

The Effect of Psychological Empowerment on Innovative Behavior with Transformational Leadership Style as Moderator Variable

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ABSTRACT

State-Owned Enterprises (BUMN) is a company that has a role as an agent of value creator and agent of development. So what must be done is to improve the performance of BUMN, restructure BUMN and establish new BUMN. In achieving its goals, this role must be realized by carrying out a high innovation from every individual who is in a company. In terms of increasing innovative behavior, an application of psychological empowerment is needed in the company and moderated by leaders who have a Transformational Leadership Style. This study used a quantitative research method using a structural equation model (Structural Equation Model-Partial Least Square/SEM-PLS). Respondents in this study amounted to 35 employees with certain criteria. The results of the study show that there is an influence on Psychological Empowerment on Innovative Behavior, while the magnitude of the influence is 0.523. There is also the influence of Transformational Leadership Style on Innovative Behavior with a magnitude of 0.495. As a moderating variable, Transformational Leadership Style can also moderate the effect of Psychological Empowerment on Innovative Behavior with a score of 0.149.

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1. INTRODUCTIONS

In the midst of very fluctuating global economic developments, economic development must be the main priority of the government in running a country in addition to other national problems. There have been many efforts made by the government to carry out a transformation of the economic movement in order to create a community-based creative economy to increase opportunities for productive sectors and open new jobs. However, in the context of developing countries, they often experience obstacles regarding industrialization efforts resulting in minimal access to capital, so the need for innovation in State-Owned Enterprises (BUMN) is vital [1].

[2] stated that based on the type of company, in 2020 there were 13 BUMNs in the form of Perums, 80 BUMNs in the form of Persero and 14 BUMNs in the form of open Persero. For state-owned companies engaged in financial and insurance activities, there are 15 companies in the form of state-owned companies and public companies. One of them in the discussion of this study is engaged in the category of financial and insurance activities. However, in this case, there is a need for follow-up from a BUMN Company to prepare all needs that have an impact on National Economic Recovery. In this case, [3] states that to overcome the economic impact caused by Covid-19, BUMN is involved in the PEN program, namely extending credit to MSMEs and cooperatives; as well as guarantee working capital loans. Credit to MSMEs and cooperatives is channeled through several BUMN engaged in financial and insurance activities.

However, the main problem is BUMN as an agent of value creator and agent of development. As an agent of value creator, SOEs are expected to be able to contribute profits to the state. As agents of development, SOEs are expected to contribute to national development, including in economic recovery during the Covid-19 pandemic. To achieve this goal, the Government has made State Equity Participation (PMN) of IDR 219 trillion (2005-2019) which is used to improve the performance of BUMNs, restructure BUMNs and establish new BUMNs [3], implemented, human resources are needed to manage it. Without human resources, an organization/industrial activity that is planned will never reach its goals [4]. According to [5] said that basically, an organization/industry especially a company must be able to handle these problems in order to have competitiveness, this depends on the organization in its management, the products produced by an organization depend on the creative ideas of employees. Supported by research [6] which states that if an organization wants to increase innovation and competitiveness is to encourage every member of the organization to work innovatively.

Innovative behavior is defined as individual behavior that aims to achieve an attitude of initiative (at work, group or organization) ideas, processes, products as well as new and useful organizational ways of working. Change is a result of every achievement of innovation, even though every change is not always followed by new ideas, there is an influence on change, development and growth of an organization. There are several stages for someone to behave innovatively, namely, exploring opportunities, generating ideas, fighting for ideas and fighting for these ideas [7]. In other words, individuals who have innovative work behavior are the result of a process carried out by each individual in pursuing their ideas.

There are several predictors that are driving forces to show innovative behavior. In various studies, not much has been examined from the internal aspect, but researchers tried to quote from the results of research [8] which showed that there was a significant relationship between *psychological empowerment* and innovation behavior. Supported by the statement [9] which states that someone who has four aspects of the emergence of psychological empowerment such as meaningful work, strong self-purpose, competency possessed, and the impact of work results there is a link between *psychological empowerment* and innovative behavior.

Given the important role played by SOEs in the National Economic Recovery, the concept of *psychological empowerment* is an important concept and needs to get more attention because *psychological empowerment* is a reference for

empowerment among employees. The goal is the human resources themselves so that someone who is deceived will have good personal control, besides that it can also motivate other employees to be involved in managerial and positive work. With that, if the organization implements empowerment then the contribution of each employee will increase to the organization [10].

[9] stated that *psychological empowerment* has the goal of giving power and control to individuals so that they feel able to complete their work. Supported by research [11] which explains that there are four elements to be able to empower employees so that they can work more freely to complete their work, namely, information, skills and knowledge, power and appreciation. Apart from the competence of each employee, the Company must also pay attention to several things such as gender, education level, position level, *locus of control* and years of service, these are things that influence the formation of *psychological empowerment*. The organizational factors that also influence *psychological empowerment* are span of control, role ambiguity, access to information and resources, social support, work climate and so on [12].

Based on these theoretical assumptions, the researcher conducted a literature review to further analyze the description of the problem and the causes for the emergence of innovative behavior. [13] stated that as much as 80% of new ideas were put forward by employees and the remaining 20% were the result of planning carried out by the organization strategically and structurally, this was an increase in innovation within the organization. In another research perspective, there are two factors that influence innovative behavior, namely internal and external factors. *self-leadership* from research [14] is an internal factor, while the leadership style from research [7] is an external factor that influences the emergence of innovative behavior. [15] stated that innovative behavior arises because of the strong influence of a leader in creating innovation, this can happen because innovation is a social process. This is supported by research [16] which states that there is a significant influence on transformational leadership on innovative behavior, this is shown by employees so that a company can easily build innovation. Responding to this, [17] said that the leader is the originator of the idea of goals, planning, organizing so that goals can be achieved effectively and efficiently. This is supported by research from [18] which says that the transformational leadership style is the right thing to apply in order to create quality and empowered employees. Supported by research [19] that a leader who has a transformational leadership style can increase employee awareness and support higher quality work and greater innovation. Also added by [20] which states that transformational leadership is shown by the behavior of effective leaders in changing the basic values, beliefs and attitudes shown in the organizational environment so that employees are willing to improve their performance for the organization.

An employee really needs knowledge intake to increase work performance. useful to be applied in every day's work so as to enhance exploration and relations between employees [21]. An employee's performance can have an impact on an organization, when an employee has extensive knowledge of his work [22]. The level of innovation of an organization to solve a problem and its organizational management is determined by the ability of an organization to change and utilize its knowledge[16]. [23] said that transformational leadership is considered as a good leadership model to increase innovative behavior. because transformational

leadership can bind to the personal values of followers and encourage them to do something beyond the usual reciprocity for expected performance. The same thing was said by [24] that connected trust in each employee can increase employee knowledge with their leaders in an organization if the leader emphasizes a transformational leadership style.

From this explanation, the researcher suspects that the leadership style is transformational can strengthen or weaken the influence of both, as stated by Burn [25]. Every employee will feel motivated and inspired if a leader applies a transformational leadership style, besides that the role of an employee develops in a better direction and can be profitable in every aspect of the Company's productivity due to the efforts of leaders with transformational leadership styles. Researchers suspect if a company does not apply a transformational leadership style will weaken the effect of *psychological empowerment* so that innovative behavior does not emerge. So we need a transformational leadership style to strengthen the effect of *psychological empowerment* on this innovative behavior. This is because, in the transformational leadership style there are the following aspects, the leader has a strong role as a *role model* for his followers, a leader who has a vision to motivate his followers, a supportive leader to try new approaches and develop innovative ways and a leader who can build climate by listening to what the needs are and being able to mentor followers so that they are more actualized it is believed to improve *psychological empowerment* which can also increase innovative behavior.

Departing from the various descriptions of the phenomena and research assumptions that have been explained, the researcher is interested in conducting further studies on "The Influence of *Psychological Empowerment* on Innovative Behavior with Transformational Leadership Styles as moderator variable".

2. METHOD

The approach used in this research is a quantitative approach. In quantitative research it is focused on examining every relationship between variables used to test a particular theory [26]. In addition, [27] said that the quantitative method is defined as a research method based on a positivist philosophy which has fulfilled scientific principles, such as researching certain populations and samples for empirical, concrete, rational and systematic testing. In this study, *structural equation modeling (SEM)* will be used to measure the extent to which *psychological empowerment* and transformational leadership style variables directly or indirectly influence other variables, namely innovative behavior. So to find out this connection, the researcher used the *Partial Least Square (PLS)* method.

In this study, the questionnaire became a method of collecting research data. [27] said that the questionnaire is a set of written statements or questions posed to respondents to be answered. The questionnaire became a data collection tool because the researcher found a picture based on the results of the answers from the respondents and with a large number of respondents there was a possibility that the data collection process would be more effective and efficient when using a questionnaire.

[27] said that the research instrument is a set of tools needed when conducting research to measure something that is obtained by calculating the value of the variable under study. In this study the measurement scale to be used is the Likert scale. This is because the Likert scale is the right scale to use in measuring attitudes,

perceptions, and views of an individual or group on a problem. The measuring tools in question include the *Innovative Behavior Scale* to measure Innovative Behavior, *Psychological Empowerment Scale* to measure *Psychological Empowerment* and the *Multifactor Leadership Questionnaire* (MLQ) to measure Transformational Leadership Style.

The analysis technique used in this study is *Partial Least Square* (PLS) and the data is processed using *SmartPLS software*. This method is used as an alternative to variance-based SEM and has the advantage that it can be estimated with a small number of samples. This study used the help of *SmartPLS software* which was built with the aim of measuring variance-based structural equations. There are several steps that must be carried out in this method with the help of *SmartPLS software*.

3. RESULTS AND DISCUSSIONS

The results in this study are shown through the significance of the influence between the constructs which can be seen from the path *coefficient*. The sign in the *path coefficient* must be in accordance with the hypothesized theory, to assess the significance of the *path coefficient* can be seen from the t test (*critical ratio*) obtained from the *bootstrapping process (resampling method)*. The t test performed is the result of the t test from *bootstrap*. The results of the t test will then be compared with the t table value or compared between the p-value with a significant level. For testing, it can be seen by comparing the calculated t value and t table or *p-value* with a significant level (α). The test criterion is reject H_0 if $t \text{ count} < t \text{ table}$ or $p\text{-value} < \alpha$.

- a) The t statistics value for *Psychological Empowerment* on Innovative Behavior is 4,423 with a p-value of 0.000. When compared with a significant level of 5%, then the p-value (0.000) < significant level (5%), so that H_0 is rejected . Thus it can be concluded that there is a significant effect of *Psychological Empowerment* on Innovative Behavior. The magnitude of the effect of *Psychological Empowerment* on Innovative Behavior is 0.523. The positive path coefficient indicates that the higher the *Psychological Empowerment* , the higher the Innovative Behavior.
- b) The t statistics value for Transformational Leadership Style on Innovative Behavior is 4,304 with a p-value of 0.000. When compared with a significant level of 5%, then the p-value (0.000) < significant level (5%), so that H_0 is rejected . Thus it can be concluded that there is a significant influence of Transformational Leadership Style on Innovative Behavior. The magnitude of the influence of Transformational Leadership Style on Innovative Behavior is 0.495. The positive path coefficient indicates that the higher the Transformational Leadership Style, the higher the Innovative Behavior.
- c) The t statistics value for *Psychological Empowerment* on Innovative Behavior with Transformational Leadership Style as moderation is 3,013 with a p-value of 0.003. When compared with a significant level of 5%, the p-value (0.003) < significant level (5%), so that H_0 is rejected . Thus it can be concluded that there is a significant moderating effect of the Transformational Leadership Style on the relationship between *Psychological Empowerment*

and Innovative Behavior. The magnitude of the Moderation effect of Transformational Leadership Style on the relationship of *Psychological Empowerment* to Innovative Behavior is 0.149.

Evaluation process *R-Square*, it can be seen that the influencing variables such as *Psychological Empowerment* and transformational leadership style together amounted to 88.6%, while after the moderating effect increased to 91.6% or 0.916. This indicates that there is an increase in the moderating effect of Transformational Leadership Style on the relationship between *Psychological Empowerment* and Innovative Behavior.

The results of this study indicate that *Psychological Empowerment* influences Innovative Behavior. This means that the *psychological empowerment* possessed by employees at PT. X. This study also shows that the relationship between *psychological empowerment* and innovative behavior is a positive relationship, seen from the analysis of the path coefficients. This means that the higher the path coefficient which is positive indicates the higher the *Psychological Empowerment*, the higher the Innovative Behavior.

These results are in accordance with research assumptions that refer to theory and previous studies. Where [28]*psychological empowerment* can influence innovative behavior because it can stimulate employee motivation to complete work effectively. One of the causes of the emergence of innovative behavior is psychological empowerment, where psychological empowerment has an impact on employees regarding the perception of the importance of a job, self-fluency, independence and the impact on work that controls them to manifest innovative behavior. So when a company instills psychological empowerment in its employees, this will lead to innovative behavior in employees, and vice versa [29]. This certainly has an impact on individual development and is manifested in employees so that they are able to convince others and can complete their work effectively [30].

In addition, the results of this study also show that the transformational leadership style has an influence on innovative behavior. This means that the Transformational Leadership Style can influence the innovative behavior of employees of PT. X. This study also reveals that the relationship that occurs between the variables of transformational leadership style and innovative behavior is a positive relationship, seen from the value of the path coefficient. The positive path coefficient indicates that the higher the Transformational Leadership Style, the higher the Innovative Behavior.

Transformational leadership styles can play a role in influencing the relationship between *psychological empowerment* and innovative behavior. Transformational leadership style can strengthen or influence the effect of *psychological empowerment* on innovative behavior. This means that transformational leadership style can be a moderator variable.

4. CONCLUSION

Based on the formulation of the problem, the results of the analysis and discussion of the data, the authors obtain several conclusions that can be drawn from research on the influence of Psychological Empowerment on Innovative Behavior with

Transformational Leadership Styles. The results of this study indicate that there is an influence on Psychological Empowerment on Innovative Behavior as evidenced by a t-statistic value of 4,423 with a p-value of 0.000 <significant level (5%), the magnitude of the influence is evidenced by a number of 0.523. There is also an influence on the Transformational Leadership Style variable on innovative behavior with a t statistic value of 4,304 with a p-value of 0.000 <significant level (5%), the magnitude of this influence is evidenced by a number of 0.495. Plus the role of Transformational Leadership Style on the influence of Psychological Empowerment on Innovative Behavior with a statistical t value of 3,013 with a p-value of 0.003 <significant level (5%), in the sense that Transformational Leadership Style can moderate the other two variables by 0.149.

Based on the calculation of the R² value, it is known that the Moderation Role of Transformational Leadership Style on the influence of Psychological Empowerment on Innovative Behavior has a strong influence so that the resulting value increases significantly with a value of 91.6% or 0.916. Previously without a moderating effect, the variables Psychological Empowerment and Transformational Leadership Style together influenced Innovative Behavior with a value of 88.6%. This indicates that there is an increase in the moderating effect of Transformational Leadership Style on the effect of Psychological Empowerment on Innovative Behavior.

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