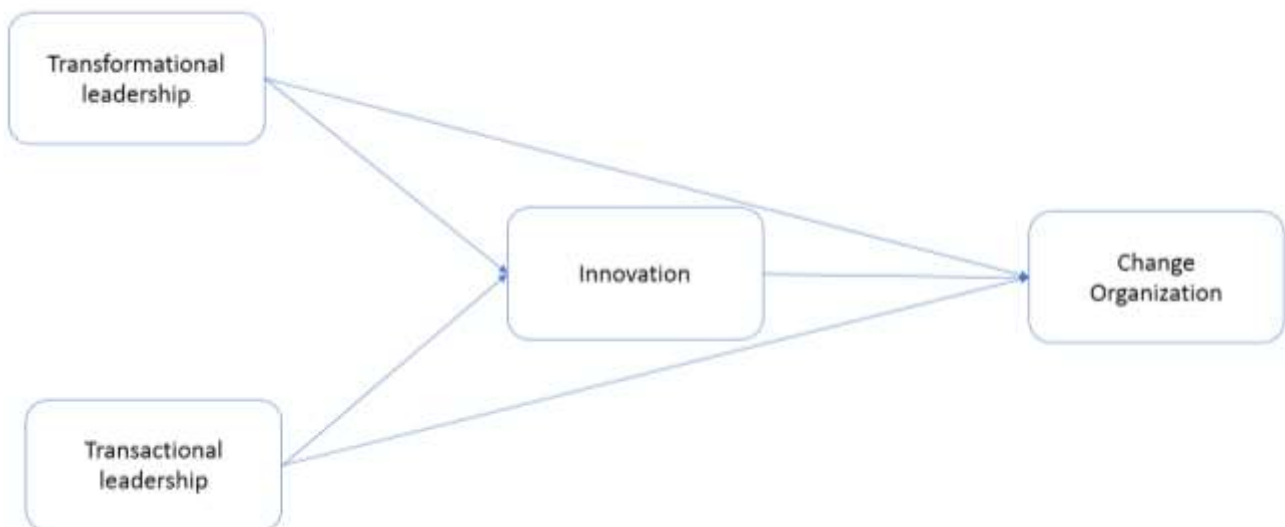


Figure 1. Research Model

Analysis of the data used to analyze the influence of variables in this study is the path analysis method according to Ghozali, (2011: 99). Path analysis aims to explain the direct and indirect result of a set of variables, as variables cause, against a set of other variables as a variable effect. Path analysis is an extension of regression analysis.

In regression analysis the effort to learn the relationship between variables about why the relationship is exists or not is never be questioned. Besides, whether the existing relationship between the dependent variable (OC) and the independent variables (TFL, TSL) is caused by the variable X its own or other variables between these two variables also never be questioned so that the variables do not directly influence the variable Y but there are other variables as the intermediate variables (intervening). (OC = Organizational Change, TFL = Transformasional Leadership, TSL = Transactional Leadership)

From the path analysis model on the previous page can be expressed in the form of structural equation, namely the regression equation showing the hypothesized relationship, (Ghozali, 2011: 175) as follows:

$$Y1 = b1x1 + b2X2 + e1 \quad (1)$$

$$Y2 = b1x1 + b2X2 + b1Y1 + e2 \quad (2)$$

Standardize coefficient for Transformational Leadership (X1) and Transactional Leadership (X2) in equation (1) will give the value of P2. While the coefficient for Transformational Leadership (X1) Transactional Leadership (X2), and organizational innovation (Y1) in equation (2) will give the value of P1, and P3.

The direct effect of TFL (X1) and TSL to OC (Y2) = P1

No direct influence TFL (X1) and TSL (X2) to the OC (Y2) = P1 X P3

Total Effect TFL (X1) and TSL (X2) to the OC (Y2) = P1 + (P2 x P3)

The population of this study were all employees of XYZ company Surabaya region, while the sample are middle managers and employees. Sample size is 50 samples

Result and Discussion

First test is validity test and the validity test results show that all items of questions asked to respondent are valid. all statements filed in the questionnaire regarding Transformational leadership, transactional leadership, Organizational innovation, Organizational change have a Sig value. (2-tailed) is smaller than 0.05. Thus all statements about the variables can be declared valid. If the statement in questionnaire has a value of Cronbach's Alpha > 0.6, then the statement is said to be reliable. All the variables are reliable

First hypothesis we are looking for effect of transformational and transactional leadership to innovation. In table 1, we show regression of the first hypothesis.

Table 1 Result of The First Hypothesis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	11,996	2,538		4,726	0,000
1 Transformational leadership	0,218	0,048	,481	4,550	0,000
Transactional leadership	0,215	0,174	,130	1,232	0,221

a. Dependent Variable: Innovation

Second hypothesis can show the table 2

Table 2 Result of The Second Hypothesis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,234	4,798		0,049	0,961
Transformational leadership	0,194	0,090	0,256	2,157	0,034
Transactional leadership	0,394	0,299	0,143	1,315	0,192
Innovation	0,440	0,173	0,263	2,541	0,013

a. Dependent Variable: Change Organization

Path analysis is used to determine transformational leadership and transactional leadership directly or indirectly affect organizational change mediated by organizational innovation. Influence of transformational leadership directly or indirectly to organizational change mediated by organizational innovation.

Table 3 Indirect Hypothesis

Hypothesis	T	Standardized Beta	Sig	Ket.
Transformational leadership - Organizational change	2,157	0,256	0,034	Sig
Organizational innovation. - Organizational change	2,541	0,263	0,013	Sig
Transformational leadership - Organizational innovation	4,550	0,481	0,000	Sig

H1 : Direct Influence Transformational Leadership on Innovation

Based on statistical test it can be seen that transformational leadership has a significant positive effect on innovation. It means that the better implementation of transformational leadership will have an impact on the higher innovation that occurs within the organization. Conversely, the worse implementation of transformational leadership is attributed to the low organizational innovation.

The results of this study are inline with research conducted by Dong et al. (2003) who concluded that the leadership style of transformational top management significantly affects the ability of creativity and innovation. In addition, Lale and Arzu (2009) also stated that transformational leadership impacts creativity and innovation on both individual and organizational levels. This study also handed over to the research of Shamsuri and Mazzarol (2010) to study the role of leadership in influencing organizational innovation level of some UMKM in Malaysia. The results

of these studies confirm that there is a direct and positive influence of transformational leadership on UMKM innovation studied.

The results are in accordance with the theory that Transformational leadership is a leadership style that leads to personal charismatic, Inspiration, Intellectual stimulation and Individual consideration (Luthan, 2002). Innovation as a new combination of production factors made by entrepreneurs and innovation thinking is the driving force of critical force in economic growth (Schumpeter, 1934).

Based on the theory, transformational leadership provides encouragement to the individual, and gives the opportunity to individual potential will make them more creative in the work and will produce new things more productive for the organization. If you want an innovation organization then need to develop leadership transformational more appreciate individual with all potential and advantages.

H2 : Direct Influence Transactional Leadership to Innovation

Based on statistical test it can be seen that transactional leadership has no significant effect on innovation. This means that the implementation of transactional leadership will not have an impact on innovation.

The results of this study if associated with Transactional leadership theory according to Luthan (2002) which states that Transactional leadership has several features that is Contingent Reward, management by exception (active), management by exception (passive) and Laissez-Faire is to avoid decision making, delegate responsibility, then the individual will not be moved to innovate in an organization that lacks space for the development of individual potential.

Individuals are less able to develop with the presence of surveillance and intervention. Individuals can not develop their potential in an autocratic leadership situation. So transactional leadership can not encourage individuals to innovate within an organization.

H3 : Direct Influence Transformational Leadership on Organizational Change

Based on the statistical test it can be seen that transformational leadership has a significant effect on organizational change. This means the application of transformational leadership will have an impact on innovation. The better implementation of transformational leadership will have an effect on organizational change. Conversely, the worse implementation of transformational leadership then it will affect the lower organizational change.

The results of this study are in line with research by Atif (2016) which states that transformational leadership affects organizational change management at Jordan Expert Bank, Oman. This research, however, is not in line with research conducted by Dudin and Al-Rabb (2015) concluding that Transformational leadership has no significant effect on organizational change.

Based on the results of this study it can be understood that the leadership transformational provide encouragement to individu, and provide opportunities to potential individuals will make organizational changes to a better direction. Transformational leadership is able to provide individual opportunities and motivation to create organizational change.

H4 : Direct Influence Transactional Leadership on Organizational Change

Based on statistical test it can be seen that transactional leadership has no significant effect on organizational change. This means that the implementation of transactional leadership will not affect organizational change.

This study is inconsistent with Ann-Louise and Stene's (2015) study of the relationship of leadership style to organizational change. The study concludes that transactional leadership is positively associated with organizational change.

Based on the results of this study it can be stated that transactional leadership can not force others to do something as stated by Luthan (2002) that through high intervention with the consequences of reward for best performance (Luthan, 2002), individuals will be subject to and head towards towards organizational change.

H5 : The Direct Influence of Innovation on Organizational Change

Based on statistical test it can be seen that organizational innovation has significant effect on organizational change. This means that the implementation of organizational innovation will have an impact on organizational change. Innovation will encourage oransi change. Conversely, if there is no innovation then changing the organization difficult to do.

Based on innovation theory is defined as part of individual creativity, organizational culture, environmental context, and socio-economic factors (Xu, 2009). So innovation by accentuating creativity will provide changes that way of thinking and in work.

The results of this study also confirmed that PT Pos Indonesia has made innovations that can drive corporate change. PT Pos Indonesia can survive in competition because of the many innovations that have been done as in the delivery of goods package.

H6 : The Indirect Influence of Transformational Leadership to Organizational Change Through Innovation

Based on statistical test it can be seen that transformational leadership has significant effect on organizational change through organizational innovation. This means the application of transformational leadership that produces innovation will lead to organizational change.

Based on the results of this study can be stated that transformational leadership will be able to give birth to new innovations because each individual is given the opportunity and fully supported to develop themselves. In the end innovation will make organizational change.

H7 : The Indirect Influence of Transactional Leadership on Organizational Change Through Innovation

Based on statistical test it can be seen that transactional leadership has no significant effect on organizational change through innovation. This means that the implementation of transactional leadership will have no impact on organizational change because transactional leadership can not create innovations.

Individuals will be confined to their creativity in the midst of transactional leadership. Transactional leadership is incapable of forcing others to do something as Luthan (2002) argues that through high intervention with the consequences of rewarding the best performance (Luthan, 2002), individuals will be subject to and lead towards organizational change.

Conclusion

Based on the results of research conducted then it can be concluded that the strategic leadership with the transformational style directly influence the organizational innovation and organizational change. Meanwhile, strategic leadership with transactional style has no direct significant effect on organizational innovation and organizational change. As for organizational innovation itself directly affects the changes to the organization.

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