
The Influence of Innovation Culture, Transformational Leadership, Organizational Learning on Innovation and Organizational Performance at the Regional Revenue Agency of East Java Province

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Abstract

The Regional Revenue Agency of East Java Province has the duty and function to collect regional taxes and levies. One type of tax collected is the motor vehicle tax. Organizational performance results related to disbursement of arrears, service quality, and organizational accountability are still not optimal. An indicator that can be seen is that many taxpayers still have not carried out their obligations in paying taxes. Various innovations have been made, but they are not automatically able to improve organizational performance. This study aims to determine the effect of innovation culture, transformational leadership, and organizational learning on innovation and performance. The population in this study are employees at the Regional Revenue Agency office of East Java Province. They have structural positions (Echelon) of as many as 160 people, all of which are used as samples. The data analysis technique used is Structural Equation Modeling (SEM) using AMOS 23. The study's results prove that innovation culture and organizational learning have a significant effect on innovation, transformational leadership has no significant impact on innovation, innovation culture and transformational leadership has a significant effect on organizational performance, organizational learning does not affect organizational performance, and innovation affects organizational performance.

Keywords: *Innovation Culture, Organizational Learning, Transformational Leadership, Innovation, Organizational Performance*

INTRODUCTION

In the last few decades, the dynamics of environmental change have occurred so rapidly. To deal with these conditions, the effectiveness and efficiency of the organization in terms of product, service, and process development need to be improved. One way that can be done is through innovation. Sandford F Borins (2014) says that innovation is a very urgent need in the public sector (Government), especially local governments worldwide. This

means that the use of new ways of organizing is necessary. A good bureaucracy is a flexible bureaucracy that implements quality management, utilizes information technology, and views the public as consumers who must be fully served.

Efforts to foster innovation in the government environment, especially local governments in Indonesia, are also essential. This can not be separated from the existence of most bad governance bureaucracy. So people's aspirations cannot be interpreted in excellent public service. According to Andika (2017), several things that often become bureaucratic problems include organizational problems such as structure, authority, power, or position that is too large, excessive, and rigid formalities. The service quality problems include slow, discriminatory, less responsive, and less responsible service. In addition, there are problems with human resources such as arrogance, fear of change, corruption, and lack of professionalism. This problem is commonly referred to as bureaucratic pathology. Therefore, in particular, the Indonesian government includes an element of innovation in the Job Creation Law in Article 121. Public sector innovation is one way to overcome congestion and deadlocks of organizations in the public sector. The characteristics of the public sector system tend to be rigid and status-quo.

The Regional Revenue Agency (Bapenda) of East Java Province is one of the regional apparatus organizations with a vision and mission of increasing local revenue (PAD) and improving the quality of public services. The task and function of this organization are to collect taxes and regional levies. One of the types of taxes collected is the motor vehicle tax. Organizational performance results related to disbursement of arrears, service quality, and organizational accountability are still not optimal. An indicator that can be seen is that many taxpayers still have not carried out their obligations in paying taxes. Moreover, every year, the number of motorized vehicles continuously increases, so that the potential can be even higher. This condition becomes difficult for Bapenda to find solutions and carry out various innovations in the service, process, and administration sectors.

According to Agbim et al. (2013), innovation is essential in improving organizational performance. In reality, the various innovations that have been carried out have not significantly contributed to obtaining PAD. Thus, it has not been able to encourage organizations to improve organizational performance. Padilha and Gomes (2016) stated that innovation culture affects performance innovation because it transmits behavior and actions that occur within the organization. In other studies, it has been proven that transformational leadership has a strong relationship and plays an essential role in innovation and organizational performance (Arif & Akram, 2018). This shows that transformational leadership and innovation have significantly improved organizational performance. In addition, organizational performance improvement can be made through a learning process to update knowledge continuously. This has been proven in research conducted by Darma Rosmala & Sukmasari (2018) that organizational learning has a strong positive correlation with organizational performance.

METHOD

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This study uses a quantitative approach with explanatory n causal research that will prove, analyze and explain the causal relationship between innovation culture, transformational leadership, and organizational learning on innovation and organizational performance at the Regional Revenue Agency office of East Java Province. The total population is 160 people with leadership positions. It uses a saturated sample so that all of the population is used as a sample in the study. The research instrument used a questionnaire with a Likert scale rating of 1-5. The data analysis technique is Structural Equation Modeling (SEM) with the AMOS statistical program version 23.0

RESULTS AND DISCUSSION

Characteristics of Respondents

To support the results of the research hypothesis, a descriptive analysis has been carried out on research respondents related to gender, age, and education. The details are shown in table 1.

Table 1. Results of descriptive analysis

Characteristics of Respondents		Total	Percentage (%)
Gender	Man	118	74
	Girl	42	26
Age	35 - 45 Years	30	19
	45 - 55 Years	88	55
	55 - 60 Years	42	26
Education	Bachelor	100	62,5
	Master	60	37,5

Instrument Validity and Reliability Test

Validity testing is carried out using the person correlation calculation. Statistical analysis results show that the person correlation value (t-count) is greater than the t-table value and the significance value for all question items is less than the predetermined significance value of 0.05. This shows that each statement item in the questionnaire has been approved and understood by the respondents. In other words, all question items are considered valid.

The reliability test is carried out using Cronbach alpha and construct reliability tests. The SPSS statistical program output shows that each variable has a Cronbach's alpha value of more than 0.9. This value exceeds the minimum limit of 0.70. At the same time, the calculation of construct reliability is shown in table 2.

Table 2. Uji construct reliability

Variable	Construct Reliability			
	\sum <i>Std. Loading</i>	$(\sum$ <i>Std. Loading</i>) ²	\sum <i>Error</i>	Nilai C.R.
Innovation Culture	4,062	16,500	1,692	0,907
Transformational leadership	3,224	10,394	1,392	0,882

Organizational Learning	3,189	10,170	1,457	0,875
Innovation	2,362	5,579	1,127	0,832
Organizational Performance	4,022	16,176	1,762	0,902

From the calculation results in table 2, it can be concluded that the measurement instruments for all indicators of innovation culture (X1), transformational leadership (X2), organizational learning (X3), innovation (Z), and organizational performance (Y) are all reliable.

Normality test

In AMOS 23.0 output, the normality test is performed by comparing the value of c.r (critical ratio) in the assessment of normality with the crucial importance of ± 2.58 at a significant level of 0.01. In this study, most variables univariately have a critical ratio value below ± 2.58 . These results are the same in the multivariate test, which has a substantial ratio value of -0.307 which means it is smaller than ± 2.58 , so overall, it can be seen that the data to be used for testing the SEM model is usually distributed.

Outlier Test

Testing data outliers using AMOS by using the observation furthest output display from the centroid shows how far the data is from a specific center point. This study shows that the maximum Mahalanobis d-squared value produced by AMOS 23 is 41,644. This value is smaller than the value of the chi-square table at $df=21$, which is 46.797. So it can be concluded that no cases (subjects) are declared as multivariate outliers.

Model Fit Results

The test refers to the Goodness of fit (GoF) index value. In this study, the value of Chi-square is 195.358, the p-value is 0.151, CMIN/DF is 1.110, RMSEA is 0.026, GFI is 0.9, IFI is 0.9, TLI is 0.9, and CFI is 0.9. All the Goodness of fit index values follows the required cut-off value. So overall, it can be concluded that the structural model is feasible to be used for further testing.

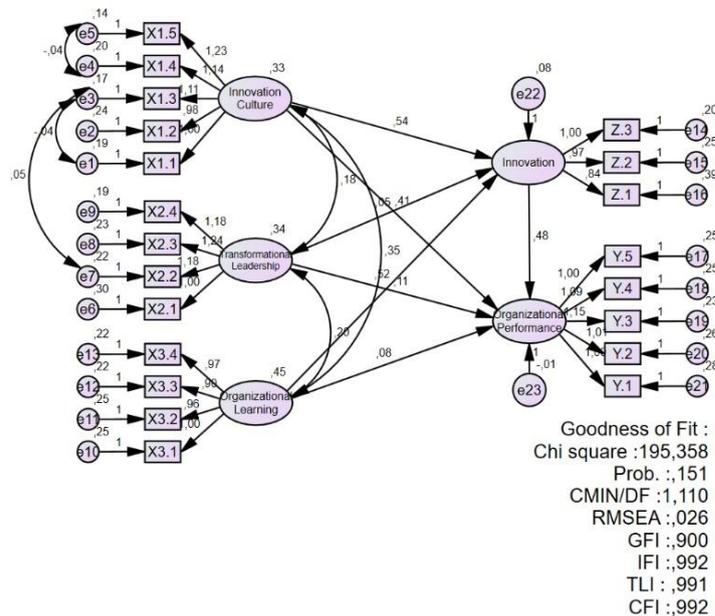


Figure 1. Structural Model

Result of Hypotheses Testing

Table 3. Hasil Uji Hipotesis

Relationship Between Variables			Estimate	S.E.	C.R.	P	Ket
Innovation Culture	→	Innovation	0,542	0,228	2,375	0,018	Significant
Innovation Culture	→	Organizational Performance	0,411	0,143	2,873	0,004	Significant
Transformational leadership	→	Innovation	0,051	0,080	0,644	0,519	Not Significant
Transformational leadership	→	Organizational Performance	0,112	0,046	2,406	0,016	Significant
Organizational Learning	→	Innovation	0,523	0,199	2,632	0,008	Significant
Organizational Learning	→	Organizational Performance	0,078	0,134	0,579	0,563	Not Significant
Innovation	→	Organizational Performance	0,485	0,132	3,679	****	Significant

Table 3 shows that the culture of innovation has an effect of 0.542. Against innovation. The C.R. value is 2.375, and the p-value is 0.018, so the influence of innovation culture on innovation is significant. The results of this study support the research conducted by Padilha & Gomes (2016), which proves that innovation culture has a significant effect on innovation. In reality, the innovation culture applied to the organization will implement strategies to motivate employees to achieve organizational goals. In addition, flexibility, freedom, and cooperation are

upheld in a culture of innovation that makes employees grow in their patterns of thinking and acting. Thus, with a culture of innovation, employees will always be encouraged to think creatively, which in the end, can realize an innovation. The higher the application of innovation culture in the Regional Revenue Agency of East Java Province, the easier it will be to recognize innovation in service, process, and administrative innovation.

Innovation culture also significantly affects organizational performance, as indicated by the C.R. value of 2.873 and p-value of 0.004 <0.05. The results of this study support the research conducted by Tang et al. (2020), which proves a positive relationship between innovation culture and organizational performance. This influence exists because one of the indicators of innovation culture is communication. With good communication, the cooperation between employees will be solid. In addition, awards and recognition are highly respected so that when employees achieve good results, employees will be more motivated to obtain the same or even more. This is supported by the tendency to be brave in taking risks which makes members of the organization feel safe and confident in every decision.

The transformational leadership variable does not show a significant effect on innovation. The results of this study are the same as the research conducted by Makena (2017), which states that transformational leadership does not affect innovation. If seen from the descriptive analysis, most of the respondents are above 45 years old. In this age range, employees enter the "unproductive" period. In addition, most public sector organizations still apply traditional methods that make it difficult for them to make changes in services, processes, and policies. So that no matter how significant the influence given by the leadership will not have much effect on the emergence of innovation.

To organizational performance, transformational leadership can affect 0.112. The results of this study support research conducted by Arif & Akram (2018) and Samad (2012), which prove that transformational leadership has a strong relationship and plays an essential role in organizational performance. If studied further, transformational leadership cooperates with subordinates to see problems differently, suggest new methods for completing tasks, and seek different perspectives in solving problems. In addition, employee motivation will always be well maintained because leaders are willing to take risks and dare to be responsible for their subordinates' actions. So that employees feel safe in acting because job guarantees have been obtained. The impact is that employees will be moved to contribute to achieving optimal organizational performance.

The relationship between organizational learning variables and innovation shows an estimated score of 0.532. The C.R. value is 2.632, and the p-value is 0.008, so the effect of organizational learning on innovation is significant. The results of this study are the same as those of Nathalia Berger Werlang1 & Carlos Ricardo Rossetto (2019), which prove that organizational learning positively influences organizational innovation. The higher the organizational learning, the higher the level of innovation that is realized. Bependa East Java believes organizational learning is an essential factor in organizational success.

Organizational learning is a process where organizations are always required to learn and update knowledge continuously. In carrying out this series of organizational learning activities, human resources in the organization are indirectly forced to learn and show their best abilities. This will impact increasing the capacity and capability of employees, which will facilitate the realization of innovation.

Organizational learning directly has no significant effect on organizational performance. The results of this study support the research conducted by Milbratz et al. (2020), Hussein et al. (2014), and Werlang & Rossetto (2019), which states that there is no influence between organizational learning on organizational performance. By the vision and mission of the Regional Revenue Agency of East Java Province, namely increasing local revenue and improving the quality of public services, organizational performance is measured by how the community responds to service quality. Organizational learning is a process of increasing the capacity and capability of human resources, which are expected to realize organizational goals. So that it can be interpreted that without an improvement in service quality, organizational learning will not improve organizational performance. One form of organizational learning is innovation. If it is seen from the test of the indirect relationship between organizational learning and organizational performance through innovation, the obtained C.R. value = 2.137 and p-value = 0.032 so that it can be concluded that organizational learning can affect organizational performance indirectly through innovation.

The results showed that the estimated score of the influence of innovation on organizational performance was 0.485. CR value is $3.679 < 1.96$ and p-value $0.000 > 0.05$ so that the effect of innovation on organizational performance is significant. The results of this study are the same as those of Imran et al. (2021) and Milbratz et al. (2020), which confirm the relationship between innovation and organizational performance. In reality, organizational performance at the Regional Revenue Agency of East Java Province can increase by creating innovations that can meet the needs of both internal employees and the general public. Innovation is increasingly considered important because it is an inherent characteristic of organizations and can be a valuable resource. Innovation encourages organizations to develop new ideas related to the development of work processes. This can make the organization more productive by implementing new, more effective, and efficient ways. Innovation can make organizations adapt to changes in people's behavior today. Feedback will be used as input for the organization to change the direction the community wants. Efforts to meet these preferences will have an impact on improving organizational performance.

CONCLUSION

The research analysis results prove that the culture of innovation and transformational leadership significantly affect organizational performance at the Regional Revenue Agency of East Java Province. In contrast, organizational learning directly has no significant impact on organizational performance. Organizational learning is the starting point for achieving increased organizational

performance through innovation, meaning that organizational performance will increase if innovation can be realized. In addition, innovation can be increased by implementing a good innovation culture in the organization.

Based on the conclusions above, the transformational leadership style is needed to maintain work rhythm because this leadership style can increase motivation, inspiration, and courage in taking risks, so that collaboration between units becomes strong. Another important thing that needs to be considered is that human resources should always be considered as organizational assets so that the capacity and capability of employees can always increase, which can impact achieving better organizational performance.

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