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The Role of Intellectual Agility in the Implementation of The Role of Intellectual Agility in the Implementation of Transformative Leadership in Improving MSME Business Performance

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Abstract: The leadership factor determines an organization in achieving success. Improving an organization's business performance requires an innovative and creative leader, so leaders are expected to have good intellectuals carrying out their roles. The effectiveness of transformative leadership and increasing intellectual agility are expected to improve MSME business performance to positively impact the economy for themselves and employees and reduce poverty. The objectives of this study are (1) to analyze the effect of transformative leadership on MSME business performance; (2) to analyze the effect of transformative leadership on intellectual agility; (3) to analyze the influence of intellectual agility on the business performance of MSMEs; (4) analyze the role of intellectual agility in mediating the effect of transformative leadership on MSME business performance. The data analysis method used is Structural Equation Modeling (SEM) measurements using SmartPLS software. The results of the study show (1) that transformative leadership has a significant positive effect on MSME business performance; (2) transformative leadership shows a significant positive effect on intellectual agility; (3) intellectual agility shows a significant positive effect on MSME business performance; (4) intellectual agility as a mediating influence of transformative leadership shows a significant positive effect on MSME business performance.

Keywords: Transformative Leadership, Intellectual Agility

INTRODUCTION

The growth of Small and Medium Enterprises (MSMEs) in Jambi Province has increased. In 2021 the number of MSMEs is 26,058 with a workforce of 48,059 people, where the largest business classification is food, which is 9,403 or 36.08%, (BPS Jambi Province, 2022). According to the Ministry of Industry, Indonesia has four strategies, namely (1) the competitiveness and productivity of MSMEs is encouraged to be able to enter the international market; (2) maximizing the use of digital technology; (3) improving skills in the use of

technology; (4) innovation of technology products. The strategy carried out serves as a guide for stakeholders to be able to strengthen human resources through improving organizational performance in order to gain competitive advantage and improve MSME business performance.

An organization in achieving success is determined from the leadership factor, this is because the power in creating an effective organization and moving an organization in achieving goals is strongly influenced by leadership as the holder of power (Sun, 2017). Nguyen (2021), effective leadership is a leader who is able to make the organization progress by empowering employees appropriately, including communication skills, intellectual abilities, decision-making abilities and the characteristics of the leader himself. The role of an effective leader can be as a spokesperson, agent of change, motivator and direction setter (Clausen, 2020). Transformational leadership has a vision to be able to increase work potential and commitment to subordinates in completing work well and producing maximum output (Shanker, 2017). Demircioglu (2017), employees will provide maximum work ability in carrying out work exceeding the specified standards with the encouragement of a leader who is creative, innovative and brave to take the initiative in collaborating. Efforts in improving the business performance of an organization require an innovative and creative leader so that leaders are expected to have good intellectuals in carrying out their roles.

The role of leaders in building intellectuals in an organization is very important so that leaders need intellectual agility. Intellectual agility is dual, which can be flexible and accelerates human resources in an organization (Kansikas, 2012). Intellectual agility is found in employee behavior while the emergence of intellectual agility comes from the idea of a leader who can mediate the relationship of problems related to innovation and creativity that arise from employees as an effort to improve business performance of an organization. MSMEs are often constrained in developing intellectual agility, due to the limited size and lack of extra resources and capabilities in business processes, but with a small organizational structure in MSMEs, changes in innovation and creativity can benefit from the process side to build intellectual agility. The effectiveness of transformative leadership and increasing intellectual agility are expected to improve MSME business performance so that it can have a positive impact on the economy both for themselves, employees and in reducing poverty.

The purposes of this paper are (1) to analyze the effect of transformative leadership on MSME business performance; (2) analyze the effect of transformative leadership on intellectual agility; (3) analyzing the influence of intellectual agility on the business performance of MSMEs; (4) analyze the role of intellectual agility in mediating the influence of transformative leadership on MSME business performance.

LITERATURE REVIEW

Transformative Leadership

A business organization in carrying out work activities has a leader, where the leader has the authority to direct employees to do the work of each of these employees to achieve the organization's business performance goals (Shamir, 2018). According to Nguyen (2021), leader behavior can color the working relationship between leaders and subordinates, which is the uniqueness of a leader seen from his style and behavior which includes character, nature, personality and habits that describe leadership. Leadership is a process of directing work activities within the organization and a process of influencing others by achieving common goals. The role of an effective leader can be as a spokesperson, agent of change, motivator and direction setter (Clausen, 2020).

Clausen (2020) explains that transformative is an activity in changing functions, conditions or properties to carry out conversions. This can be interpreted that changing

something into a different form is transformational, it can be exemplified by turning something potential into actual or realizing a vision into reality (Chiu, 2019). Robbins and Judge (2015), explain that transformational leadership is a leader who can be an inspiration to subordinates in transcending their own interests and has the ability to exert a deep and extraordinary influence on their subordinates.

Transformational leadership style is a process in an effort to increase motivation and commitment to employees in achieving organizational goals (Wright, 2012). According to (Sun, 2017), the dimensions of the transformational leadership style are 4 (four), as follows: (1) idealized influence, the leader can make subordinates more optimistic and confident and strong towards the vision and mission so as to create employee respect for leader; (2) inspirational motivation, the leader has the capacity for himself to be a role model for subordinates which is realized in achieving clear goals and can set a good example; (3) intellectual stimulation, the ability of a leader to eliminate the reluctance of his employees to provide input in the form of ideas and thoughts and can encourage subordinates to be more creative and solve problems they face; (4) individual consideration, the leader can pay attention to his subordinates to be able to develop the abilities of the employee.

Nguyen (2018), transformational leadership has an influence on employee empowerment, where the characteristics of leaders and the ability of leaders to develop employee abilities are the main factors. Transformational leadership has a vision to be able to increase work potential and commitment to subordinates in completing work well and producing maximum output (Shanker, 2017). Demircioglu (2017), employees will provide maximum work ability in carrying out work exceeding the specified standards with the encouragement of a leader who is creative, innovative and brave to take the initiative in collaborating. Efforts in improving the business performance of an organization require an innovative and creative leader so that leaders are expected to have good intellectuals in carrying out their roles.

Intellectual Agility

The success and sustainability of a business organization depends on the ability to discover and develop products or services, production processes, new technologies and changes in organizational structure (Dabić, Lažnjak, et al., 2019). Santos-Rodrigues et al., (2010), this ability is referred to as innovative which is considered a strategic resource for organizational development to produce outputs from the innovation process. The environment is very important to maximize employees to be more innovative and creative. Sawaeen (2020), the perception of employees to increase knowledge, develop self-confidence and innovate and be creative based on the feasibility of ideas sourced from management and organizations. Growing innovation agility in an organization has a positive impact on the business performance of an organization (Caseiro & Coelho, 2019). When a leader can create an organizational climate to innovate and be creative, it can help success in an organization to create something innovative and creative. Xing (2020) argues that the ability of employees to change the way of thinking, efforts to find new information and produce new solutions to a problem is intellectual agility. Intellectual agility is related to the ability of the individual, where the dimensions of intellectual agility are being able to continuously improve knowledge and skills, being skilled in doing business (Cegarra-Navarro, 2020), work as a challenge and an opportunity to prove skills and be able to analyze a problem to create new solutions. (Sambamurthy, 2003).

Intellectual agility is dual, which can be flexible and accelerates human resources in an organization (Kansikas, 2012). Intellectual agility is found in employee behavior while the emergence of intellectual agility comes from the idea of a leader who can mediate the

relationship of problems related to innovation and creativity that arise from employees as an effort to improve business performance of an organization.

Performance

The level of success of MSMEs in achieving their business goals is referred to as performance. According to Bakar, Sulaiman and Osman (2014), performance measurement can be seen from market growth, increased profits, ROI and customer growth. On the other hand, according to Tajeddini, Trueman and Gretchen (2006), performance measurement is measured by the percentage of new product sales in total sales and market share.

According to Harrison (2018), the definition of performance is an outcome that is measured by the quality and quantity of individual achievement in carrying out tasks as a fulfillment of responsibilities. Assessment of performance is seen by what is produced by a business. Performance in a business is a display of a complete condition within a certain period, in the use of available resources it can produce an achievement from the results of the operational activities of a Miao business (2019).

The performance of a business is measured both financially and non-financially, where financially by looking at return on sales, profit growth and sales growth, while non-financially by customer satisfaction, market growth and product quality, Bagheri (2017). Another view put forward by Mishra and Suar (2010), company performance is described by financial performance and social performance.

METHOD

This research was conducted in Jambi Province, namely on Micro, Small and Medium Enterprises. The population of this study is Micro, Small and Medium Enterprises (MSMEs) in Jambi Province with a transformative leadership style. The sample is 150 respondents, referring to Hair (2010) in the SEM analysis, the sample size is 100-200 respondents. The data is divided into two types of data, namely (1) secondary data, data obtained from scientific journal literature, books and data from the government; (2) primary data, data obtained from the results of questionnaires, interviews and field observations.

The method used is the Structural Equation Modeling (SEM) measurement using SmartPLS software. The analysis technique is carried out through analysis of results (1) outer model with Average Variance Extracted (AVE) indicators, loading factor and communality as well as reliability testing by analyzing the results of Cronbach's alpha and composite reliability; (2) inner model with analysis indicators based on the results of T-statistics and R-Square. The variables used are (1) Transformative Leadership (X); Intellectual Agility (Z); MSME performance (Y).

RESULTS AND DISCUSSION

Results

The results of Cronbach's alpha and composite reliability scores are more than 0.7, which indicates the accuracy of the data and the data is reliable. The results of the Average Variance Extracted (AVE) score of more than 0.5 then indicate the variable meets the validity, it can be seen in the following table:

Table 1. *Construct Reliability and Validity*

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<i>Intellectual Agility</i>	0.972	0.976	0.976	0.785
<i>MSME Performance</i>	0.877	0.821	0.720	0.641

<i>Transformative Leadership</i>	0.961	0.968	0.966	0.704
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The results of the outer loading of all indicators are greater than 0.6 then all indicators are considered significant, as can be seen in the following table:

Table 2. *Outer Loadings*

	<i>Intellectual Agility</i>	<i>MSME Performance</i>	<i>Transformative Leadership</i>
X_1			0.718
X_10			0.733
X_11			0.830
X_12			0.886
X_2			0.728
X_3			0.788
X_4			0.799
X_5			0.874
X_6			0.920
X_7			0.917
X_8			0.919
X_9			0.916
Y_1		0.824	
Y_10		0.871	
Y_2		0.974	
Y_3		0.735	
Y_4		0.871	
Y_5		0.820	
Y_6		0.798	
Y_7		0.744	
Y_8		0.805	
Y_9		0.728	
Z_1	0.863		
Z_10	0.952		
Z_11	0.907		
Z_2	0.916		
Z_3	0.917		
Z_4	0.895		
Z_5	0.779		
Z_6	0.738		
Z_7	0.916		
Z_8	0.939		
Z_9	0.900		

Based on the results of the outer loading, the measurement model can be described as follows:

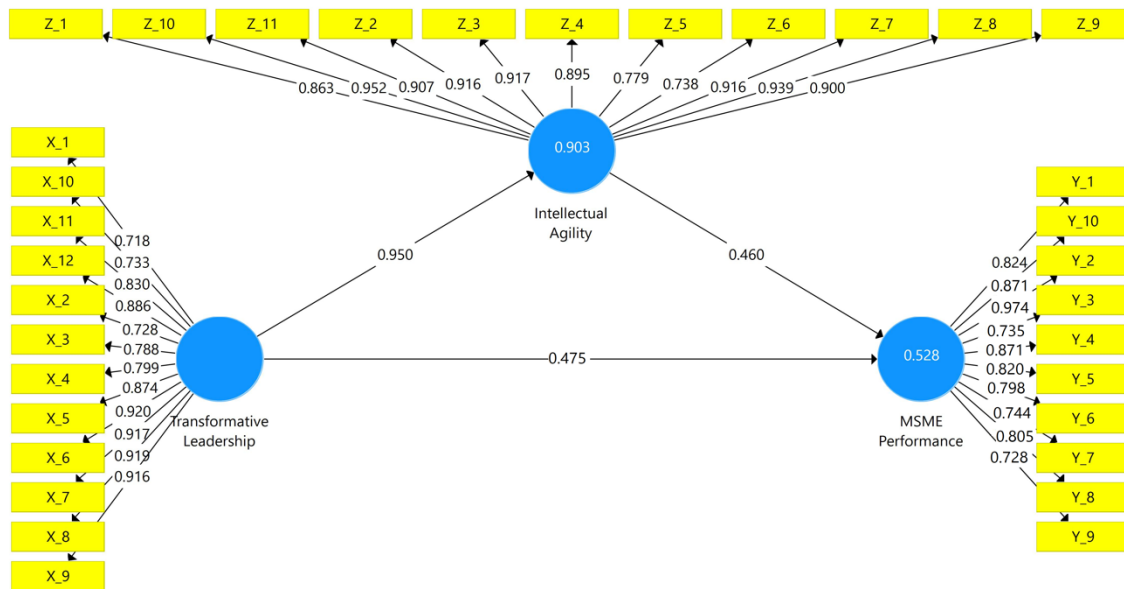


Figure 1. Measurement Result Model

R square value greater than 0.3 indicates the ability of the influence relationship between variables to meet the criteria, it can be seen as follows:

Table 3. R Square Value

	R Square	R Square Adjusted
<i>Intellectual Agility</i>	0.903	0.902
<i>MSME Performance</i>	0.528	0.517

The results of data processing in this study, hypothesis testing through the results of the t-value model can be seen in the following figure:

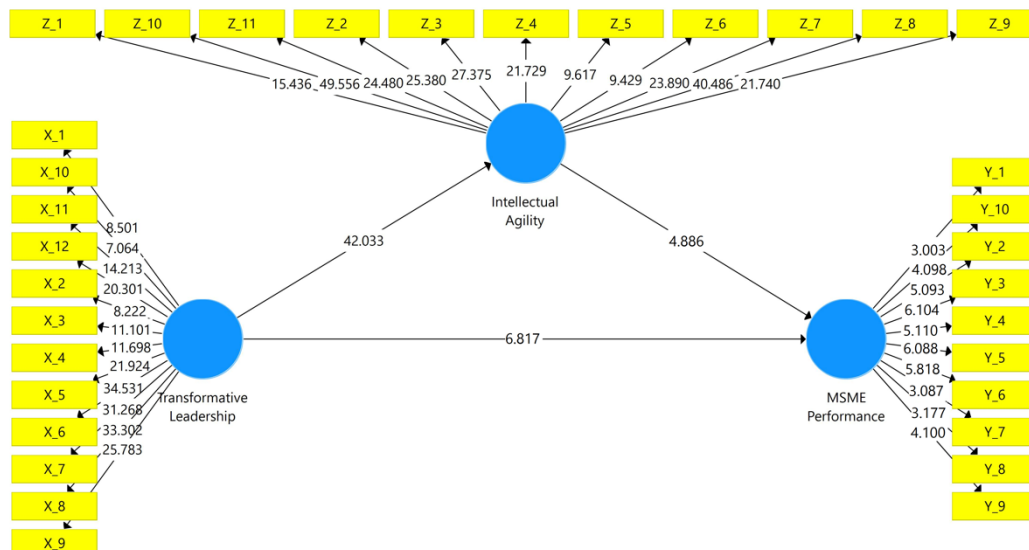


Figure 2. Bootstrapping Model

The results of data processing in this study, testing the relationship between variables can be seen in the following table:

Tabel 4. Relationship between variables

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Result
<i>Intellectual Agility -> MSME Performance</i>	0.460	0.493	0.082	4.886	0.004	Accept
<i>Transformative Leadership -> Intellectual Agility</i>	0.950	0.946	0.123	42.033	0.000	Accept
<i>Transformative Leadership -> MSME Performance</i>	0.475	0.402	0.136	6.817	0.002	Accept
<i>Transformative Leadership -> Intellectual Agility -> MSME Performance</i>	0.437	0.490	0.193	4.888	0.001	Accept

The results of the P Value of all influences between variables are less than 0.05, then all relationships between variables have a significant effect and can be accepted.

Discussion

Based on the test results in table 4, intellectual agility has a positive effect on the performance of MSMEs, this is indicated by the P Value less than 0.05, which is 0.004 and the T statistic value of 4.886. This influence relationship can be interpreted that the better the intellectual agility of the leader in an organization, the better the performance of MSMEs will be. According to Kansikas (2012), intellectual agility is dual, which can be flexible and accelerate human resources in an organization. In supporting the achievement of an organization's goals to improve business performance through the acceleration of human resources, intellectual agility has an important influence on the performance of MSMEs.

The result of testing the influence of transformative leadership on intellectual agility is that there is a positive influence, this is indicated by the P Value less than 0.05, which is 0.000 and the T statistic value of 42.033. The better the application of transformative leadership, the better the performance of MSMEs will be. The influence of transformative leadership on the performance of MSMEs also shows a positive influence, it can be interpreted that the better the application of transformative leadership from leaders in an organization, the better the performance of MSMEs will be. According to Robbins and Judge (2015), transformational is a leader who can be an inspiration for subordinates in transcending their own interests and has the ability to exert a deep and extraordinary influence on their subordinates. Transformative leadership has an important role in supporting the application of intellectual agility and improving the performance of MSMEs.

The results of testing the influence of transformative leadership on the performance of MSMEs through intellectual agility are that there is a positive influence, so that the application of transformative leadership in MSME organizations to improve MSME performance requires an important role of intellectual agility from leaders in MSME organizations. This is indicated by the P Value less than 0.05, which is 0.001 and the T statistic value of 4.888.

CONCLUSION

Based on the results of research and discussion, it can be concluded as follows: (1) transformative leadership shows a significant positive influence on MSME business performance; (2) transformative leadership shows a significant positive effect on intellectual agility; (3) intellectual agility shows a significant positive effect on MSME business

performance; (4) intellectual agility as a mediating influence of transformative leadership shows a significant positive effect on MSME business performance.

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