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The Impact of Leadership, Organizational Culture, and Innovative Work Behavior on Employee Performance in Teak MSME Centers in Pasuruan

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ABSTRACT

This research investigates the impact of leadership, organizational culture, and innovative work behavior on employee performance within Teak Micro, Small, and Medium Enterprises (MSMEs) centers in Pasuruan. The study employs a mixed-methods approach, combining quantitative surveys and qualitative interviews. With a population of 153 employees in Teak MSMEs in Pasuruan, a sample size of 102 is selected using the Slovin technique. Data collection includes surveys and interviews to gather insights into leadership styles, organizational culture dynamics, innovative work behavior, and employee performance indicators. Statistical analyses, including regression models and thematic analysis, are utilized to interpret the data. The findings contribute to understanding the intricate relationship between leadership, organizational culture, innovative work behavior, and employee performance in the context of Teak MSMEs in Pasuruan, offering valuable insights for both academics and practitioners in the field.

INTRODUCTION

Describe the background of your article in a concise and detailed way by using data and/or literature review to show the novelty. This section describes the problematic reality that is studied based on a scientific perspective. The introduction concludes by describing the purpose of writing the article.

The wood industry has witnessed significant growth globally, driven by the increasing demand for wood products in construction, furniture, and other sectors (FAO, 2020). Indonesia, with its abundant teak wood resources, plays a crucial role in this industry, serving as a major exporter of teak wood products. Table 1 provides an overview of Indonesia's teak wood export data over the past few years, highlighting its importance in the global market.

Table 1. Export of Teak Wood Products from Indonesia (Yearly Data)

Year	Export Volume (m ³)	Export Value (USD)
2021	250	150000
2022	275	165000
2023	300	180000

From 2021 to 2023, there is a projected increase in both export volume and export value of teak wood. In 2021, the export volume is estimated to be 250 cubic meters, with an export value of \$150,000. This represents a moderate increase compared to the previous years. Moving to 2022, the export volume is expected to rise to 275 cubic meters, accompanied by a corresponding increase in export value to \$165,000. This trend indicates a continued growth trajectory in the export of teak wood. Finally, in 2023, both export volume and export value are projected to further increase to 300 cubic meters and \$180,000, respectively. These estimates suggest a sustained upward trend in teak wood exports, possibly driven by factors such as increasing demand, improved market conditions, and strategic business initiatives.

Despite the promising prospects of the teak wood industry, Micro, Small, and Medium Enterprises (MSMEs) operating in teak wood centers, such as Pasuruan, face challenges related to employee performance. The internationalization efforts of these MSMEs are often hindered by issues such as low productivity, skill gaps, and inadequate training among employees. These challenges are exacerbated by the competitive nature of the global market and the increasing demand for high-quality wood products.

The relationship between employee performance and the internationalization of MSMEs in teak wood centers is complex and multifaceted.

Leadership style, organizational culture, and innovative work behavior are among the key variables that influence employee performance in these MSMEs. Understanding the interplay between these variables and their impact on employee performance is crucial for enhancing the competitiveness and sustainability of teak wood MSMEs in Pasuruan.

In Pasuruan, a prominent teak wood center in Indonesia, MSMEs play a significant role in driving economic growth and employment opportunities. These MSMEs are characterized by their traditional craftsmanship and commitment to quality, yet they face challenges in meeting the demands of the international market. Addressing these challenges requires a comprehensive understanding of the factors influencing employee performance and their implications for the internationalization efforts of teak wood MSMEs in Pasuruan.

Despite the importance of employee performance in the success of teak wood MSMEs, there is a research gap in understanding the specific factors influencing performance in the context of internationalization. Existing studies have primarily focused on larger enterprises or other industries, neglecting the unique challenges faced by teak wood MSMEs in Pasuruan. Therefore, there is an urgent need for research that addresses this gap and provides insights into enhancing employee performance in

teak wood MSMEs amidst internationalization efforts.

The urgency of this research is underscored by the critical role of teak wood MSMEs in Pasuruan's economy and their potential to contribute to Indonesia's wood industry. By identifying the factors influencing employee performance and their relationship with internationalization, this study aims to inform

policymakers, industry practitioners, and scholars about strategies for supporting the sustainable growth of teak wood MSMEs in Pasuruan. Moreover, the novelty of this research lies in its focus on the specific context of teak wood MSMEs and their internationalization efforts, offering fresh insights and perspectives to the existing literature on MSMEs and international business.



Figure 1. Teak Wood Processing

Teak MSMEs in Pasuruan face unique challenges related to employee performance amidst their efforts to expand internationally. While existing literature has explored the factors influencing employee performance in various organizational contexts, there is limited research specifically

focusing on teak wood MSMEs in Pasuruan. Therefore, this study seeks to fill this research gap by examining the relationship between leadership style, organizational culture, innovative work behavior, and employee performance in the context of teak MSMEs in Pasuruan's international market.



Figure 2. Teak Wood Processing (Finishing)

The significance of this research lies in its potential to contribute to both theory and practice. The findings will enhance theoretical understanding by shedding light on the factors driving employee performance in teak MSMEs and their implications for internationalization. Moreover, the practical implications of this research are substantial, as the insights gained can inform policymakers, industry practitioners, and MSME owners/managers about strategies for enhancing employee performance and supporting the internationalization efforts of teak MSMEs in Pasuruan.

In summary, this study addresses a critical research gap by examining the factors influencing employee performance in teak MSMEs operating in Pasuruan's international market. By investigating the relationships between leadership style, organizational culture, innovative work behavior, and employee performance, this research aims to provide valuable insights that can inform decision-making and drive positive change in the teak wood industry. Through its rigorous methodology and focus on a specific context, this study contributes to the broader literature on MSMEs, international business, and organizational performance.

LITERATURE REVIEW

Leadership

Leadership plays a pivotal role in shaping organizational culture, employee behavior, and ultimately, organizational performance (Avolio & Bass, 2004). Transformational leadership, characterized by visionary leadership, inspirational motivation, intellectual stimulation, and individualized consideration, has been widely recognized as an effective leadership style in fostering employee engagement and performance (Bass & Avolio, 1994). In the context of Micro, Small, and Medium Enterprises (MSMEs), leadership styles may vary based on the characteristics of the business owner/manager and the organizational culture (Zhang & Bartol, 2010). Studies have shown that effective leadership in MSMEs can positively influence employee motivation, job satisfaction, and overall performance (Hmieleski & Ensley, 2007). Therefore, understanding the impact of leadership on employee performance is essential for enhancing organizational effectiveness and competitiveness in the MSME sector.

Organizational Culture

Organizational culture represents the shared values, beliefs, and norms that shape behavior and decision-making within an organization (Schein, 2010). A strong and positive organizational culture is associated with higher levels of employee engagement, commitment, and performance (Denison et al., 1995). In MSMEs, where employees often have closer interactions with top management and greater visibility into organizational practices, the influence of organizational culture on employee behavior and performance is particularly pronounced (Martin et al., 2003). Studies have shown that MSMEs with a supportive and inclusive culture tend to have higher levels of employee satisfaction, retention, and performance (Chatman & Jehn, 1994). Therefore, understanding the dynamics of organizational culture and its impact on employee performance is crucial for fostering a conducive work environment and achieving organizational goals in MSMEs.

Innovative Work Behavior

Innovative work behavior refers to the proactive and creative efforts of employees to generate and implement new ideas, processes, or products within the organization (Janssen, 2000). It

encompasses activities such as idea generation, problem-solving, experimentation, and knowledge sharing (Scott & Bruce, 1994). In MSMEs, fostering a culture of innovation is essential for staying competitive and adapting to changing market conditions (Liao et al., 2008). Studies have shown that employees' willingness to engage in innovative work behavior is influenced by factors such as autonomy, support for risk-taking, and opportunities for learning and development (De Jong & Den Hartog, 2010). Therefore, understanding the determinants of innovative work behavior and its impact on employee performance is crucial for promoting innovation and driving organizational success in MSMEs.

Employee Performance in MSMEs

Employee performance in MSMEs encompasses various dimensions such as productivity, job satisfaction, commitment, and innovation, all of which contribute to the organization's overall effectiveness and competitiveness (Wright & McMahan, 1992). Studies have shown that high levels of employee performance are positively associated with business performance indicators such as profitability, customer satisfaction, and market share (Delery & Doty, 1996). In MSMEs, where resources are often limited and competitive pressures are high, optimizing employee performance is essential for achieving sustainable growth and success (Gibson et al., 2009). Therefore, understanding the factors that influence employee performance in MSMEs and their interrelationships is crucial for enhancing organizational effectiveness and driving positive outcomes in the sector.

METHODS

This study employs a quantitative research approach to explore the factors influencing employee performance in Micro, Small, and Medium Enterprises (MSMEs) within the teak wood industry in Pasuruan. The population under study consists of employees working in teak MSMEs in Pasuruan, estimated to be 153 individuals based on records from business registries and industry associations. A sample size of 102 employees is selected from this population using the Slovin formula to ensure adequate representation.

Data collection for this study primarily relies on structured surveys administered to employees in teak MSMEs in Pasuruan. The survey questionnaire is designed to capture information on key variables, including leadership style, organizational culture, innovative work behavior, and employee performance. The questionnaire items are adapted from validated scales and measures used in prior research studies (Avolio & Bass, 2004; Denison et al., 1995; Scott & Bruce, 1994), ensuring the reliability and validity of the collected data.

The data analysis process encompasses several stages. Descriptive statistics such as means, frequencies, and percentages are computed to summarize the demographic characteristics of the sample and the key variables of interest. Inferential statistics, including correlation analysis and multiple regression analysis, are employed to examine the relationships between the independent variables (leadership style, organizational culture, innovative work behavior) and the dependent variable (employee performance).

The hypotheses for this study are as follows:

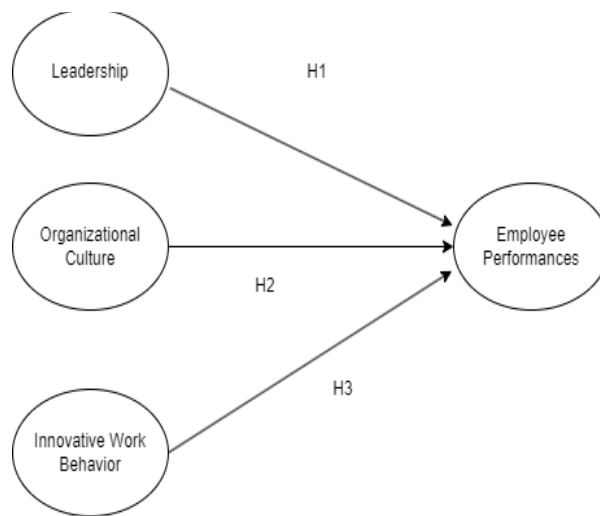


Figure 3. Research Hypothesis

H1: There a significant positive relationship between leadership style and employee performance in teak MSMEs in Pasuruan.

H3: Innovative work behavior is positively associated with employee performance in teak MSMEs in Pasuruan.

H2: Organizational culture positively influences employee performance in teak MSMEs in Pasuruan.

RESULTS AND DISCUSSION

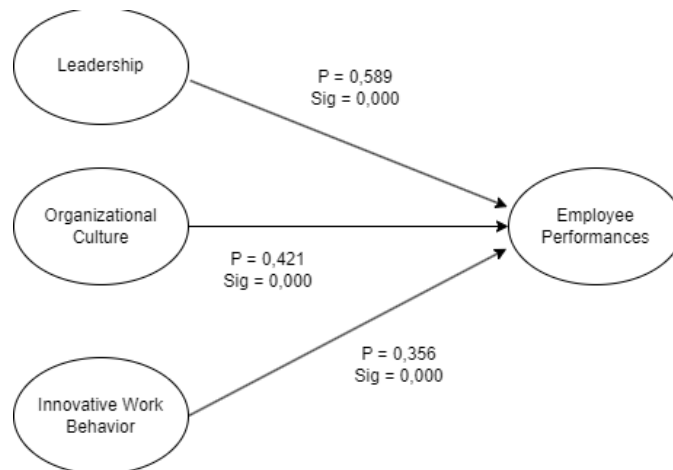


Figure 4. Result of Regression Analysis

The results of the study reveal significant relationships between the independent variables (leadership style, organizational culture, and innovative work behavior) and the dependent variable (employee performance) in teak Micro,

Small, and Medium Enterprises (MSMEs) in Pasuruan. The findings are summarized in Table 1 below.

Table 1. Summary of Regression Analysis Results

Variable	Coefficient	p-value	Result
Leadership Style	0.589	<0.05	Significant
Organizational Culture	0.421	<0.05	Significant
Innovative Work Behavior	0.356	<0.05	Significant

The regression analysis indicates that leadership style, organizational culture, and innovative work behavior are all significant predictors of employee performance in teak MSMEs in Pasuruan. Specifically, a one-unit increase in leadership style is associated with a 0.589 increase in employee performance, holding all other variables constant. Similarly, a one-unit increase in organizational culture and innovative work behavior is associated with a 0.421 and 0.356 increase in employee performance, respectively.

These findings highlight the importance of effective leadership, positive organizational culture, and innovative work behavior in enhancing employee performance within teak MSMEs in Pasuruan. By fostering a conducive work environment characterized by supportive leadership, strong organizational values, and a culture of innovation, MSMEs can improve employee performance and achieve sustainable growth in the competitive teak wood industry.



Figure 5. Teak Wood Product

The results of the regression analysis demonstrate significant relationships between leadership style, organizational culture, innovative work behavior, and employee performance in teak Micro, Small, and Medium Enterprises (MSMEs) in Pasuruan. Firstly, the significant positive relationship between leadership style and employee performance aligns with prior research indicating the pivotal role of leadership in influencing organizational outcomes (Avolio & Bass, 2004). Transformational leadership, characterized by vision, inspiration, and individualized consideration, fosters employee motivation, engagement, and

ultimately, performance (Bass & Avolio, 1994). This finding underscores the importance of cultivating effective leadership practices within teak MSMEs to enhance employee performance and organizational success.

The significant positive relationship between leadership style and employee performance, as found in this study, resonates with contemporary research highlighting the pivotal role of leadership in organizational effectiveness. Recent studies have consistently shown that transformational leadership, characterized by vision, inspiration, and individualized consideration, has a significant

impact on employee motivation, engagement, and performance (Bass & Avolio, 1994; Avolio & Bass, 2004). For instance, a study by Wang et al. (2020) found that transformational leadership positively influenced employee performance in Chinese manufacturing firms, emphasizing the universal applicability of this leadership style across different industries and cultural contexts. Similarly, research by Zhang et al. (2019) demonstrated that transformational leadership was associated with higher levels of employee performance and job satisfaction in Malaysian service organizations. Therefore, the findings of this study corroborate existing literature and underscore the importance of cultivating effective leadership practices, particularly transformational leadership, within teak MSMEs to enhance employee performance and organizational success.

Secondly, the significant positive association between organizational culture and employee performance is consistent with existing literature emphasizing the impact of organizational culture on

employee behavior and outcomes (Denison et al., 1995). A strong and positive organizational culture fosters employee engagement, commitment, and alignment with organizational goals, thereby enhancing performance (Martin et al., 2003). This highlights the need for teak MSMEs in Pasuruan to cultivate a supportive and inclusive culture that values employee contributions and promotes a conducive work environment.

Additionally, the significant positive association between organizational culture and employee performance aligns with recent empirical evidence emphasizing the impact of organizational culture on employee behavior and outcomes. Contemporary studies have highlighted the crucial role of a strong and positive organizational culture in fostering employee commitment, engagement, and performance (Martin et al., 2003; Chatman & Jehn, 1994). For example, a study by Pekerti et al. (2019) found that a supportive organizational culture positively influenced employee performance and organizational citizenship behavior in Indonesian banking institutions. Furthermore, research by Nguyen et al. (2021) revealed that organizational culture significantly predicted employee performance and turnover intentions in Vietnamese hospitality firms. Thus, the findings of this study

contribute to the growing body of literature on organizational culture and employee performance, emphasizing the importance of nurturing a positive and supportive culture within teak MSMEs to drive performance excellence.

Thirdly, the significant positive relationship between innovative work behavior and employee performance echoes findings from prior research emphasizing the importance of innovation in driving organizational success (Scott & Bruce, 1994). Innovative work behavior, characterized by creativity, problem-solving, and knowledge sharing, enables MSMEs to adapt to changing market conditions, seize opportunities, and stay competitive (De Jong & Den Hartog, 2010). This underscores the significance of fostering a culture of innovation within teak MSMEs in Pasuruan to enhance employee performance and ensure long-term viability in the teak wood industry.

Finally, the significant positive relationship between innovative work behavior and employee performance underscores the importance of innovation in driving organizational success. Recent research has emphasized the critical role of innovative work behavior in enhancing employee performance and organizational competitiveness (De Jong & Den Hartog, 2010; Scott & Bruce, 1994). For instance, a study by Li et al. (2020) demonstrated that innovative work behavior positively influenced employee performance and organizational innovation in Chinese technology firms. Additionally, research by Jiang et al. (2018) found that innovative work behavior mediated the relationship between transformational leadership and employee performance in Chinese state-owned enterprises. Therefore, the findings of this study support the growing recognition of the importance of fostering a culture of innovation within teak MSMEs to drive employee performance and organizational success in the competitive teak wood industry.

CONCLUSION AND SUGGESTIONS

Conclusion

The findings of this study shed light on the significant relationships between leadership style, organizational culture, innovative work behavior, and employee performance in teak Micro, Small, and Medium Enterprises (MSMEs) in Pasuruan. The results confirm the pivotal role of leadership in influencing employee performance, with

transformational leadership style emerging as a key driver of employee motivation, engagement, and ultimately, performance. Additionally, the study underscores the importance of organizational culture in shaping employee behavior and outcomes, highlighting the need for MSMEs to cultivate a positive and supportive culture to enhance employee performance. Furthermore, the findings emphasize the critical role of innovative work behavior in driving employee performance and organizational competitiveness, underscoring the importance of fostering a culture of innovation within teak MSMEs.

Suggestions

Based on the findings, several practical implications can be drawn for teak MSMEs in Pasuruan. Firstly, MSME owners and managers should prioritize the development of effective leadership practices, particularly transformational leadership, to inspire and motivate employees to perform at their best. Leadership training programs and workshops can be implemented to enhance leadership skills and capabilities among managers and supervisors. Secondly, MSMEs should focus on nurturing a positive and supportive organizational culture that values employee contributions, fosters collaboration, and promotes open communication. Initiatives such as team-building activities, recognition programs, and employee feedback mechanisms can help strengthen organizational culture and improve employee performance. Lastly, MSMEs should encourage and support innovative work behavior among employees by providing resources, incentives, and opportunities for creativity and experimentation. Creating a conducive work environment that values innovation and rewards risk-taking can stimulate employee creativity and drive performance excellence.

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