**CHAPTER I**

**INTRODUCTION**

1.1. **Background of Research**

Higher education today has now faced global challenges that instill the institutions to work hard in order to be able to compete globally. Obendhain & Johnson (2004) stated that higher education institutions (HEIs) are very important as they produce innovations that resulting the product and services. Innovation becomes one of the critical factors for the survival of the organization and one of the key factors in achieving competitive advantage. Leadership style has been identified as an important factor in achieving the competitive advantage that lead to the innovation. As a result, leaders can influence the introduction of ideas, set specific goals and create a culture for motivation toward their employee (Sarros *et. al.,* 2008).

Human resource is one of an important factors within the organization. Every organization around the globe obviously will increase the quality of their human resource capabilities. Every organization will compete with their competitors by the innovation and creativity that their employees have in mind. The business scenario and the institutional scenario have shared a similarity in terms of challenges that they have been faced in the last decades. Mumford & Gustafson (1988) and Redmond *et al.,* (1993) mentioned that innovation demands the involvement to individual of every employee, they have to be able to perform beyond the expectation by using their full potential (Janssen, 2000).

According to Kirk *et al.,* (2006), transformational leaders are those who articulate the future vision of the organization which could be shared with

employees and peers, by simulating the employees intellectually and give the attention among different individuals. In a recent study, it shows that transformational leaders bring positive effect and enhance the creativity of their subordinates regardless of their academic significant background. In today's organizations, they are more concerned about the relationship between the leaders and the followers. This is because leadership that transmits the importance of having a shared mission and infusing a sense of purpose, direction and meaning into the followers' labor (Bass, 1999). An organization that triggers by the technology development, need to be more creative and innovative to survive, compete and lead the market (Jung *et al.,* 2002). In response to rapid technological development and interconnected global economy, the innovative work behavior has been regarded as a key in achieving the company's sustained success and economic growth (Colino *et al.,* 2014).

The importance of innovation as a competitive and dynamic environment always as a growing need for the organization where the employees' way to express the innovative behavior are affected by their company's leadership style. According to Amabile *et al.,* (1996), among the factors which primarily influence the employee creativity and transformational leadership most likely to be the key factor for critical style of creativity (Jung & Sosik, 2002).

Innovative culture within the organizations is an outcome of individual, team, and organizational efforts joined to produce a new product, process, or services that is potentially attractive to a market by the external relation. Innovative culture is the ability to apply creative solutions to problems and opportunities to improve business performance (Hughes *et al.,* 2018). The importance of human

resources for employees' creativity and innovation in organizations cannot be ignored as they are the keys of a success of an organization. Through inspirational motivation, the leader distinctly creates an achievable vision for the employees and encourages them and instills belief in them to do it. Through intellectual stimulation, the leader widens and leverages employees' critical thinking.

Creativity is commonly viewed as an idea generation while implementation of ideas is innovation (Anderson *et al.,* 2004). Based on the mentioned theories, human nature develop themselves to solve the problem to achieve creativity, and that creativity can be formed by the employee who work in the organization. The development of business competition and the influence of globalization that are occurring in Indonesia today makes business competition become tighter, not only in manufacturing but also in the business service industry. Through inspirational motivation, the leader distinctly creates an achievable vision for the employees and encourages them and instills belief in them to do it. Through intellectual stimulation, the leader widens and leverages employees' critical thinking.

Currently, the educational system in Indonesia is facing a major development on the quality of the institution and have put much attention and the spotlight that is greatly put into a serious concern between the students and the workplace expectation towards the institutions. Since education is one of the major factors that shape the young generation to be part of the success of the nation, it is no doubt that the higher educational institution is one of the platform that will shape individual characteristic and personality. There are different types of higher institutions available in Indonesia, they are university, institute, college, academy and polytechnic. Among those, the polytechnic is a higher institution that prepares

its students to be ready to work in industries soon after they graduate. That is why Polytechnic offers a wide range of courses that meet the increasing demands of industry.

State Polytechnic of Padang, a vocational higher education, was established in 1987. As one of the first 17 Polytechnics in Indonesia, State Polytechnic of Padang aims to answer the challenges of the industrial and the business world that demands the competition of skilled, professional and independent workers. Thus, it prioritizes its graduates on the attitude, knowledge and skills that are competent in their fields (Renstra, 2015). State Polytechnic of Padang has 7 departments with 21 study programs, which consists of 12 Diploma 3 and 8 Diploma 4 study programs.

State Polytechnic of Padang has been awarded *The Top Ten Best Polytechnics* by The Indonesian Ministry of Research, Technology and Higher Education (**Ristekdikti**) in 2019. State Polytechnic of Padang is in the 8Th rank among 1120 polytechnics in Indonesia and it inclined 3 ranks from 2017. State Polytechnic of Padang has also successfully achieved main ranking category in research performance. In the same year, State Polytechnic of Padang has also succeeded in increasing its performance in the field of research from the middle rank to main ranking category. Along with that, in the field of community service, its performance is also increased to very good category. Not only that, State Polytechnic of Padang is also achieved 6th rank nationally for Vocational Student Performance Clustering and Evaluation of vocational college student performance in 2019 which was listed on the official website of the General Directorate of Learning and Student-Affairs, Ministry of Research, Technology and Higher Education (Ditjen Belmawa Ristekdikti). Previously, State Polytechnic of Padang

ranking in this category was not yet in the national top 10. This means that an extraordinary increase has been gained by State Polytechnic of Padang.

Of all these achievements achieved, the leadership effects to the success of this institution. One of the measurements of the institutional success can be measured from the institution's accreditation that they will receive after a certain period of time. Accreditation for institution is one of the key factors that will attract the new students for entering the institution they are heading for. As for now, State Polytechnic of Padang seats in the B institutional accreditation which they are trying to improve their performance and make their institutional accreditation to A.

Study hypothesis that have been conducted by some experts show that transformational leadership and innovative culture are effectively boosted the employee creativity that will result in innovative work behavior by the employee (Yeoh & Mahmood, 2013; Yu et al., 2013). In terms of theory and study conducted, it shows that the transformational leadership is the traits that the leader have, and the performance of the company depends on the leadership style. Therefore, the variable of transformational leadership, innovative culture, employee creativity, and innovative work behavior are significantly suited to the object which shown the phenomenon in State Polytechnic of Padang. As the researcher of this skripsi, I am interested and would like to do research more details on transformational leadership, innovative culture, employee creativity, and innovative work behavior. Thus, the suitable title of this thesis is *THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP AND INNOVATIVE CULTURE WITH EMPLOYEE CREATIVITY AS A MEDIATING VARIABLE TOWARDS INNOVATIVE WORK BEHAVIOR IN STATE POLYTECHNIC OF PADANG.*

### 1.2. Research Questions

The objective of this research is to investigate to what extent the *influence of Transformational Leadership and Innovative Culture with Employee Creativity as A Mediating Variable towards Innovative Work Behavior in State Polytechnic of Padang*. Therefore, the overarching research question for the research is How does *Transformational Leadership and Innovative Culture influence, Employee Creativity that resulted Innovative Work Behavior?* With these in mind, this investigation seeks to find answers to the following research questions:

1. How does transformational leadership influence employee creativity in State Polytechnic of Padang?

2. How does innovative culture influence employee creativity in State Polytechnic of Padang?

3. How does employee's creativity influence innovative work behavior in State Polytechnic of Padang?

4. How does transformational leadership influence innovative work behavior in State Polytechnic of Padang?

5. How does innovative culture influence innovative work behavior in State Polytechnic of Padang?

6. How does transformational leadership influence innovative work behavior through employee creativity as a mediating variable in State Polytechnic of Padang?

7. How does innovative culture influence innovative work behavior through employee creativity as a mediating variable in State Polytechnic of Padang?

### 1.3. Research Objectives

The objectives of this research are:

1. Determining the influence of transformational leadership on employee creativity in State Polytechnic of Padang.

2. Determining the influence of innovative culture on employee creativity in State Polytechnic of Padang.

3. Determining the influence of employee creativity on innovative work behavior in State Polytechnic of Padang.

4. Determining the influence of transformational leadership on innovative work behavior in State Polytechnic of Padang.

5. Determining the influence of innovative culture on innovative work behavior in State Polytechnic of Padang.

6. Determining the influence of transformational leadership on innovative work behavior with the mediating of employee creativity in State Polytechnic of Padang.

7. Determining the influence of innovative culture on innovative work behavior with the mediating of employee creativity in State Polytechnic of Padang.

### 1.4. Significance of Study

The significance of this research offer two possible contributions and benefit for the researchers in the field of human resource management both theoretical and practical:

1. Theoretical contribution, this research contributes to knowledge expansion regarding the consideration of additional knowledge and disciplinary about human resource management that related with innovative culture.

2. Practical contribution, this research provides information for the management of the institution aware of their corporate management. In order to create transformational leadership that influence the employee creativity to increase their innovative work behavior.

## 1.5. Scope of Research

This research has a limited scope of analyses in items of number variables and object of the research. The researcher limits the research context by focusing on the assessment towards the top management of State Polytechnic of Padang in this case the director. This will be assessed by the lecturers (civil cervant) in State Polytechnic of Padang.

## 1.6. Outline of the Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

**Chapter I     INTRODUCTION**

This chapter contains the background of the research, research question, the objective of the research, the benefit of the research, the scope of the research, and ended with the structure of writing.

**Chapter II     LITERATURE REVIEW**

This chapter presents the theoretical background of the research, covering the key issues on Transformational Leadership, Innovative Culture, Employee Creativity and Innovative Work Behavior.  This chapter also offers an overview of

the relevant findings on Transformational Leadership, Innovative Culture, Employee Creativity and Innovative Work Behavior. Also in this chapter will be provided with the hypothesis development and theoretical framework that will become the guidelines in data processing.

**Chapter III    RESEARCH METHOD**

This chapter outlines the literature of theoretical framework that are relevant to this research. The research design includes a clear description of population and sample. Then, the elaboration of the procedure of data collection technique, variables and measurement, and also the data analysis method used to testify the hypothesis.

**Chapter IV    RESULT AND ANALYSIS**

This chapter presents the detail of data analysis that generated through the result extracted from the research questionnaire, respondent description, and data analysis method to testify the hypothesis.

**Chapter V    CONCLUSSION**

This chapter summarizes the major outcome from all stages of this research which discusses the significance and the contribution of the research.