THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND TRANSACTIONAL LEADERSHIP TOWARD EMPLOYEE CREATIVITY ON SMALL-MEDIUM ENTREPRISES IN MANADO

PENGARUH KEPEMIMPINAN TRANSFORMASI DAN KEPEMIMPINAN TRANSAKSI TERHADAP KREATIVITAS KARYAWAN PADA USAHA KECIL-MENENGAH DI MANADO

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Abstract: In developed countries, concern on SMEs is very high. This is due to the fact that SMEs has been considered as the backbone of the economy. However, SMEs are vulnerable to a variety of internal as well as external barriers. As a consequence, governments' attention to SMEs is mostly in the form of creating conducive environment, entrepreneurship development, access improvement to both domestics and international markets, providing financial facilities, the competitiveness improvement and providing information and supporting network. The creativity may depend on the employee or situation; an employee may want to be in contact at highest or lowest level although he or she has great potential. The purpose of this study are Transformational Leadership and Transactional Leadership have a simultaneous effect on Employee Creativity at Restaurant-based Small-Medium Enterprises in Manado. The Result shows that the independent variable which are Transformational Leadership and Transactional Leadership simultaneously affect Employee Creativity as the dependent variable.

Keyword: Employee creativity

Abstrak: *Di negara maju, kekhawatiran terhadap UKM sangat tinggi. Hal ini disebabkan oleh fakta bahwa UKM telah dianggap sebagai tulang punggung ekonomi. Namun, UKM rentan terhadap berbagai hambatan internal maupun eksternal. Akibatnya, perhatian pemerintah terhadap UKM sebagian besar berupa menciptakan lingkungan yang kondusif, pengembangan kewirausahaan, peningkatan akses baik ke pasar domestik maupun internasional, penyediaan fasilitas keuangan, peningkatan daya saing serta penyediaan informasi serta jaringan pendukung.. Kreativitas mungkin tergantung pada karyawan atau situasi; seorang karyawan mungkin ingin berhubungan pada tingkat tertinggi atau terendah meskipun dia memiliki potensi besar. Tujuan dari penelitian ini adalah Transformational Leadership dan Transactional Leadership memiliki efek simultan terhadap Kreativitas Karyawan di Small-Medium Entreprises berbasis Restoran di Manado. Hasil penelitian menunjukkan bahwa variabel independen yaitu Transformational Leadership dan Transactional Leadership secara bersamaan mempengaruhi Kreativitas Karyawan sebagai variabel dependen.*

Keyword: *Kreativitas karyawan*

INTRODUCTION

Research Background

Creativity can be explained as production of new ideas; a creative employee is one who can come up with new suggestions/ideas for the services to be constructed, the flood of the communication and understanding it in the same way which would affect the work done by the employee during his working hour. Creativity is explained as a design in which the employee make such innovative construction in which the work related problems are

resolved in rightful manner with step by step process, some explain it as the ability of the individuals how they can develop useful solution to meet the challenges and overcome the problem them self individually.

Employee's creativity can be most commonly be referred to an individual who has new ideas for his work & working style, he must be flexible in order to work in team rather than individually completing a project, a creative employee is one who has better skills of understanding and is adaptable in order if new technology is introduced in the firm so he should be able to use it in no time, all these values indicate employees are empowered so they can complete the task as they are feeling comfortable all these characteristics would help in getting to know new opportunities, use of advance technology all these changes are part of everyday life (Runco, 2004)

It is mostly involved in the generation of change in product, due to working in team the employee are constantly engaged in learning new knowledge, skills which are the necessary requirements needed by the organization from the employee so they can achieve timely goals (Amabile et al., 1996). Creativity can be explained as introducing new techniques by individual or group of people in organization for achieving the maximum potential of human labor which will result in achieving goals effectively, due to innovation and globalization if a firm wants to compete with its competitor they must hire creative employee who are extroverts, feeling easy to work in groups. Employees with proactive personalities are the one which are mostly admired to make constructive change (Zhou and George, 2001).

Competition in today's business world is increasingly tight. This is experienced not only by large companies but also small and medium enterprises. SMEs are the most dynamic businesses and the most vulnerable in the global economy. SMEs have an important role in supporting the economy of a country. Hill (2001) said that one of a pivotal role in economic development is achieved their development SMEs. They naturally employ almost 60% of a country's industrial workforce and generate up to half of the sector's output. SMEs in the Asia Pacific region contribute significantly to the local economy.

Indonesia as one of the countries in Asia also feels the benefits derived from the development of SMEs. According to Minister of Cooperatives and Small and Medium Enterprises, SMEs is one of the supporting economic growths in Indonesia. It must be realized that the presence SMEs as an integral part of national development could not be ignored. The development of SMEs in Riau Province, continued to show a positive increase. There are some SME sector in the district /cities in North Sulawesi include agriculture, mining and quarrying, manufacturing, electricity, gas, water, construction, trade, hotels, restaurants, transport communications, finance, leasing and other services. From all districts/cities in North Sulawesi, the most SMEs are located in Manado. These developments can be seen from the increasing number of businesses in various fields of business and various industrial sectors. One area of business that is growing rapidly in Manado city today is in the restaurant industry. With the industries that grow, all the aspect in SMEs must grow too, including the employee.

SMEs realized the importance of employees to be creative because creative employee usually seeing something in a different way, have a sense of curiosity in the work, will not stop trying if they're fail. Based on experience managers want the employee have to be creative in doing their job. It is important considering because when the employees are creative then it will influence to the result of work outcomes. Every person has different creativity, but most of the employees usually follow the rule and they do not encourage to shows that they are creative. Employees have an important role in advancing and organization. This is because employees are technical executives in organizational activities; thus, in doing their work, the employees are required to make contributions that can benefit the organization through the implementation of strategic planning. Therefore, employees need leaders who can improve the quality of human resources by fostering the employees' creativity. A leader who can motivate employees makes the employees feel that their leader believes in their abilities so that they are actively involved in voicing ideas in response to any problems faced by the organization and boosting their creativity.

Research Objectives
1. To analyze transformational leadership and transactional leadership have a simultaneous effect on employee creativity at Restaurant-based Small-Medium Entreprises in Manado
2. To analyze the transformational leadership have partial effect on employee creativity at Restaurant-based Small-Medium Entreprises in Manado
3. To analyze the transactional leadership have partial effect on employee creativity at Restaurant-based Small-Medium Entreprises in Manado

THEORITICAL FRAMEWORK

Human Resource Management

Human Resource is to develop an effective HR function for development and maintenance of human functions. Every organization is made up of people and thus acquiring their services, developing skills, motivating them to high levels of performance and ensuring that they continued to maintain their commitment to the organization for achieving organizational goals. According to Burma, (2014), Human Resource or HR is a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities is critical to achieving competitive advantage, this being achieved through a distinctive set of integrated employment policies, programmers and practices.

Organizational Behavior

Organizational behavior (OB) is a field of study devoted to recognizing, explaining, and eventually developing the attitudes and behaviors of people (individual and group) within organizations. Organizational behavior is based on scientific knowledge and applied practice. According to Kaifi and Noori (2010), the "RED Analysis" can be applied by practitioners and researchers for understanding organizational behavior issues: R- Recognize E- Explain D- Develop. Diagnosing organizational behavior is an ongoing cycle of recognizing areas of concerns, explaining the short-term and long-term implications of each behavior, and continuously developing best practices and strategies that can help an organization transform into a robust, high-performing, and dynamic entity. It must be mentioned that organizations need strong managers who are capable of controlling the organization's behavior.

Leadership

Theories were the earliest attempt at a study of leadership. The first were the "great man" theories and though trait theories have evolved over time, their central aspect of identifying traits that are crucial for effective leadership is still strongly present in modern studies (Northouse, 2013). Researchers have also focused on the behaviors of leaders and have established different styles of leadership. Early on, leadership styles were divided into task- versus people-orientated, autocratic versus democratic, and directive versus participative dichotomies. Situational approaches and contingency theories added context and examined how well a leaders' style suits a given situation. There are at least 66 different theoretical leadership domains used today. However, transformational leadership has been the most studied leadership theory for the last 30 years since it was introduced to wider audiences.

Transformational Leadership

Transformational leadership has been defined as 'the process of pursuing collective goals through the mutual tapping of leaders' and followers' motive bases towards the achievement of the intended change' (Pawar and Eastman, 1997) and is composed of four attributes: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration.

Transactional Leadership

The transactional leadership behavior constructs the foundation for specifying expectations, negotiating contracts, clarifying responsibilities and providing the rewards and recognitions to achieve the set objectives and expected performance between leaders and followers (Bass, 1985). The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders.

Employee Creativity

Creativity can be explained as production of new ideas; a creative employee is one who can come up with new suggestions/ideas for the services to be constructed, the flood of the communication and understanding it in the same way which would affect the work done by the employee during his working hour (Amabile et al., 1988).

Previous Research

Jyoti and Dev (2015) explored the relationship between transformational leadership and employee creativity. In addition, we intend to study the moderating role played by learning orientation in the relationship between transformational leadership and employee creativity. Data have been collected from employees working

at the Airtel and Aircel call centers of J&K (India). A two-step approach to structural equation modeling (SEM) was applied. Confirmatory factor analysis was conducted to assess the proposed measurement model fit and construct validity. The structural model was generated to test the significance of the theoretical relationships. The results revealed that there is a positive relationship between transformational leadership and employee creativity, and it is being moderated by learning orientation.

Kim and Lee (2012) examined the direct and indirect effects of transformational and transactional leadership on employees' creative behaviour in South Korea by considering work motivation and job satisfaction as two mediating variables. The results of a cross-sectional survey and structural equation modelling indicate that (a) transformational and transactional leadership had no direct effects on employees' creative behaviour (implying that the relationship between leadership and employee creativity should not be seen as straightforwardly causal); (b) transformational leadership worked through employees' work motivation to ultimately influence their creative behaviour; and (c) transformational and transactional leadership had indirect positive effects on employees' creative behaviour through job satisfaction. The results have practical and meaningful implications for managers interested in fostering employee creativity through leadership, work motivation, and job satisfaction.

Hussain et al. (2017) examined the role of transactional leadership in creating the organizational creativity through knowledge sharing behavior between employees and leaders. The study explores the contingent reward as for knowledge sharing for organizational creativity in organization, because many studies have been conducted for encouraging the knowledge sharing through contingent reward system. But this study explores whether contingent reward system through transactional behavior creates organizational creativity. So the data were collected from telecom sector. The total distribution was 360 and questionnaire was collected from 308 but usable questionnaires were 300. For data analysis the CFA and SEM tests were applied. The results showed that transactional leadership and knowledge sharing have positive relationship with creativity, and knowledge sharing is mediating the role between transactional leader and organizational creativity. The theoretical framework will be used for future research of this paper to foster the extrinsic reward as exchange for knowledge sharing and creativity.

Conceptual Framework
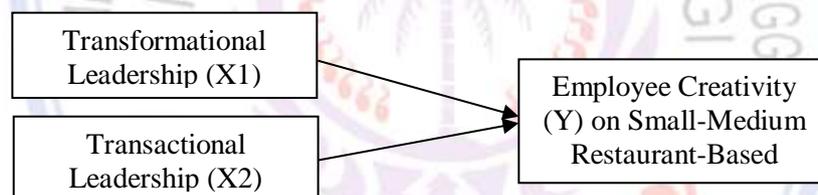
Figure 1. Conceptual Framework
Source: Literature Review

RESEARCH METHOD

Research Approach

This research will use causal type of research with Quantitative method. As an analysis tool this research will use multiple linear regression method. The factorial design focuses on two or more categories with the independent variables as compared to the dependent variable

Population, Sample, and Sampling Technique

Population refers to the entire group of people, events of things of interest that the researcher wishes to investigate (Sekaran and Bougie, 2016). It refers to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. This research is conducted by distributing questionnaires to 100 respondents which proves that sample size used in this research is more than the minimum or required respondents. The sample size is 100 owners of the selected small-medium enterprises. Sampling in outline can be grouped into two groups, namely Probability sampling and Nonprobability sampling. The probability sampling is a sampling technique that provides equal opportunities for each element of the population to be chosen as sample members. Whereas Nonprobability sampling is a technique that does not provide the same

opportunity / opportunity for each element or member of the population to be chosen as a sample. (Sugiyono, 2007).

Type of Data and Data Sources

The data collection in this research is the use of primary data and secondary data. Primary data is a data source that directly provides the data to researcher, which is collected from the questionnaire that has given to respondent. Secondary data is a data source which does not directly provide the data to researcher for example from the others or documents.

Validity and Reliability Test

This sub-section will be used to determine if the validity level from this current research is valid or not. This testing can be conducted by comparing correlation index Validity test is need for a research to test the validity of the data gathered. According to Sekaran (2016), a test of validity described how the questionnaire (question or item) are truly able to measure what is measured, based on theories and experts. From several analysis tools test validity that exists, researchers choose to use pearson correlation product moment to test the validity of the data obtained.

Reliability test conducted to make sure that there no repetition. According to Sekaran (2016), the reliability of a measure is achieved when it consistently, and without bias, measure the concepts it is supposed to measure. Reliability is established either through test-re-test where the same test administered to the same respondents at different times obtains the same results or parallel form reliability when the same test with different wordings or sequence of questions also results in the same data.

Multiple Regression Analysis Model

According to Cooper and Schindler (2014), multiple regression is used as a descriptive tool in three situations as listed below: (1) it is used to develop a self-weighing estimating equation to predict values for a dependent variable from the values for several independent variables. (2) Controlling the confounding variables to better evaluate the contribution of the other variables. (3) To test and explain causal theories.

RESULTS AND DISCUSSION

Result
Table 2. Multiple Regression Analysis

Item	B	Std.Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	10.375	2.756		3.746	0.000	0.000	0.000
Transactional Leadership	0.251	0.109	0.247	2.290	0.025	0.967	1.034
Employee Creativity	0.255	0.086	0.318	2.950	0.004	0.967	1.034

Source: Previous Research (2020)

Based on data in Table 2, the Regression model can be performed as the following equation:
$$Y = 10.375 + 0.251 X1 + 0.255 X2$$

The following interpretations can be made from the model of multiple linear regression:
1. Constant value of 10.375, means that if values of independent variables (Transformational Leadership & Transactional Leadership) are zero (0), the Employee Creativity (Y) value would be 10.375;
2. Standard Coefficient Value of 0.251 for Transformational Leadership indicates that if all others independent variables are constant and this independent variable increased by one scale or unit, the dependent variable of Employee Creativity would increase by 0.251;
3. Standard Coefficient Value of 0.255 for Transactional Leadership indicates that if all others independent variables are constant and this independent variable increased by one scale or unit, the dependent variable would increase by 0.255

Discussion

The literature reviews in chapter two revealed that transformational leadership is one of the leadership types that may affect employee creativity. Based on the research done by Walton (2013), because of their charisma and narcissistic tendencies, transformational leaders are likely to be overoptimistic in regard to their own ability to influence and/or control others, this may have a negative impact on follower creativity, especially when the influence or control is high. Result of the multiple regression analysis shows that Transformational Leadership does not partially affect Employee Creativity on the Restaurant-based SMEs, but it simultaneously have effect with Transactional Leadership. In this research, it is represented by Inspirational Motivation, Intellectual Stimulation, and Individual Consideration.

Transformational leadership has been defined as 'the process of pursuing collective goals through the mutual tapping of leaders' and followers' motive bases towards the achievement of the intended change' (Pawar and Eastman, 1997:83). From that definition and compares that with the result, it seems like the transformational leadership does not affect much on creativity of an employee. It means that when employee creativity levels hits certain levels, it cannot be transformed that easily by the implemented system on the business or even the leader itself.

Each person have their own characters and way of work that define their creativity levels. Based on the researcher opinion, only when people want to, that they can develop themselves more. We can see that one of the indicator states "individual consideration" means that it must come from the individual itself when or on what level their creativity as an employee will grow. The result itself on the same line with previous research from Kim and Lee (2012) that stated Transformational Leadership has no direct impact on Employee Creativity.

Based on the result of the questionnaire, Transactional Leadership partially affect Employee Creativity, and it simultaneously have effect with Transactional Leadership. In this research, it is represented by Expected Performance, Reward & Recognitions, and Specifying Expectation. According to research done by Bass (1997) the transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders. The effect itself comes because in the work environment of restaurant-based SMEs, transactional leadership can push employee and they will think carefully in order to grow their employee creativity so that they can get bonuses.

According to researcher by putting it simply from the result of the respondents, a transactional leader (manager) will always instruct (command) employees on what to do. These leaders will never allow the employees to give views on how a given job should be done regardless of their ability to execute the assignment. If an employee has signed a contract with the company, the rules and policies stipulate the penalties for not following the regulations that are set by the company guiding their contact and operation. That became major reason why transactional leadership models fit the purpose of developing employee creativity. It fits with previous research from Hussain (2017) that stated he results showed that transactional leadership and knowledge sharing have positive relationship with creativity.

Based on the result of the questionnaire, Transformational Leadership and Transactional Leadership simultaneously affect Employee Creativity as the dependent variable. Creativity and innovation are nuanced concepts that each incorporate a number of distinct but closely related processes that result in distinct but often closely related outcomes. Given the complex and dynamic nature of both creativity and innovation, it is perhaps unsurprising that they have proven difficult to define and measure. Creativity and innovation at work are the process, outcomes, and products of attempts to develop and introduce new and improved ways of doing things.

The creativity stage of this process refers to idea generation, and innovation to the subsequent stage of implementing ideas toward better procedures, practices, or products. By using those two leadership styles being so called in the research transformational and transactional that comes as a main variables, it develops and impacted directly toward the development of creativity of an employee.

CONCLUSION AND RECOMMENDATION

Conclusion

After examining the findings and discussing the result, the conclusions based on this research can be formulated as follows:

1. The independent variable which are Transformational Leadership and Transactional Leadership simultaneously affect Employee Creativity as the dependent variable.

2. Transformational Leadership as one of independent variables does not partially affects Employee creativity significantly.
3. Transactional Leadership as one of independent variables does partially affects Employee Creativity significantly

Recommendation

Based on the analysis and conclusions from overall result in this research regarding effect of Transformational Leadership and Transactional Leadership on Employee Creativity. The researcher makes the following recommendations for all the restaurant-based SMEs.
1. Transformational Leadership styles should be implemented well so that it will more have significant and positive impact on employee creativity
2. Transactional Leadership should be maintained well in order to make employee creativity side more sustainable in the future.

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