Learning Organization Leadership Innovation (LOLI) and Employee Performance in Creative Industries

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ABSTRACT
This study aims to analyze the direct influence of leadership on learning organization, the influence of learning organization on employee performance, the influence of leadership on innovation, and the influence of innovation on employee performance. The population in this study was all employees of handicraft Small and Medium Enterprises (SME) in Malang City. The sampling technique used is probability sampling with a sample size of 50 respondents. The analysis used is path analysis using SmartPLS 3.0 software. The results showed that leadership has an influence on the application of learning organization, learning organization has an effect on employee performance, leadership encourages employees to innovate, and the innovations can improve employee performance. The role of a leader to encourage employees to continue learning and innovating in SMEs will create a good impact on the performance of employees and SMEs.

Keywords: Learning organization, leadership, innovation, performance

INTRODUCTION
The success and sustainability of an organization is determined by the role of a performance. The more productive and higher the performance by employees, the more an organization will increase and develop and improve the economy of the organization, employee performance is the output produced by employees in achieving organizational goals. The performance indicators themselves are measured based on the quality of work produced, the quantity provided, and the timeliness of completion. Employees have an important role in achieving organizational goals. Without understanding employees, the organization will experience obstacles in its development. Small and Medium Enterprises or SME is one sector that has an important role in Indonesia’s economy. In addition, SMEs have an impact on the welfare of society also, especially in helping community empowerment. The creative industry also develops and influences SMEs. The sustainability of SMEs will continue if the SMEs can create something innovative and creative. This continuity is based on employee performance. The higher
and more productive the employee's performance, the better SMEs’ continuity. Employee performance is influenced by several things, one of which is the learning organization. Learning organization in the SME sector plays an important role in organizations (Suliyanto & Rahab, 2012). When the learning organization is deeply embedded in creative industry SMEs, all businessmen automatically, whether owners or employees in a creative industry SME group, will be encouraged to continue learning in the spirit of sharing knowledge and experiences. With continuous learning, there will be active activities for employees to participate in sharing experiences and knowledge with fellow employees. In general, this concept can be interpreted as the ability of an organization to continuously carry out the learning process (self-learning) - so that the organization has "the speed of thinking and acting" in responding to the various changes that arise. In the real context, the theme of the learning organization is believed to have become an apropos way to avoid losing in a business competition.

Employees who understand the concept of learning organization will experience improvements in terms of productive performance, employee turnover, satisfaction, and commitment in the organization (Dirani, 2009; Egan et al., 2004). Research conducted by Dirani (2009) shows that sharing knowledge, participating, and collaborating among employees within the organization is proven to have an important influence on organizational learning to increase employee satisfaction. Learning organization can be facilitated if there is a role of leader. Good leaders are leaders who are able to provide the best for the organization and encourage employees to always work better. With a leader who always provides inspire, motivates, and encourages to always thinking innovatively and creatively, and also gives attention to the employee, it will facilitate employees to always learn and will improve employee performance. In the creative industry SMEs, the importance of leadership will affect employee satisfaction at work (Miri, 2006). His research states that in operating existing systems and cultures, the leader tries to satisfy the needs of their members by providing rewards or incentives for behavior change. Rumijati (2020) and Safitri et al., (2018) stated that there is an influence of learning organization on employee performance. With the increase and application of learning organization in an organization, will have an impact on improving employee performance.

SMEs especially in the handicraft business sector has an important role in the economy due to the large number of SMEs. Consequently, these SMEs also contribute to generating regional and even state income. The problems that are often faced by handicraft SMEs are low productivity, limited capital access, limited market access, and human resources quality. In SMEs, a learning organization needs to be given to the human resources sector. Serious attention is required for the sustainability of SMEs and the creation of creative industries, including the owners of the SMEs. SMEs’ owners in the leadership process need to monitor developments and SMEs’ needs.

This study examines the handicraft SME industry in Malang City. The number of similar SMEs motivates leaders to always compete and give their best. The existence of creativity and innovation needs to be considered so that the sustainability of SMEs is
maintained. For this reason, a good leader will make a positive contribution to employee performance and encourage the advancement of handicraft SMEs. One of the creative industry SMEs in Malang City that has good potential is the handicraft SME. There is an increasing demand and along with similar SMEs that emerge, innovation is needed to produce quality products. Therefore, employees are increasingly motivated to work better and have a good impact on SMEs. With the phenomenon that has been described regarding the learning organization that needs to be applied to SMEs, which are influenced by leadership, and efforts to generate innovative attitudes and improve employee performance, this study is essential.

LITERATURE REVIEW

Learning Organization

According to Agapita (2006), a determining learning organization is an organizational process or activity that aims to achieve ideal conditions for a learning organization. However, the notion of learning organization emphasizes the organization which provides opportunities for individuals in it to learn and not emphasizes the learning process. According to Marquardt (2002), the scope of learning organization includes continuous development and adjustment to existing changes and is able to create new goals and/or approaches.

The sources of knowledge and learning come from the ideas and opinions of organizational members, research & development (R&D), input from customers, exchange of opinions/experiences between individuals regarding the organization. The success of individuals in a learning organization is very dependent on gaining opportunities to learn and practice new things and skills. An organization can invest through education, training, and various other opportunities provided for its members to grow and develop.

The dimensions of a learning organization according to Senge (2006) that building a learning organization has 5 key disciplines, namely: System Thinking, which is an attempt to see or understand a problem as a whole and interrelated which is directed to a pattern of change. Not having a narrow mindset in solving a problem, must be discussed openly, in a dialogue and listening; Mental models are images, assumptions, and stories that exist in our minds, the minds of others, the organization in every aspect of the external world. Mental models are very influential in shaping, determining, and influencing our views, attitudes, actions, decisions, and actions; Personal mastery where each individual in the organization must continue to cultivate self-confidence, focusing energy, always want to know, observe a reality objectively, develop patience and have a good personality. For organizations, it is important to continuously strive to encourage and develop all of its members to realize the goals and objectives, goals and meaning of working according to the expectations they have chosen; Team learning is a group of people who are increasingly able to learn to carry out learning generatively and continuously. How the team continuously learns to align and develop individuals’ potentials and achieve a shared vision. The process of transforming speech and thinking skills, so that a group can legally develop a bigger brain and abilities than when each group member works alone; Building a shared vision, A shared vision is a vision that most members of the group/association/organization commit sincerely to because it
reflects their own personal visions. A personal vision is a collective agreement that can create a common identity and be able to connect hundreds or even thousands of people.

Leadership

According to Rivai & Mulyadi (2009), leadership is translated into traits, personal behavior, influence on others, patterns, interactions, cooperative relationships between roles, the position of one administrative position, and persuasiveness, and perceptions of others about the legitimacy of influence. Thoha (2010) leadership is an activity to influence the behavior of others, or the art of influencing human behavior, both individually and in groups. Rivai & Mulyadi (2009) state that leadership style is a set of characteristics used by leaders to influence subordinates so that the organization goals are achieved, or it can also be said that leadership style is a pattern of behavior and strategies that are liked and often applied by a leader. Therefore, the right leadership style is a style that can maximize productivity, job satisfaction, growth, and easily adapt to any situation that develops and is around. Transformational leadership is an ability performed by a leader in influencing individuals to achieve common goals. Transformational leadership is a good leadership concept to be applied to organizations because leaders will pay more attention to employees, provide motivation, and drive the employee to always develop.

Innovation

The concept of innovation has a long history and different meanings, mainly based on competition between companies and different strategies that can be used to compete (Hermana, 2006). Samir & Larso (2002) defines innovation as generating, receiving, and implementing new ideas, processes, products or services. Innovation is essentially a conceptualization activity, as well as the idea of solving problems by bringing economic value to the company and social value to society. Thus, innovation originated from something that already existed, then added value (Soleh, 2008). 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. According to (Soleh, 2008), there are 3 dimensions of innovation that needs to be considered: Products, Product Innovation, changes in products or services due to a request to the company. Product and service innovation continues to increase in terms of differentiation to meet the specific needs of specific users. Product and service innovation also affects the quality of products and services, but also has a greater effect on reputation (brand image) and value or innovation; Process. The innovation process occurs in the journey in which products are created and delivered. Process innovation leads to new operating methods by producing new ones, producing new technologies, or developing the capabilities of the people in the company. The innovation process aims to reduce costs and increase productivity in supply-chain and demand chain activities. Process innovation also helps improve the relative quality and reduce costs, thereby the relative value of these products and services; Technology, on the one hand, technology can be defined as the ability to recognize technical problems and exploit concepts that can solve the existing technical problems, and on the other hand, technology is a device such as equipment, software, and hardware used to solve operational problems effectively in an organization (Ellitan & Anatan, 1997).

Employee performance

Employee performance is the employee's achievement in attaining goals and has an impact on organization success. Performance is used as a measure of success for employees. With good employees’ performance, the organization will also develop.
Mangkunegara (2013) stated that employee performance is the work result in terms of quantity and quality achieved by employees during a certain period in accordance with the assigned duties and responsibilities. Indicators of performance are measured by quantity, quality, and punctuality. Robbins & Judge (2015) stated that performance is a contribution made by individuals or groups in supporting and achieving organizational goals. Dharma (2003) stated that there are eight performance indicators: consistent, precise, challenging, measurable, achievable, agreed upon, linked to time, and group-work oriented.

**The influence of leadership on organizational learning**

Leadership is a process of influencing individuals or groups to achieve organizational goals. Leaders who have a charismatic attitude, are able to provide inspiration, give attention to team members, and stimulate employees to always strive to achieve organizational goals are leaders who transform an organization for the better, which is called transformational leadership. The leader's focus is to provide the best for the organization and be able to achieve organizational goals, and this is what transformational leaders have. A learning organization is an organizational process or activity that aims to achieve ideal conditions for a learning organization (Agapita, 2006). An organization where the organization continuously expands its capacity to create desired goals, with new thought patterns and people who are constantly learning is called a learning organization (Senge, 2006). In order to achieve organizational goals, the organization has an important role in its individuals' development by carrying out joint learning. This requires the facilities owned by the organization, one of which is the leader. With a leader who has the desire to develop his capacity to achieve organizational goals, the leader needs to facilitate and provide space for employees to always learn. The focus of learning organization is the process of learning together and continuously in an organizational process and later there will be a learning and knowledge development so that the employee can achieve good performance (Argyris & Schon, 1996). Sahaya (2012) stated that the organizational learning process is driven by leadership so that it supports the existence of knowledge and how leaders achieve organizational goals. Octavia & Devie (2015) also stated that there is a significant influence between transformational leadership on organizational learning.  

H1. Leadership has a significant effect on learning organization

**The influence of learning organization on employee performance**

Argyris & Schon (1996) stated that the focus of learning organization is the learning process carried out by a number of employees in developing knowledge so as to achieve good performance. By sharing knowledge and experiences possessed by employees, the knowledge will increase and will improve employee performance. Paraskevi & Panagiotis (2015) also stated that there is an effect of a learning organization on employee performance. With continuous learning and change by the organization, it will increase employee knowledge and experience further and will increase employee performance. Safitri et al., (2018) stated that there is a significant influence between learning organization on employee performance.  

H2. Learning organization has a significant effect on employee performance

**The influence of leadership on innovation**
Leaders have an important role in organizational success. A successful organization is when the achievements made are in accordance with the goals set by the organization. SMEs have an important role in the economy and the welfare of society. For the sustainability of SMEs, it is necessary to have the required innovations for each output produced. Leaders have a role in providing intellectual stimulus, namely providing opportunities for employees to continue to innovate and be creative in their work. In addition, leaders need to provide motivation and attention to their employees so that they always work innovatively and creatively. Aditya & Ardana (2016) stated that the stronger the transformational leadership applied by the organization, the higher the innovation work that will be generated. Asbari et al., (2019) also stated that the role of a leader in an organization will encourage employees to carry out innovative work behavior.

H3. Leadership has a significant effect on innovation

The influence of innovation on employee performance

Innovation is needed by the SME sector. With changes and ever-changing demands, the SME sector businessmen are looking for ways to maintain the sustainability of SMEs. Innovation is one of the ways that SMEs in producing an output. With the innovation and creative development that employees have, it will have an impact on employee performance. Employees will race to produce the best and have a good impact on SMEs. Dama & Ogi (2018) stated that there is a significant influence between innovation on employee performance. In line with research conducted by Riansyah & Deden A., (2018), it is stated that there is a significant and positive relationship between innovation and employee performance. The better and the more often the employee to innovate and be creative at work, the better the employee's performance will be.

H4. Innovation has a significant effect on employee performance

![Conceptual Framework](image)

**Figure 1.** Conceptual Framework

**RESEARCH METHOD**

The methodology used in this study is a quantitative approach with this type of explanatory research which aims to explain the causality relationship simultaneously between variables through hypothesis testing. A questionnaire is used for data collection. Respondents used in this study were employees of handicraft MSMEs in Malang City. The technique used is saturation sampling where all members of the
population are sampled, which is 50 employees. The data analysis used in this study was the smart PLS 3.0 analysis tool. The definition of operational variables in this study is: leadership variable (X) uses transformational leadership with 4 indicators, namely idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Furthermore, learning organization variable (Z1) uses indicators of System Thinking, Mental Models, Personal Mastery, Team Learning, Building a shared vision. Innovation (Z2) is the application or development of new ideas in the process of doing something, both products, and services. Innovation indicators are product, innovation, and technology. Employee performance (Y) is an employee achievement in achieving the goals and objectives of the organization. Performance indicators are quantity, quality, and punctuality.

The results of the reliability testing in this study are described in table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>0.521</td>
<td>0.776</td>
<td>0.829</td>
<td>Reliable</td>
</tr>
<tr>
<td>Learning Organization</td>
<td>0.724</td>
<td>0.921</td>
<td>0.940</td>
<td>Reliable</td>
</tr>
<tr>
<td>Innovation</td>
<td>0.670</td>
<td>0.900</td>
<td>0.924</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.615</td>
<td>0.876</td>
<td>0.905</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Results of data analysis, 2019

Based on Table 1, the AVE value in each variable has a value of more than 0.5 and meets the requirements and is declared as valid (Ghozali & Latan, 2015). The Cronbach’s Alpha value of each variable also has a value greater than 0.7 so that all constructs of these variables are said to be reliable. The results of the Composite Reliability of each variable also have a value greater than 0.7 so that it is declared reliable.

RESULT AND DISCUSSION

Respondents in this study were MSMEs in Malang. The handicraft MSMEs in Malang City, which has various types of handicrafts, keeps producing distinctive handicraft products. MSMEs are one of the economic sectors in the middle class that it is able to empower employment, production, etc. The total number of respondents who became respondents was 50 people.

The characteristics of the respondents based on sex are 86% women and 14% men. MSMEs’ employees are dominated by female employees. Characteristics of respondents based on age are 30% 36-40 years old and 28% 41-45 years old respondents. Respondents aged 46-50 years were 26% and those over 50 years old were 8%. This shows that the respondents are mostly in the mature age range so that the respondents have quite a lot of experience and are crisscrossing the MSMEs sector. The characteristics of respondents with the latest education level indicate that respondents with a high school education level dominate with the number of 78%, respondents with a junior high school education level are 12%, and respondents with a diploma/bachelor education level are 10%. Respondents based on the year of service are mostly had a service period of 1-5 years, namely 90%. Furthermore, those who have a work period of 6-10 years are 10%. Respondents with a work period of > 5 years are 2.4%
The data analysis technique in this study is partial least square (PLS) with the SmartPLS 3.0 analysis tool. The results of data analysis describe the direct effect between the four variables presented in Figure 2:

![Figure 2. Results of Data Analysis](image)

The results of the direct effect statistical test are presented in table 2:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variabel Relationship</th>
<th>Path Coefficient</th>
<th>t-statistic</th>
<th>p-value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Leadership (X) -&gt; LO (Z1)</td>
<td>0.813</td>
<td>16.523</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>LO (Z1) -&gt; Performance (Y)</td>
<td>0.526</td>
<td>3.734</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Leadership (X) -&gt; Innovation (Z1)</td>
<td>0.918</td>
<td>35.287</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Innovation (Z2) -&gt; Performance (Y)</td>
<td>0.302</td>
<td>2.154</td>
<td>0.036</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2020

The results of the direct effect analysis are presented in Figure 1 and Table 1, the influence of leadership on learning organization at a coefficient value of 0.813 and a significant level of 0.000. Because the t-statistic > 1.96 and p-value < 0.05, then it considered has a significant effect. Thus, hypothesis 1 is accepted. The effect of learning organization on employee performance is significant at the coefficient value of 0.526 and t-statistic of 3.734. Because t-statistic > 1.96 and p-value < 0.05, then it considered has a significant effect. Thus, hypothesis 2 is accepted. Leadership towards innovation has a significant result at the coefficient value of 0.918 and t-statistic of 35.287. Because the t-statistic > 1.96 and p-value < 0.05, then hypothesis 3 is accepted. Hypothesis 4 in this study is also accepted because the innovative effect on employee performance has a significant effect as indicated by a statistical value of 2.154, which is more than 1.96 with a significance of 0.036.

The results showed that there was a significant influence between leadership on organizational learning. In this study using transformational leadership. This is based on
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the statement that transformational leaders have an influence on organizational success. The role of a leader in changing the organization for the better will also have an impact on the organization. Leaders do various ways to encourage the employees to make changes and improvements continuously to have a good impact on the organization. The results of this study indicate a significant influence between leadership on organizational learning. The better the leadership and the role of a leader that is applied, the more it will affect the learning organization. The leader's focus is to provide the best for the organization and be able to achieve organizational goals, and this is what transformational leaders have. Leaders can organize and make changes to the organization by establishing a learning organization for their employees.

Learning organization also has an influence on employee performance. The application of learning organization to employees, namely by emphasizing continuous learning, by sharing knowledge and experience will further increase employee motivation and have an impact on performance. These results are in line with research by Paraskevi & Panagiotis(2015) which states that learning organizations have a positive and significant effect on employee performance. Jo & Joo (2011) also found that employee performance will increase with the influence of organizational learning. The higher the level of awareness and concern of the organization, in this case, SMEs in carrying out organizational learning, will also increase employee performance.

The results showed that there was an influence between leadership and innovation. The role of a leader is to provide the best for the organization and to prosper SMEs specifically. Transformational leaders have the characteristics of leading with a charismatic attitude, motivating, paying attention to their employees to achieve goals, and intellectual stimuli, such as innovation. The SME industry, especially the handicraft sector, is required to produce innovative and creative products along with the existence of competitors. Therefore, the leader will encourage employees to always be innovative in their work so that the established SMEs will always develop.

The innovations made by employees will also have an impact on employee performance. The results showed that there was a significant influence between innovation on employee performance. The more frequent or escalate the innovations made by employees, the higher the resulting performance will have an impact on the sustainability of SMEs. Employee performance refers to employee achievement as measured by the standards or criteria set by the company. Efforts to manage higher employee performance are primarily intended to improve the overall performance of the organization, namely through innovation in the organization. Robbins & Judge (2015) explains that the most common criteria for assessing employee performance can be seen from the individual tasks given, their behavior, and individual characteristics. These three things will determine how the employee will complete the given task.

CONCLUSION

The conclusions of this study are as follows: leadership has a significant influence on organizational learning, where leaders have an important role in providing and facilitating learning activities in the organization. Learning organization has a significant effect on employee performance. With the continuous change and learning activities for employees, it will improve employee performance. Leaders have an influence in creating innovation for employees. The innovations done have an effect and have a good impact on employee performance which consequently will create a good
impact on the sustainability of SMEs. Therefore, further research is expected to be able to examine other research objects on a larger scale and other researchers are able to add other variables.

REFERENCES
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