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The Role of Employee Empowerment Mediates the Effect of Transformational Leadership on Innovation (Case Study at PT Media Sarana Data, Bali, Indonesia)

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ABSTRACT: This study aims to determine the role of employee empowerment in mediating the effect of transformational leadership on innovation. The sample in this study are 87 employees, determined by the saturated sample method. Data collection carried out through interviews and questionnaires. The data analysis technique used is path analysis and sobel test. The results of this study indicate that transformational leadership has a positive and significant effect on innovation, transformational leadership has a positive and significant effect on employee empowerment, employee empowerment has a positive and significant effect on innovation, and employee empowerment mediates the relationship between transformational leadership and innovation. PT Media Sarana Data should pay more attention to the quality of a transformational leader towards its employees so that the level of employee empowerment is getting better so that it raises innovative ideas from company employees.

Keywords -Transformational Leadership, Employee Empowerment, Innovation

I. INTRODUCTION

Competition in the business world today is very fierce, companies are always required to be sensitive to situations and changes in the business world. Companies in today's business world are required to innovate and develop their resources optimally so that company goals can be achieved efficiently. The important factor that a company has to achieve its goals is human resources (HR). Human resources are an important asset owned by a company, human resources are the main executor in operational activities within a company. Humans are the most valuable capital and assets that an organization must have, because the critical element for the success of an organization is the people inside. Humans are a valuable asset for the organization, which is able to move other resources to operate (Hutamawida et al., 2020)

The theoretical basis that underlies this research is social exchange theory, the social exchange relationship takes place between two parties in a mutual exchange sequence, although not simultaneously but produces a reciprocal responsibility pattern. Through transformational leadership, employees are given control and freedom in making decisions and solving problems faced in their work without dealing with complicated bureaucratic structures. Employees feel more valued by their leaders and feel compelled to increase decision-making involvement in the company (Dewi & Surya, 2021). The relationship between social exchange theory occurs when companies acknowledge employees' views on decision making, employees feel motivated and will reciprocate by applying their creativity to solve problems and contribute thoughts that provide additional value to the company. Employees who feel empowered by their transformational leader will reciprocate this sense of empowerment by contributing more thought and energy to the company and applying innovative ideas to the company's benefit.

Based on Ahmad & Looy (2020), "Innovation is the introduction of equipment, systems, laws, products or services, new production process technology, a new administrative structure or system, or a new planning program for an organization to adopt. The goal of innovation is to create business value by developing ideas into valuable realities. Innovation as a new idea that provides added value for the company." A new idea that does not add added value is not an innovation. Innovation is the ability to see things in new ways and sometimes out of the box thinking.

Organizational innovation is the stage where an organization takes new ideas developed and used in manufacturing design or product delivery into new processes. Organizational innovation becomes something new and has several risks in decision making. The creation and development of new ideas requires some taking risks that are not based solely on the hope of turning them into profitable innovations. Various kinds of

innovation goals may not be guaranteed to be perfect or even bring success, therefore it is desirable to develop a framework for innovation that can be used to make and respond to changes that will be introduced by others (Ganzer et al., 2017). One that can influence innovation is employee empowerment (Nasir et al., 2019), defined as “increasing employee motivation and involving them in the decision-making process, providing better alternatives for employees to have better performance, to provide higher quality services to customers, and to achieve goals. Another definition of employee empowerment is to allow decision making and consent to be used in human resources in classic management concepts.”

Knezović & Drkić (2020) shows that “transformational leaders tend to stimulate acceptance of empowerment by employees. The direct relationship that occurs between leader behavior and employee empowerment activities can shape employee and leader attitudes which are important for a company in facilitating the changes that occur.” Steinmann et al. (2018) explain that leadership is a personal process that aims not only to increase followers' motivation but also to increase job satisfaction, self-esteem, self-efficacy, and work commitment. Leadership is an individual's ability to influence, motivate, and make others contribute to the effectiveness and success of the organization. One of the existing leadership styles is a transformational leadership style (AlGhanem et al., 2019). Transformational leadership as “a process of providing loyalty to goals through employee empowerment, supporting the idea of having employees in more active roles and giving them authority as active participants. Transformational leadership that tries to make followers more active by giving them a certain authority, allows members of the organization to be involved in decision making” (Suryawan et al., 2021).

This leadership style uses an approach that is more sensitive to the needs of employees and makes their tasks more effective in line with organizational goals by building mutual motivational relationships (Vega et al., 2020). Transformational leaders help employees gain a vision (Laksmana & Riana, 2020). They give employees additional missions for them to contribute to this vision. Making changes in organizational culture, they make employees believe in themselves, that they can do more than they think, teach them how to be confident, and that what they do is important (Chhotray et al., 2018). Transformational leaders attach importance to the opinions of employees regardless of their position in the organization and they make them part of the process (Puspita & Dewi, 2020). The importance of placing employees and increasing employee effectiveness in the organization and their self-confidence are the basics of employee empowerment (Priastana & Mujiati, 2020).

Based on the description of the phenomena above, it was found that PT Media Sarana Data has the same phenomenon related to the effect of transformational leadership on employee empowerment and innovation. PT Media Sarana Data is an internet service provider company that has been established since 2009. This research was conducted at the Denpasar regional office which manages company activities in the areas of East Java, Bali and Mataram. The Human Resources Department (HRD) of PT Media Sarana Data revealed that there was a decline in revenue of up to 50% due to the COVID-19 pandemic. HRD of PT Media Sarana Data also revealed that there is a need for innovation because the products marketed by PT Media Sarana Data are targeting the hotel and office sectors which are currently temporarily closed due to the COVID-19 pandemic conditions, to increase sales to be able to survive in difficult economic conditions. During the COVID-19 pandemic. The innovation made by PT Media Sarana Data is by launching a new fiber stream product, a product targeting the home market that can increase the company's revenue.

II. HYPOTHESIS DEVELOPMENT

Ranjbar et al. (2019), Al Harbi et al. (2019) state that transformational leadership is positively and significantly related to employee creativity in an organization by conducting high levels of learning. Li et al. (2019) state that transformational leadership has a positive and significant effect on innovation. This influence means that transformational leadership is able to motivate employees to create new organizations for the company.

H1: Transformational leadership has a positive and significant effect on innovation.

Choi et al. (2016) stated that there is a positive and significant relationship between transformational leadership and empowerment. Transformational leadership can affect employee empowerment by building team spirit and can also provide job challenges to followers and increase followers' feelings of competence through the authority that has been given to employees related to empowerment. Research conducted by Chen et al. (2018), Anwar & Niode (2017) stated that transformational leadership can provide positive and significant impacts on employee empowerment. Transformational leadership can effectively facilitate employee needs and develop employee potential optimally.

H2: Transformational leadership has a positive and significant effect on employee empowerment

Aldaihani (2019), Hanaysha (2016), Nikpour (2018), Alkhodary (2016), Shahab et al. (2018), Anwar & Niode (2017), Cobanoglu (2021) show that there is a positive and significant relationship between employee empowerment and organizational innovation. By giving employees the opportunity to be independent, they will

feel more valued and in return will give more effort and take initiative. If the organization wants employees who are more innovative, then the leadership must promote employee empowerment in human resource practices.

H3: Employee empowerment has a positive and significant effect on innovation.

Javed et al. (2019) confirmed employee empowerment as a mediating mechanism in the relationship between transformational leadership and innovation. Transformational leadership promotes a work environment where individuals feel empowered by employees, where they try to take innovative approaches to completing tasks. Saeed et al. (2019) and Dedahanov et al. (2019) also found that employee empowerment mediates the effect of transformational leadership on innovation.

H4: Employee empowerment mediates the effect of transformational leadership on innovation

III. METHODS

This study uses a quantitative approach with the associative causality method. Associative causality research aims to determine the effect or relationship between two or more variables and to determine the cause and effect relationship. Associative method is used to analyze the effect of transformational leadership (X) on employee empowerment (Z) and innovation (Y). Using a quantitative approach because the data to be used to analyze the relationship between variables is expressed by numbers or a numerical scale.

The indicators of transformational leadership in this study are Idealized Influence Attributed (Generating a sense of pride, prioritizing company interests, self-confidence); Idealized Influence Behavior (Principled, Have a purpose, Togetherness); Individualized Consideration (Providing training, Knowing employee capabilities, Developing employee capabilities); Inspirational Motivation (Enthusiastic, Have high confidence, Optimistic); and Intellectual Stimulation (Research, open-minded, innovative)

Employee empowerment indicators in this study are Desire, Trust, Confident, Creadibility, Accountability, Communication. Innovation indicators in this study are Opportunity Exploration, Generativity, Formative Investigation, Championing, Applicationing

In this study, the population and sample are all employees at PT Media Sarana Data, amounting to 87 respondents. The method used in determining the sample is the nonprobability sampling method which is a saturated sampling method, all members of the population are used as research samples. The method used to collect the research data is by distributing questionnaires and measuring the answers of respondents using a Likert scale. This study uses path analysis techniques

IV. RESULTS AND DISCUSSION

Respondents in this study were dominated by men (57 respondents, 65.5%), because the number of technical operation employees is the department with the largest number of employees. Job demands that involve physical labor cause the percentage of male employees to dominate the respondents in the study. Respondents with an age range of 26-30 years dominate (41 respondents, 47.1%) where employees of PT Media Sarana Data are able to work optimally because they are at a productive age. respondents are mostly high school graduates, amounting to (40 respondents, 46%)

Based on the respondents' answers, the innovation variable has a score of 3.77 out of 5. The highest score is in the statement "This company raises concepts for development purposes" which is 4.02 out of 5. This indicates that the employees of PT Media Sarana Data new concepts are often given so that employees feel developing, then indirectly this can lead to high innovation.

Employee empowerment has a score of 4.09 out of 5, which means that the level of employee empowerment at PT Media Sarana Data is high. The highest score is found in the statement "My leader gives an award in order to create a work environment that competes in a healthy manner" which is 4.26 out of 5. This shows that PT Media Sarana Data employees compete with each other fairly among employees to get awards from their leaders. This can trigger a sense of empowerment among employees of PT Media Sarana Data because their work is rewarded more by their leaders.

Transformational leadership has a score of 4.06 out of 5, which means that the level of transformational leadership at PT Media Sarana Data is good. The highest score is found in the statement "My leader reviews the work of his employees to see if it is in accordance with the standards" which is 4.31 out of 5. This proves that the leader at PT Media Sarana Data ensures that the work of employees is in accordance with the standards set by company. This also indirectly proves that the leader at PT Media Sarana Data is a transformational leader for its employees.

Table 1. Result of Path Analysis 1

Variable	UnstandarizedCoefficient		StandarizedCoefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	11.052	2.438		4.534	0.000
Transformational leadership	0.222	0.040	0.519	5.595	0.000

(X)				
Dependent Variable	Employee Empowerment(Z)			
R Square	0.269			
F Statistics	31.304			
Significance of the F Test	0.000			

The total determination value (R-Square) is 0.269 which means that 26.9% of employee empowerment variables are influenced by transformational leadership variables, while the remaining 73.1% is explained by other factors that are not included in this research model.

Table 2. Result of Path Analysis 2

Variable	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.083	2.040		1.021	0.000
Transformational leadership (X)	0.187	0.035	0.507	5.372	0.000
Employee Empowerment (M)	0.218	0.81	0.252	2.674	0.009
Dependent Variable	Innovation (Y)				
R Square	0.453				
F Statistics	34.836				
Significance of the F Test	0.000				

The influence of independent variables on the dependent variable can be seen through the total determination value (R-Square) of 0.453 which means that 45.3% of the innovation variable is influenced by transformational leadership and employee empowerment variables, while the remaining 54.7% is explained by others factors that are not included in the model. The total determination value is 0.601, which means that 60.1% of PT Media Sarana Data's employee innovation variable is influenced by transformational leadership and employee empowerment, while the remaining 39.9% is explained by other factors not included in the research model.

Based on the results of the path analysis, the effect of transformational leadership on innovation obtained a significance value of 0.000 with a positive regression coefficient of 0.507. A significance value of $0.000 < 0.05$ indicates that **H1 is accepted**. These results mean that transformational leadership has a positive and significant effect on the innovation of PT Media Sarana Data. This finding also means that the better the level of transformational leadership, the innovation of PT Media Sarana Data will also increase. This is also related to the theory used in this study, namely the theory of social exchange. When transformational leadership is at a good level, employees will respond to this by bringing up innovative ideas for the company. The effect of transformational leadership on employee empowerment obtained a significance value of 0.000 with a positive regression coefficient of 0.519. A significance value of $0.000 < 0.05$ indicates that **H2 is accepted**. These results mean that transformational leadership has a positive and significant effect on employee empowerment of PT Media Sarana Data. These findings also explain that the better the level of transformational leadership, the empowerment felt by employees of PT Media Sarana Data will also increase.

The effect of employee empowerment on innovation obtained a significance value of 0.009 with a positive regression coefficient of 0.252. A significance value of $0.000 < 0.05$ indicates that **H3 is accepted**. This result means that employee empowerment has a positive and significant effect on the innovation of PT Media Sarana Data. These results also explain that the higher the level of empowerment felt by employees, the level of innovation at PT Media Sarana Data will also increase. In accordance with the social exchange theory, when employees feel empowered, the desire to give back to the leader and the company will arise, in this case in the form of innovative ideas that companies can use to increase the level of innovation. Therefore, the Z count from the single test is $2.42 > 1.96$, it means that employee empowerment (Z) is a variable that is able to mediate the effect of transformational leadership on the innovation of PT Media Sarana Data (**H4 accepted**). Transformational leadership has an indirect effect on innovation through the mediating role of employee empowerment variables. When employees have transformational leaders, they will feel empowered. Through the empowerment felt by these employees, there is a desire to give back to their transformational leader. This is in the form of emerging innovative ideas for the company. This is in accordance with the social exchange theory used in this study. These results explain that the transformational leadership carried out by the management of PT Media Sarana Data can increase the level of employee empowerment so that innovation can also increase.

The direct effect of the transformational leadership variable on innovation is 0.507; The direct effect of transformational leadership on employee empowerment is 0.519 and the direct effect of employee

empowerment on innovation is 0.252. This means that the innovation variable is more influenced by the transformational leadership variable. The indirect effect of the transformational leadership variable on innovation through employee empowerment as a mediating variable is 0.131 so that the total effect of the transformational leadership variable on the innovation variable through the employee empowerment variable as a mediating variable is 0.638. This means that the total effect of the transformational leadership variable on the innovation variable is greater than the indirect effect of the transformational leadership variable on the innovation variable through the employee empowerment variable as a mediating variable.

V. CONCLUSION

Based on the explanation from the previous chapter, the conclusion obtained from this research is that Transformational Leadership has a positive and significant effect on Employee Innovation and Empowerment; Employee empowerment has a positive and significant effect on innovation and employee empowerment mediates the significant effect of transformational leadership on innovation.

Management is advised to put more effort into implementing employee ideas in company business practices and also increase efforts to develop more innovative ideas so that company innovation does not decline. This can be done by filtering employee ideas that are considered the most useful for the company, and motivating employees to think more innovatively. Pay more attention to employee empowerment indicators such as: employees have a sense of responsibility for the authority they receive so that the empowerment felt by employees does not decrease. Management can instill a sense of responsibility in employees so that they can feel more responsible for the authority that has been entrusted to them by the company. Management is expected to train its leaders to be more optimistic when talking about the future and to suggest new ways for employees to complete their tasks by creating transformational leadership seminars and trainings. This can be done so that the level of transformational leadership perceived by employees does not decrease.

Research Limitations

This research was carried out only within the scope of the company PT Media Sarana Data so that these results cannot be used in different companies in similar or non-similar business fields. The factors that influence innovation behavior in this study are transformational leadership and employee empowerment, while there are many other factors that can influence based on the available literature. The limited time available is because this research was conducted during the COVID-19 pandemic which caused research activities in this case the distribution of the questionnaire was not optimal because it could not assist respondents intensively when answering questions in the questionnaire.

For further research, it is expected to be able to add variables that can influence purchasing decisions, and be able to improve the results of better research in finding a larger number of samples and can also replace research locations that do not only focus on one research location, thus providing an insight which is more and can be implemented in general.

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