

WHAT IS THE MOST INFLUENTIAL FACTOR THAT AFFECTS

ORGANIZATIONAL PERFORMANCE:

A CASE STUDY of BANK SYARIAH MANDIRI JAKARTA

By

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Alif Theria Rif'ana

Declaration of Originality

I, ALIF Theria Rif'ana, hereby declare that this master thesis is my own work and has not been submitted in any form for the award of another degree or diploma at any university or other institute of tertiary education. Information derived from the published or unpublished work of others has been cited or acknowledged appropriately.

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List of Abbreviations

BSM	Bank Syariah Mandiri
LO	Learning Organization
TL	Transformational Leadership
OI	Organizational Innovation
OP	Organizational Performance
DLOQ	Dimensions of Learning Organization Questionnaire
MLQ	Multifactor Leadership Questionnaire
HCD	Human Capital Division
NSD	New Service Development
HUD	Haji and Umroh Division
ODP	Officer Development Program
MDP	Management Development Program
MMDP	Middle Management Development Program
SMDP	Senior Management Development Program
CMD	Commercial Banking Division
PMD	Planning, Development and Performance Management Division
LCD	Learning Center Division
SMD	Small and Micro Banking Division
CND	Consumer Banking Division
ALD	Alternate Channel Division
ROA	Return on Assets
ROE	Return on Equity
FDR	Finance to Deposit Ratio
NIM	Net Interest Margin

ABSTRACT

Learning organization, transformational leadership, and organizational innovation have been emphasized as organizational function that gives influence on organizational performance. This study aims to examine the effectiveness of these organizational functions, by identifying whether either of learning organization, transformational leadership or organizational innovation contributes to organizational performance and by investigating the simultaneous influence of three functions on organizational performance. Quantitative method was adopted for this study by using a questionnaire survey with one hundred sixty respondents of employees in Bank Syariah Mandiri Jakarta. The data of the survey were analyzed by simple regression, multiple regression and sequential regression analyses.

The result demonstrated that (1) each of learning organization, transformational leadership and organizational innovation significantly influenced organizational performance, (2) these three organizational functions did not show simultaneously significant contribution to organizational performance, (3) both of learning organization and transformational leadership were found as significant factors among independent variables, while organizational innovation was not a significant predictor of organizational performance. On the other hand, the control variable of the gender had unexpectedly significant predicting power on organizational performance. This study tried to serve as reference to enacting organization which become learning organization, specifically for the Islamic

banking sector that connecting learning organization, transformational leadership and organizational innovation as essential predictors in determining organizational performance. Although previous studies brought contribution to these research fields, they have not addressed the simultaneous effect of three variables, and direct relationship between transformational leadership and organizational performance within the Islamic banking in Indonesia.

Keywords: *Learning organization, Transformational leadership, Organizational Innovation, Organizational Performance, Islamic banking.*

CHAPTER 1

INTRODUCTION

1.1 Problem Background

In today's business environment, it is necessary for organization to improve their capability so that they could survive in fierce turbulence market competition. Rapid technological changes and information acquisition become key factors to succeed in business world. It raises firm awareness to find the most effective way in attaining company objective (Dirani, 2009). Higher performance can be achieved by both internal and external factors in organization. One of them is to transform the organization into what we called, "learning organization" (Noruzy, Dalfard, Azhdari, Shirkouhi, Rezazadeh, 2013).

Organization that continuously learns will acquire higher capability and maintain its competence. To face volatile business competition, organization needs to learn faster and prepare to compete with both existing and incumbent companies (Lopez, Peon, & Ordas, 2005). Fast learners usually can gain advantage in comparison to their competitors, in which it will easier to adapt and be responsive to the environment change. The accumulation of information and knowledge gained from learning process eventually will form organizational competence. Along with the shift of the organization from traditional one into knowledge and technology-based, the organization transforms itself to be the learning organization (Weldy, 2009) that can chase higher performance and yet to transform into learning organization, it requires commitment from the whole entity.

To realize the importance of learning organization in defining organizational performance (Watkins & Marsick, 1993), leaders have significant role to bring influence on members in succeeding in the learning culture implementation. Leaders and members definitely need to cooperate in order to develop the culture environment to build the habituation for the member to keep continuously learning and developing skills. Not only having employees who are eager to learn, but also driving excellence human resource are key success factors in performance enhancement (Sahaya, 2012). In this sense, transformational leadership is viewed as a leadership style that fits to support the learning organization (Zagorsek, Dimovski, & Skerlavaj, 2009). Other than mentioned above, innovation is also an important function to define organizational performance (Hurley & Hult, 1998). Innovative organization will meet customer demand and fulfill their satisfaction. Morales, Montes, & Jover (2008), said, “the higher innovation level was, the better performance organization yielded”. Implementing learning organization and adopting innovation with support from transformational leadership would lead the organization to higher achievement.

Most of previous research in learning organization were conducted their survey and research in a manufacturing sector especially in the Western context (Ortenblad, 2013). In Indonesia, a few studies were conducted in a banking industry and mostly were focused on learning organization as a stand-alone concept. Although studies to investigate performance determinants have been one of popular topics among researchers in banking studies, a few conducted in Islamic banking perspective (Haron, 2004). There is the rising demand from Muslim customers in

term of banking transaction within Sharia principle (Abduh & Omar, 2012), and the Central Bank of Indonesia with Indonesia government launched the Law of Republic Indonesia No. 10 in 1998 to facilitate and give an alternative to establish sharia-based financial institution as a means to meet customers need. This flourished Islamic banking sector rapidly in Indonesia (Abduh & Omar, 2012), and Islamic banking provided with remarkable services to reach the target and maintain customers' trust and showed continuous improvement in organization performance. Evidences that revealed the quick growth of Sharia banking in Indonesia, for instance, there were only three banks in 2007 but become eleven banks in 2013 (Otoritas Jasa Keuangan, 2013). In term of market share, currently Sharia banks reached 4.8% compared with 5% targeted by Central Bank of Indonesia. This kind of tremendous development in this sector told us how much it attracted more customers, especially Muslim citizens. Nevertheless, there are still some challenges faced by Islamic Banking in Indonesia such as limited market coverage, lack of comprehensive and appropriate framework and instruments for regulatory supervision, lack of operation efficiency, limited knowledge and understanding of Islamic banks by public, and the need to enhance the number of workers and increase human resources' competence (Bank Indonesia, 2012). Despite these challenges, Bank Syariah Mandiri has survived and proven as the biggest haria bank in Indonesia. Therefore, Bank Syariah Mandiri is regarded as a suitable organization for this study. In ever increasing competition with both conventional and other sharia banks, it will be important for a growing organization like Bank Syariah Mandiri to know if the learning culture with gained support of

transformational leadership along with adoption of innovation that contributes towards higher organizational performance achievement.

1.1 Research Question

The prominent situations of Bank Syariah Mandiri in term of market share coverage and learning program development for its human resources, leads some questions whether the learning organization has a role in performance enhancement, how Bank Syariah Mandiri implements learning organization concept, and if transformational leadership and innovation take part in driving performance. Based on such background, two research questions were proposed as follow:

1. What is the relationship between each of Learning Organization, Transformational Leadership and Organizational Innovation on Organizational Performance?
2. Will the Learning Organization, Transformational Leadership, and Organizational Innovation simultaneously affect Organizational Performance?

1.2 Purpose of the Study

This study is aiming to examine the mechanism of Learning Organization and to reveal the relationship of Learning Organization, Transformational Leadership and Organizational Innovation, towards Organizational Performance. Another objective is to know whether Learning Organization, Transformational Leadership and Organizational Innovation have influence in determining Organizational Performance. The data from Bank Syariah Mandiri Jakarta will be used to achieve these objectives.

1.3 Significance of the Study

Many academic writers examined and identified the implementation of a learning organization concept, either as a stand –alone concept or in relate with other factors in the Western context (Ellinger, Ellinger, Yang & Howton, 2002). Since there is a few research about learning organization in Indonesia, it is important to understand how much the concept of learning organization is applicable and contributes to firms’ performance, and to identify what other factors that may have any effects on determining performance. According to the purpose of the study, the result of this study will be beneficial to both theoretical and practical aspects as follow:

- Theoretical aspect: to provide with deeper understanding about the learning organization concept and its implementation in organization with transformational leadership and organizational innovation.
- Practical aspect: to govern additional input for the organization to define organizational performance improvement through learning organization implementation.

In addition, there are few works conducted in Islamic banking in Indonesia about learning organization concept in relate with transformational leadership and organizational innovation in determining performance. Hence, this study will be advantageous to provide empirical evidence for both practitioners and researchers

who got interested in further research in a learning organization area, related with organizational performance, especially in Sharia banking industry in Indonesia.

After the background of the study, the chapter two will describe Islamic Banking in Indonesia and specifically talk about Bank Syariah Mandiri as the research object in this case study, the chapter three will cover a review of the literature related with major key concepts in this research. Then, research design development, research methodology and data processing include the result of data analysis employed in this study will present in the chapter four, five and six, respectively. The chapter seven will develop the discussion with some implications of the research findings. Finally yet importantly, the chapter eight will outline the conclusion, research limitations and the direction for further study.

CHAPTER 2

WORK ENVIRONMENT IN BANK SYARIAH MANDIRI JAKARTA

2.1 Organization Profile

Bank, as a financial intermediary institution that receives and allocates third party money to be used in financing and funding sector, play the essential function in economic growth. The International Monetary Fund (IMF) reported that Islamic banking was one of the fastest developing sections in the financial sector and recorded 10-15 percent growth per annum for more than a recent decade. Globally, IMF also predicted that Islamic banking assets would grow on average by 15 percent per year and reach \$1 trillion by 2016 (Abduh & Omar, 2012). The Islamic bank, like other conventional banks, provides with products and services that have similarities in term of mechanism to receive and transfer money, a procedure of credit submission and other transaction mechanisms. There is a fundamental distinction between conventional bank and sharia bank that sharia bank which uses Islamic principle for underlying its operation and transaction, i.e.: every contract is held based on the Islamic law, and it has consequence and responsibility toward God in Islam. Another characteristic is that the Islamic bank operates within free-interest and should not do speculative transactions because earning profit from exchanging money for money is considered as a sin and immoral. Islamic bank encourage all parties to share profit or loss within financial transactions—which becomes the unique strength of this bank in compared with the conventional one (Ningsih, 2012).

As most of Indonesian population are Moslem, the potential of Islamic banking is highly open in this country. Thus, for the customers and investors who want to comply with Islamic laws (sharia), which guide Moslem way of life, the future of Islamic banking will be promising. The birth of Islamic banking in Indonesia was marked by establishment of the first Islamic bank called Bank Muamalat Indonesia and remained alone until the 1997 financial crisis ruined the Indonesia financial system (Ningsih, 2012). When conventional banks suffered in 1997, at the same time, Islamic bank survived and therefore the thought to develop a sharia banking system to save economy for a prolonged crisis threat was drawn. The government of Indonesia provided an alternative to facilitate the increased demand from customers by released Law of Republic Indonesia No. 10 year 1998 that gives an opportunity for commercial banks to operate within the dual banking system - by adding sharia banking system. After the economic crisis, four big banks—Bank Dagang Negara, Bank Bumi Daya, Bank Exim and Bapindo were merged and became PT Bank Mandiri under the assistance of the government. The government established a sharia banking development team in 1999. Bank Mandiri at that moment was also appointed as the majority owner of Bank Susila Bakti (BSB), and then, the Sharia banking development team converted BSB from conventional bank to sharia bank status. BSB changed the name to Bank Syariah Mandiri and has officially started since 1 November 1999 (Bank Syariah Mandiri, 2013).

Unique characters, which are accommodated by Islamic bank to do its operation under Islamic values, render BSM to perform its business based on several

principles: Al-Wadiah, Profit Sharing, Al-Tijarah, and Al-Ijarah (Antonio, 2001). (1) Al-Wadiah means that transactions perform based on a pledge of property by a party to another party, person or a group to be kept and returned upon the owner's order. (2) Allocation of profit or loss according to the same portion as agreed in initial agreement between two parties is called profit sharing principle. (3) Al-Tijarah describes the financial transaction that similar with sell and purchase, in which the level of profit determined before the transaction as a part of the price. (4) The last principle, Al-Ijarah, defines as a leasing agreement that allows a lessee to use the leased property with an obligation to pay a leasing fee according to the agreement. In Al-Ijarah, the property returned to the owner at the end of the contract, but there is an option if the lessee wants to own the property through a transfer of the leased from the bank to another party (Bank Syariah Mandiri, 2013). Because of the Sharia principles mentioned earlier, this characterized Islamic bank from the conventional one as explained by Ningsih (2012) as follow:

1. Contract and Legal

Sharia banks operate based on agreement (*Akad*) that has a consequence not only in national law but also towards Islamic law. In this way, people will carefully execute the transaction and will not infringe the contract if they know that this means violate God' law. On the other hand, customers often transgress the contract if it only tied with common legal.

2. Institution of Dispute Settlement

There is a specific institution that mandated to resolve a dispute within sharia banking' transaction—in Indonesia it called *Badan Arbitrase Mualamah Indonesia*. Unlike in conventional bank, dispute in Islamic bank does not solve in national court, but resolve based on sharia materials in certain organization.

3. Organization Structure

Islamic bank could have the same organizational structure with conventional one, such as the commissaries and board of directors. The main distinction is that in Islamic banking, it has to have Sharia Supervisory Board (*Dewan Pengawas Syariah*), in which they will monitor the compliance and conformity of the product and operation towards sharia principles. The highest level in organization structure is Shareholder General Meeting, in which in this meeting the members of Sharia Supervisory Board are decided. Bank Syariah Mandiri also has organization structure as explained earlier. Appendix 3 depicted that the highest authority in BSM' organizational structure is Shareholder General Meeting and there is Sharia Supervisory Board that has same position level with President Director and Board of Commissioner. BSM has five directorates, in which each directorates command several divisions that maintain daily operations and handling responsibilities that relate either with internal organization or external parties—customers and suppliers.

4. Business Aspect

To comply with the Islamic law, sharia banks need to carefully consider their operation to finance and fund only the business line that do not violate sharia

principles. Islamic banks cannot finance unlawful business line—for instance: alcohol, non-halal food, and speculation trade.

5. Working Culture and Environment

As an organization that operates within sharia principle, it should have working environment that comply with Islamic rules and consider the Islamic way of life as imprinted working culture for the whole members. The worker of sharia banks need to reflect Islamic character of attitude like *siddiq* and *amanah*—means that they have to possess integrity value. Besides, to resemble *fathanah*, employees need to update their knowledge regularly to become more professional. When they mastering knowledge and skill, it is important to share and taught with other people within the organization so employees will worth for other people—called *tabligh*. In sharia banking, the fairness treatment for employees needs to implement.

Bank Syariah Mandiri (BSM) serves customers in funding, financing and service line products. In funding, BSM collects money from depositors as products such as BSM Tabungan, BSM Deposito, BSM Giro, BSM Bond, and BSM Tabungan Perusahaan. Financing product line that BSM allocates the money to finance customer' capital need, resembled in products such as: BSM Mudharabah, Musyarakah, Murabahah, Haj Bridging, Istishna, Customer Network, Warehouse Receipt, Education, House Financing, Employee Cooperative, System Pembayaran Online, Pensioner, Medical Equipment and Revolving Fund Financing. Besides these two products, BSM also offers service products like BSM Card, Sentra Bayar, Mobile

Banking, Net Banking, Mobile Banking GPRS, Payment via ATM, Cash Management, Exchange of Foreign Currency, Letter of Credit, Western Union transfer, Clearance, Inkaso, Bank Guarantee, BSM Electronic payroll, Real Time Gross Settlement, Autosave, Standing Order and Online Tax payment. BSM keeps innovation and customer satisfaction by developing products and services (Bank Syariah Mandiri, 2013).

2.2 Working Environment in Bank Syariah Mandiri

Like many other companies, Bank Syariah Mandiri in the attempt to support company' objectives, set a vision and mission, in which vision created to strengthen company' mission and to strengthen its mission, conducted by adjusting the previous mission to recent situation. Based on Management Report of Bank Syariah Mandiri (2013), the vision of this company is "to be the most trusted and preferred Sharia banks in Indonesia". Meanwhile, the missions consist of: to generate sustainable growth and profits; to put priority on consumer funding and micro, small and medium financing; to hire and develop professional employees in a healthy working environment; to develop sharia universal values; and to run banking operations according to the sound banking practices. Beside vision and missions, BSM also formulates company values called ETHIC—Excellence, Teamwork, Humanity, Integrity and Customer Focus. BSM shared values aiming to support the vision and mission pursuant, and in order to socialize and to govern in daily working life, 'ETHIC' has been translated into several core behaviors.

2.2.1 Human Resource Practice

To date, there are almost 16,000 workers spread in all over Indonesia. With around 764 offices and 109,686 ATM network in Indonesia, BSM becomes the largest sharia bank in Indonesia. (Bank Syariah Mandiri, 2013). Because of the limited market coverage of sharia banks and the customer' lack of knowledge about sharia banking system, BSM try to face the challenge by continuing improve the organization into knowledge-based bank. Improving the professionalism and the quantity of workers, believed will be the effective problem solution (Bank Indonesia, 2002), thus, BSM ensure that each employee should have adequate competency according to their duty. In addition, worker's enthusiasm for learning is regularly enhanced to understand BSM as a knowledge-based company, through refreshment test for all employees. This refreshment test holds to know the employees capability related to the job. The objective is to make sure that worker perform their task in line with procedure and system, not because of their habit.

Employee evaluation in BSM is a mechanism that organization measure employees performance through a standard of performance measurement. There are two kinds of employee evaluation: quarter' evaluation and yearly review. BSM applies integrative performance planning system through three phases. First, bank arranges overall target in Bank Business Plan approved by Board of Directors. Second, work unit determines work unit target directly becomes head of work unit' target in the form of BSC Desk, Regional Office and Branch Office Key Performance Indicator. Third, work unit arranges target for each employee based on work unit

target, and then calibrated by Head of Work Unit to each employee referring to strategic target based on BSC and routine target based on job description. Based on the result of assessment, each leader has discussion with employees on development and problem faced within the task. Moreover, leader gives feedback to support employee in achieving target. Head of Work Unit and supervisors are responsible for giving direct guidance and motivation through coaching, counseling and feedback to subordinates so they can work better and anticipate failure. Performance' assessment in BSM consists of "Target" as a quantitative aspect that emphasizes on result and "Process" as a qualitative aspect that shows the method's orientation.

Along with the employee evaluation, BSM sets a reward and punishment policy to appreciate employee's achievement and to warn employees who commit fraud or violence against BSM's regulation. Several rewards program offer to the employees such as annual cash bonus, scholarship for master degree program and performance allowance. Besides, BSM improves the competency through job enrichment and enlargement in which employee assigned for certain projects. Promotion and grade upgrading also given after worker accomplished selection and competence test. Fair punishment given to the employee compresses individual notice, warning, and sanction according to the level of infringement (Bank Syariah Mandiri, 2013).

The importance of human resource as one of organization assets (Noruzy, Dalfard, Azhdari, Shirkouhi, Rezazadeh, 2013), BSM has prepared programs to develop human capital's competence through integrated human capital management.

From the initial stage, BSM has two lines of recruitments: regular and special recruitment. In regular recruitment, the process consists of administration selection, general knowledge test, psychology test, cross reference process, interview and medical test. On the other hand, special recruitment divided into two: Early Recruitment Program (ERP)—to recruit fresh graduates in collaboration with universities and Management Development Program (MDP)—to recruit student with good academic scores and student organization activity by giving nine month training to develop their skill and potency. BSM also defines specific concept of competence as a combination of knowledge, skill and behavior, it is known as Competency-Based Human Resource Management (CBHRM). This approach enables the organization to improve effectiveness and consistency in implementing system of recruitment, selection, promotion, compensation, performance assessment, education and training, career design, management as well as strategic planning of human resource area (Bank Syariah Mandiri, 2013). Profile of employee's competence is made to assist management to determine the mutation and employee's development program according to each career path. There are three competence development programs in BSM: they are Officer Development Program (ODP), Middle Management Development Program (MMDP) and Senior Management Development Program (SMDP). ODP is a competence program that addresses staffs that are going to promote as officer. MMDP is a program for Junior Officers who are going to promote as Middle Manager, which workers given soft and hard skill. SMDP is a program for

Managers who are going to promote as a Group Head and Regional Head, which the development of competence and activity's evaluation being conducted.

To attain the knowledge-based bank and improve the human capital development, BSM provides structured training program for all workers. First, Orientation and Development Program that cover Banking Staff Program, Officer Development Program, Management Development Program and Middle Management Development Program. Second, Banking Academy that aims to increase skill, behavior and increase knowledge of the existing employees. Third, Enhancement Program that aims to maintain knowledge and skill of the existing workers and to prepare them who are going to promote into the higher level. Within year of 2012, BSM has been hold 322 in-house training programs that involved 7,393 participants, the company also sent 247 workers to the public training. In the same year, BSM also had (MMDP) for 139 participants who are going to promote as Manager, and had Manager Development Program for 89 workers to be prepared as future leaders. Figure 2.1 below illustrates the training and development program that available in BSM.

Education and Training Program	Orientation Development Program	Banking Staff Program
		Leadership Development Program
	Banking Academy	Micro Retail & Consumer Banking Academy
		Commercial & Corporate Banking Academy
		Operation & Support Academy
		Sales & Service Academy
	Enhancement Program	Leadership & Strategic Skills Enhancement
		Business & Operation Banking Competencies Improvement
Public Training, Scholarship & Certification		

Figure 2.1 Education and Training Program Scheme in BSM

Source: Bank Syariah Mandiri (2013)

One of the advantages of this bank is that BSM develop a set of learning program, which employees can easily access all modules and do the on-line test. Through e-learning program, company expects workers could share knowledge with other members. BSM has education and training program such as Banking Staff Program (BSP) that targeted new staff and involve e-learning, in-class, on the job training, individual project assignment, coaching and mentoring methods. Banking Academy aims for increasing knowledge, skill and behavior, for instance, micro, retail & consumer banking academy, commercial & corporate banking academy, operation & support banking academy, and sales & service baking academy.

Enhancement Program is further education program, which aim to maintain and ensure knowledge, skill and behavior to conformity with the company' culture and adapt to business change. Workshop, Certification program, Public training and Scholarship for Master Program are to be included in Enhancement Program (Bank Syariah Mandiri, 2013). Besides Banking Staff Program, BSM develop Leadership Development Program for example ODP, MDP, MMDP and SMDP.

Online training viewed as advance mode of training (Rosenberg, 2001), which not all corporations can provide digital means to support learning. Bank Syariah Mandiri posses readiness and open culture to share knowledge among its members, management's eagerness to spend money to invest in learning infrastructure' development, readiness of division who turn as trainer that design the learning curriculum according to the employee's needs. Learning through technological network is the recent trend in the development of training and education' (Rosenberg, 2001). He signified that e-learning is a means to improve firm capability through infinity learning process beyond distance and time constraints.

E-learning program continuously developed to increase employee's competence, as of 2012, BSM has 23 modules of e-learning program. Employees can access approximately 168 contents in Power point file. E-learning program conducted in two ways, Blended and Distance learning. Blended Learning means that e learning conducted through integration between on-line and in-class training; in 2012, blended learning participant was 5,506 members that increased 87% in compared with year 2011. On the other hand, Distance Learning only conduct e-learning program through

on-line system. The number of e-learning participant has been growing year by year; the total of hits in 2012 was 365,581 that increased 37% from 2011, while the total modules provided also added become 266 modules in 2012 that improved 72% from 2011. BSM realizes, besides e-learning, the company needs to facilitate knowledge diffusion among members. Thus, in attempt to organize and accumulate knowledge together with worker' experience become accessible source of information for their employees, this bank adopted Knowledge Management in year 2012 (Bank Syariah Mandiri, 2013).

To strengthen management capability, BSM send the management to attend seminars, workshop, and other training that related with their duty and responsibility. BSM gives opportunity to workers to join the training hosted by both internal and external parties. For employees who want to continue their education to master and doctoral degree, the company also provides scholarship, in which to get it, employee should meet the qualification through selection mechanism. Not only educating personnel, Bank Syariah Mandiri also held socialization for clients through workshop or seminar programs to comprehend customer about sharia banking product and services.

CHAPTER 3

LITERATURE REVIEW

Chapter three provides a comprehensive review of the relevant key concepts for this study as follows: learning organization, transformational leadership, organizational innovation and organizational performance. This review consists of definition and accumulation of applied previous research within various settings, so that the conclusion of this review will finally strengthen the framework of this study.

3.1 Learning Organization

Along with the ever-increasing market competition in business environment, this is imperative for organization to have capability to follow and be adaptive towards changes. The situation urges the business players to develop their competence. Learning is the primary characteristics that company has to survive (Dirani, 2009). Having excellence members is a key of success for organization to develop. Through learning, the company can infuse new knowledge and information into workers, find more effective way to solve problems and eventually it drive organization's development.

Since Senge popularized the word learning organization in 1990, the study of learning organization has already gained much attentions from many scholars and practitioners (Mahoney, 2000), yet the research of this area still expanded within greater variance. Formal educations, in-class training and participating in seminar or workshop are the basic of learning process that include as part of learning organization components. Learning organization defines as organization that has a

capability to collect, keep and transfer knowledge within organization members and governs the organization to transform itself through learning environment (Yeo, 2005). There are three definitions of learning organization concept that emphasize process of knowledge channeling with continuous action as cited below:

“Learning organization is where people continually expand their capacity to create results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together” (Senge, 1990).

“Learning organization is skilled at creating, acquiring and transferring knowledge and at modifying its behavior to reflect new knowledge and insights” (Garvin, 1993).

“Learning organization facilitates the learning of all members and continually transforms itself” (Pedler, Burgoyne, & Boydell, 1991).

The term of “learning organization” is often used interchangeably with the “organizational learning”. Yeo (2003) prescribed that “learning organization” focuses on what kind of characteristics may be resembled by entity to be called as place to learn by all of its member. On the other hand, “organizational learning” emphasizes on what the process needed by the organization to achieve learning environment. Shortly, “learning organization” refers to a type of entity, while “organizational learning” represents the process of learning activities within the organization. Learning organization needs efforts to build, while organizational learning exists without any exertion (Ortenblad, 2001). From this point of view, organizational learning is a primary requisition, but it is not necessary to have learning organization for companies to survive. Organization needs to learn for its survival, but it is not always to be learning organization; yet learning organization is desirable (Ortenblad,

2001). Therefore, if companies can transform into learning organizations, that would be a beneficial point for them to continue facing a vicious business environment. Furthermore, Marquardt (1996) as cited by Zare, Jajarmizadeh, & Abbasi (2010) described that “learning organization” is a product or accumulation of “organizational learning”; meaning that organizational learning is created from endless continuous learning, so that regular increase in learning activities will render learning organization.

The classic definition that is widely accepted and used in most of learning organization studies was developed by Senge (1990), in which he proposed five disciplines to build learning organization as they are shared vision, personal mastery, mental models, team learning and system thinking. Watkins and Marsick (1993) prescribed learning organization concept in different aspects—complex and integrative model. They defined the learning organization as an authentic concept that compresses continuous learning for continuous enhancement and having capacity to continuously transform. They also described learning organization in three elements: individual, group and organizational level of learning. Learning organization will lead organization to the increase its value and performance both financial and nonfinancial intellectual capital (Yang, Watkins, & Marsick, 2004). This learning organization model accommodates two vital components—people and structure. To gain operational model they translated these two components into seven integrated dimensions as interrelated at individual, group and organizational levels. Within individual level, there is continuous learning, inquiry, and dialogue; team learning

represents group levels; organizational level consists of empowerment, embedded system, system connection and strategic leadership. The definitions for these seven dimensions as written by Watkins and Marsick (1993) as presented in table 3.1 below:

Dimension	Definition
Continuous Learning	Design learning within work; so that people can learn their tasks and opportunities provided along with the job for ongoing education
Promote Inquiry and Dialogue	People obtain constructive skills, in which they can express their idea and have capacity to listen and to inquiry others' view; involving culture's dialogue to support questioning, feedback and experimentation.
Collaboration and team learning	Work is designed to use team to access various thinking, to access team learning; group members are expected to learn together and create collaboration culture that will be valued and rewarded.
Create systems to capture and share learning	Both high and low technology systems to share learning are created and integrated with the work; providing access to learn; and maintain the system.
Connect the organization to environment	People are helped to see their work on the entire corporation; scanning the environment and selecting information that will be useful for adjusting work practice; organization is linking to its communities
Provide strategic leadership for learning	Leader model, champion, and support learning; leadership use learning strategically for business process and outcome.

Table 3.1 Dimensions and Definitions of Seven Dimensions DLOQ (Adapted from Watkins & Marsick, 2003)

Eventhough many definitions are stated in the literatures, there are still vague understandings of this concept, mainly caused by the doubt of the existence of

learning organization (Mahoney, 2000), because the concept of learning organization is viewed as an almost perfect model of the entity in learning process engagement. Recently, since there is a view of the importance in acquiring excellence human capital to increase organization competence (Sahaya, 2012), many organizations then seem to put effort to become learning organization. Diverse concepts of learning organization defined in the previous research (Garvin, 1993; Senge, 1990; Ortenblad, 2004; Watkins & Marsick, 1993), are used and still relevant for current situation. To obtain more sights in understanding learning organization concept, recent study conducted by Ortendblad (2004) proposed other typologies including four perspectives that underlying learning organization: learning at work, organizational learning, climate for learning and learning structure.

Learning at work reflects that learning takes place during duty's performance, in which employees can obtain new information within their workplace. This is different with formal one, because through daily working assignment workers can directly apply learning behavior, for instance, workers can write a report while they think of problem solving for another responsibility. In this case, people were required to learn how to do multiple duties while learning for other parts is related with their job. It does not mean that we lessen the formal learning weight, but it is rather to see them as a complement. Knowledge from formal education is necessary for learning process, but coupled with learning at work, that one will apply properly. Ortenblad (2004) added that learning from other colleagues and senior working partner about how to achieve working target more efficiently, and teaching inexperienced

newcomers about how to complete their task by starting with a simpler way and by the degree to increase the level of complexity are alternative of learning at work context. In other word, to attempt learning at work, people could either find or become a mentor and supervisor.

Other perspective offered by Ortenblad (2004) is Organizational Learning that compresses single and double loop learning concepts as prescribed by Argyris & Schon (1978). He refers a single-loop learning as a simpler form of learning activities, in which people will not have further action except acquire the information and store it within organization regardless the useful thing for company. A double-loop learning contents extended action that people will assess and question the first learning activity. Having the double-loop learning, organization will evaluate the current learning process for either undertaking improvement or staying within status quo.

Climate for learning is the next perspective offered by Ortenblad (2013) to understand easily the concept of learning organization. Working environment, infrastructure, and managerial or leader position are included in this aspect. Those items earlier mentioned are means to build individual learning capacity, for instance, a leader will facilitate employees to learn and make mistakes during working practice. Besides, those who learn should be not only be facilitated by working place and infrastructure but also encouraged, and then people will gain positive climate for effective learning process, while captivating experience. This in line with Pedler et al.

study (1991) as said that one of learning' entity attribute is becoming a place that encourages people working in it or having access to learn within.

Learning organization does not only need strong effort to achieve but also structure if organization wants to set optimum learning organization; thus, next perspective is the learning structure. This refers to the situation in which organization needs to be flexible and build the authority line such as decentralization, empowerment, continuous learning and fast mover in task performance. In agreement with that, Watkins and Marsick' (1993) described that in learning organization, everyone has an idea of what the whole pictures would be look like, know how to accomplish the task under organization' rule, has sufficient budget and knowledge of how to influence or share task with others. By possessing learning structure, organization will be more likely capable of arranging supple organization flow that enables people to find solution for unexpected problem or demand. Employees also will be motivated to learn more in order to find the most efficient way to meet customer's satisfaction, allow them to work according to the latest capacity that they have to maintain client's loyalty. Flexible structure means that workers can learn to perform other's tasks and support each other, so that when an employee has already engaged with a client, the other will be reliable to replace the former. In other words, all of the members are specialists and generalists in the same time (Ortenblad, 2013).

As the widespread of learning organization concept since 1990's, many scholars conducted research studies on this area, various topic such as identified the learning organization concept, examined the implementation of learning organization

within organizations, linking learning organization concept with other factor, until used learning organization as a mediator predictor within research framework. Several former researches suggested for organizations aiming to transform into learning organization, for instance Harris (2002) said that banking sector needs to promote project evaluation systems, Chivers' study (2011) demonstrated that both of on-the-job and off the job training are needed by bank as well as individual and group learning. The essences of learning organization are facilitating members for learning activity through internal and external network, empowering and involving people into learning process to create new knowledge and reward system for those who are actively increasing organization learning capacity. These are in line with previous studies, which was conducted in healthcare entities (Mohr, 2005; Hartley, 2000; Al-Abri& Al-Hasmi, 2007; Somerville& Mc Connell-Imbriotis, 2004); higher educational institutions (Bratianu, 2007; Friedman et al., 2005; Greenwood, 2009; Watkins, 2005; Smith, 2003); manufacturing sector (West& Burnes, 2000; Heller et al., 2006); insurance agencies (Al-Qutop et al., 2011; Barkur et al., 2007); and libraries (Kassim& Nor, 2007; Broady- Preston& Preston, 1999). Those studies contributed for organizations who want to change to become learning organization according the industry's characters.

Following the growing attention towards learning organization concept and practice, many researchers attempted the study about learning organization in relation with other management practices. Those studies included examining the relationship between learning organization with performance (Wetheringthon, 2010; Weldy Gillis,

2010; Martinez, 2009; Weldy, 2009; Ellinger, Ellinger, Yang & Howton, 2002; Hung et al., 2010), the relationship between commitment and job satisfaction (Balay, 2012; Egan, Yang & Bartlett, 20014; Chiva & Alegre, 2009; Joo & Park, 2010). Learning organization does not always serve as a main factor, in some studies, it becomes mediator variable for the main research framework (Sahaya, 2012; Vargas-Hernandez & Noruzi, 2010; Hurley & Hult, 1998; Hsu& Pereira, 2008; Konthoghiorges, Awbrey & Feurig, 2005), in which most of them revealed the effect of learning organization as moderator factor in predicting the innovation and performance.

3.2 Transformational Leadership

Effective organization requires strategic and tactical way of thinking as well as organization culture by its leader (Bass & Avolio, 1993). Hence, to achieve organization goal, the presence of leader is needed regardless of the size and type of organization. Naturally, leader affects others to follow the rule and mechanism in work process in accordance with vision and mission of the organization. Leader is viewed as an organizational catalyst to attain end goal, to maintain and increase performance. Style of leadership is clearly important to become particular consideration in defining entity's performance (Kennedy & Anderson, 2002). Leaders use transactional and transformational behavior within certain degree (Bass, 1999); concerning the area of leadership research, transformational gained more attention than transactional leadership.

Transformational leadership as first proposed by Burns (1978), associated with leader who has characters like paying more attention to the long-term orientation

and commitment regarding the member as part of family, sharing mutual interest among members and going beyond self-interest for the sake of organizational' good (Bass & Avolio, 1993; Morales, Montes & Jover, 2008). Transformational leadership is a leadership style that governs growing consciousness of subordinates to promote collective objective within organization. Bass (1999) stated that transformational leadership would raise the followers' confidence and help to build emotional relation among them to create collaboration, guide the company to achieve higher values. Previous studies highlighted the need of this type of leadership in organization to lead the business operation (Chang & Lee, 2007; Morales, Barrionuevo & Gutierrez, 2012; Morales, Montes & Jover, 2008).

According to Burns (1978), transformational leadership is viewed as the dynamic relation between leaders and subordinate that stresses out on organizational process of transformation and appreciates higher needs of person. This is similar to what is proposed by Chang & Lee (2007) as said that transformational leadership is a tool to improve higher level for task request of followers, in this sense, employee's capability will raise and allow the bigger responsibility for them. In addition, this will make followers to have self-orientation, higher self-confidence, heighten their potency to be more creative and complement with autonomy to make improved decision quality. Thus, transformational leaders would be the one that organization required for its improvement, to bring extraordinary influence for the followers through emotional links created within (Burns, 1978; Bass & Avolio, 1990; Morales, Montes & Jover, 2008).

Bass (1997) contrasts transformational leadership from transactional leadership, in which it inspires followers, increases the level of followers' aspiration, enhances the individual consideration and appreciates accomplishment according to the individual values. Transformational leadership as prescribed by Bass and Avolio (1990) compresses four elements: idealized influence, inspirational motivation, intellectual stimulation and individual consideration. Possessing charisma, leaders give inspiration for followers to perform beyond expectation, to build loyalty, acts with self-confident and shows respect to the leader as the one who encourage them in task fulfillment. Inspirational motivation shows that leaders can influence subordinates to perform their duties with sense of optimistically gain success in the future and regard leaders as ideal model in job accomplishment. Leaders promote intellectual stimulation to raise followers' creativity and help reveal subordinate intelligence in job analysis. Through individualized consideration, leaders create emotional link with followers, understand them that they have their own capability and different needs, considering their aspiration, rather than just a common subordinate, leaders can teach, mentor and coach them according to their needs.

Studies have examined and showed the relationship between transformational leadership and several consequences such as financial performance (Sahaya, 2012; Lopez et al, 2005; Correa, Morales & Pozo, 2005; Kennedy & Andersen, 2002; Montes, Moreno & Morales, 2005), learning organization (Rijal, 2010; Amy, 2005; Morales, Barrionuevo & Gutierrez, 2012; Chang & Lee, 2007), and innovation (Jung, Chow & Wu, 2003; Gumusluoglu & Ilsev, 2009). Nevertheless, only few literatures

showed the effect of transformational leadership within banking sector (Lee, Cheng, Yeung & Lai, 2011), thus this study highlights the transformational leadership issue in banking industry. In current rapid changes of business environment, transformational leadership is viewed as suitable feature of leadership style that drives organization to become more adaptive business entity, because leaders affect followers' perception on innovativeness and their behavior toward continuous learning (Gumusluoglu & Ilsev, 2009; Chang & Lee, 2007), therefore, this research wants to attest its role within growing organization like Bank Syariah Mandiri.

3.3 Organizational Innovation

Pervasive competition and market turbulence are causing business players rapidly adapt to innovation's diffusion (Hurley & Hult, 1998; Dirani, 2009; Damanpour & Gopalakhrisnan, 2001) and increase organization' competence (Hernandez & Noruzi, 2010). Almost all multidisciplines use the term "innovation" in their field of study such as engineering, medical, education, sociology, chemist, anthropology etc. Economic and management areas also utilize the essence of innovation, including business administration (Subramanian & Nilakanta, 1996). Innovation is a crucial part of organization in response the market change, this is believed as customer behaviors show that they have a tendency to demand new product, to buy more sophisticated product and these behaviors persuade others to do the same. Since innovation is considered as company's character that differs them from their competitors (Damanpour, 1991), so this process is desirable to be

attempted. With the adoption of innovation, they gain further advantage in comparison with non-innovative organization (Menor & Roth, 2008).

Innovation defined as a process of acquiring new ideas to generate new product, idea and service within organization (Damanpour, 1991; Hurley et al., 1998). Other description of innovation is a new process, product and practice for industry, in which they compare one organization readiness to grab innovation and the total of new product adopted through new process from the others (Gopalakhrisnan, 2000). The word “new” here, could be completely new, upgrading one simple function, upgrading product or service’ quality and even discontinued product (de Brentani, 2001), thus, innovation encompasses both incremental and revolutionary creature that give partial additional and uniquely full benefit for user respectively. He mentioned that innovation is qualified from two different perspectives, the degree of newness according to the internal organization and relative towards outside of the company or public market. Some researchers empirically tested innovation in the role of mediating the performance (Konthogiorges et al., 2005; Ho, 2010; Noruzy et al., 2013), innovation in service (Sundbo, 2007; de Brentani, 2001; Eisawi et al., 2012; Menor et al., 2007) and innovation towards its outcome (Gopalakrishnan, 2000; Prajogo, 2006; Hult, Hurley, & Knight, 2004).

Literature of innovation has widely developed and written within the manufacturing sector. Along with growth of service industries that give significant contribution on economy, urgency to identify the importance of innovativeness on company’s survival gradually drawn the awareness of scholars, nevertheless, there

are a lesser innovation literatures in service sector (Prajogo, 2006). The service sector differs from manufacturing in term of tangibility of the production outcome. Though research in new service development and innovation in the service sector is far behind in the manufacturing industry, Oke (2007) said that study on innovation for service entity has largely increased and enriched the literature. Since present research organized a case study in Bank Syariah Mandiri, it focused on examining innovation of service organization that provides both products and services to consumers, therefore, the bank needs to maintain the excellence of service (Al Eisawi, Sekhon, & Tanna, 2012). Similar to other sectors, banks need to promote innovation to build relationship with clients based on trust and loyalty, provide value-added products and services to gain trust and customer's satisfaction.

In attempt to pursue innovation, companies utilize research & development process together with new technologies implementation to adopt new ideas and to formulize it into real product and service. Sundbo (1997), acknowledged that information and technology advancement are meant to achieve innovation, particularly for technological innovations and often engaged with other type of innovation. The use of technological innovation also embedded in the bank's new product and service development, however, their innovations were fell behind manufacturing sector, because banks previously did not realize that innovation is organization key factor and they did not manage it well (Sundbo, 1997). In comparison with the manufacturing industries, banks adopted innovation within different situation and mostly they were in lower level. Banks' operation is simpler

than manufacturing process, so in this sense, banks' innovation is somewhat easier to construct and less complexity than manufacture (Naslund, 1986 as cited in Sundbo, 1997). This sector innovated in slower pace in comparison with other businesses, with tight regulation and business risk that caused the impacts of innovation takes time to be perceived. Recently, there is almost none of company that did not utilizes technological advancement for its performance enhancement, banks and other service entities use technology and information as their key success for innovation (Barras, 1986). Since banks share common innovations in their products and services, this is vital for service firms to update and to continuously locate innovative ideas in attempting for filling the gap between these two sectors, to meet customer's demand (de Brentani, 2001).

Marketing perspective sees that creating excellence of service signed that the organization put the beneficial point in comparison with other competitors—with innovation, company will gain success in anticipating new customer's demand (Al Eisawi et al., 2012). Most of banks offer same products and services to the market, this is primary for banks to not only meet client's satisfaction, but also go to beyond market expectation. Company that adopts innovation earlier, will result in customer's satisfaction and strengthen the excellence of service (Camarero, 2007), this is proven by increasing types of financial service offered to market. Since banks have products and services, they have large opportunity to accommodate innovation according to market demand and preference, probably by adding the products' variety, shortening

service' time delivery, and modifying the products according to the customer's flexibility.

Current study is conducted within the context of sharia banks, thus, the term of organizational innovation is limited into New Service Development (NSD) to resemble banks' innovation as part of service industries. Internet, up to now, has been major reason of innovation streaming in banking sector (Banerjee, 2014). To keep the same pace with other industries, banks embrace technological-based product innovation, for instance: mobile and internet banking, real time services and online support transactions.

Growing service organization that gives high contribution on economy, has been enhanced the needs of service innovation, but still literatures on New Service Development (NSD) remain fragmented (Weerawardena & Kennedy, 2002). Banks as financial service entity, involving large interaction with customers, ranged from basic services up to product and service's development, firms relatively considered more on what market want and re-thinking what should be done in order to meet client's satisfaction. This situation is in accordance with Johne & Storey's study (1998) as stated that the magnitude of interaction with customer is vital for service development process—differ NSD from new product development. Clearly stated that interaction with customer will raise company's critical thinking to generate better ideas. In the manufacture organization, customer's roles are important but they do not directly involved, while in service industries, customer's involvement is needed in terms of service' quality improvement. Weerawardena & Kennedy (2002) found that

firm' learning capability and magnitude of entrepreneurship are antecedents of NSD process, while Menor & Roth (2008) empirically tested that formal process of NSD, market aspect, strategy and the information & technology utilization are determinant for NSD.

3.4 Organizational Performance

Performance is the ultimate objective of organization's business process (Noruzy et al., 2010), therefore all entities looking for ways to gain and multiply their performance. Performance is also defined as how well organization measures its effectiveness (Dirani, 2009), or how the organizational input in comparison with the outcome. Previous studies demonstrated that performance affected by some features embedded within the organization (Martinez, 2009; Wetherington, 2010; Ellinger et al., 2002; Hung et al., 2010). Many studies also utilized financial performance (Noruzy et al., 2010; Sahaya, 2012), non financial performance such as job satisfaction, organizational commitment, and other work related outcomes (Balay, 2012; Egan, Yang & Bartlett, 2004; Rose, Kumar & Pak, 2011; Chiva & Alegre, 2009; Hsu & Pereira, 2008). Those findings show that performance, either individual or organizational level is determined by multivariable, and there is no standard on how much each factor giving contribution. The successes of firm are often viewed from level of earnings, market share, sales, productivity, debt ratio and stock prices (March & Sutton, 1997). Educational institution uses how many research accomplished, student' GPA, number of faculty certification, popularity ranking in websites and how many labor's absorption from the alumni as performance indicator.

March & Sutton (1997) added that each organization uses different measurement for organizational performance, and based on them firms evaluate their achievement either externally—comparing with other companies, or internally—as the reference to make better decision for the their continuity.

On attempt to achieve their performance, firms need to explore what factors that play significant roles in undertaking business success, either internal or external source. When the powerful elements are found as performance determinant, business players will improve the magnitude of those factors and furthermore, will seek for new ways as the alternative for pursuing better outcomes (Tippins & Sohi, 2003). It is worth to mention that apart from the height of performance, organizations who have ability to manage information and capital accumulation will afford reliable means to obtain company's advantage. In other words, entity that captures information about customers and competitors will further accustom on environment change. Companies, in achieving higher market share, compete with one another and often comparing their performance as benchmark to make decisions. Superior performance rankings will raise envious, encourage admiration, trigger imitation and fierce competition, while lower performance suggests that one company's best practice might not work for the other firms and it is possible that they were facing different market (March & Sutton, 1997).

The simplest way to know company's performance is by examining its financial report—a report that shows financial condition at or within certain period (Ningtyas, Darminto, & Husaini, 2012), it also indicates the wealth of the company.

Through financial ratio indicator, organization can measure the level of profitability, solvability, liquidity and productivity. Nevertheless, it is not easy task to measure performance because many studies objective (i.e.: financial ratio) and subjective (using perceptions of financial performance) measurement (Hsu & Pereira, 2008; Venkatraman, 1990). While others see financial performance better than non-financial performance, Dess & Robinson (1984) stated that in absence of objective measurement of organizational performance, subjective measurement like non-financial performance shows high degree of convenience in evaluating performance, it is consistent when compared to its financial data. In his study, Dirani (2009) demonstrated that job satisfaction and organizational commitment were symbolized work related to outcome that becomes part of organizational achievement.

CHAPTER 4 RESEARCH DESIGN

4.1 Model Development

4.1.1 Learning Organization on Organizational Performance

The concept of learning organization becomes popular in organization and management literatures because it is believed that organization with learning capacity, could achieve organizational competitive advantage (Ellinger et al., 2002; Vargas-Hernandez & Noruzi, 2010). Learning process through acquisition of knowledge, distribution of information and knowledge application on business operation, resulted in increasing of entity's competence (Morales et al., 2012). Learning organization will nurture learning culture, so members keep continuously learning, develop their skill and integrate their capability on job accomplishment. Moreover, learning organization offers substantial space for employees to learn and share the constructive ideas within organization, thus firms will benefit from those interactive processes.

Creation of excellence human capital will beneficial for current organization, because nowadays business competition extends into the area of intangible commodity, in which companies need to preserve good image, maintaining customer loyalty, develop know-how capability, provide better service for market. Along with rapid technological development and broaden information, learning organization supports preparation of extraordinary human resources to be adapt and adjust themselves to face environment changes (Vargas-Hernandez & Noruzi, 2010).

Learning organization accommodates organizational learning, in which it enables organizational learning to develop and grow the firm's capability, and then organization's capability help firms to maintain their performance (Morales et al., 2012), now it becomes a need rather than just an option.

Organization with learning organization, endowing with learning facility—training program, e-learning program, classroom, digital and non-digital library, workshops, will attract employees to participate and utilize those for their improvement and afford entity's performance. However, not all members feel encouraged to learn and might feel frustrated to learn because they view it as a mandatory activity rather than as a need (Ortenblad, 2013). The effect of learning organization towards performance might not be directly shown, because as a process it takes time to accumulate and to generate expected result. Nevertheless, it is considered as effective structure for organization to boost creativity and capability becomes adaptive entity (Martinez, 2009). According to Tseng (2010), the impact of learning organization towards performance is also triggered by the existence of organization's culture, which means that learning environment will reach its optimum objective when accompanied by conducive culture.

High relationship is found between organizational achievements and learning organization when organizational performance can be viewed from the organizational changes that drive into organizational goal achievement (Akhtar, Arif, Rubi, & Naveed, 2011). Organization stores and employs accumulation of knowledge as a source of development; as a collective means to break the market's challenge to

find better solution for goal's attainment. Firm's performance is found to be positive and significantly influenced directly by learning organization (Noruzy et al., 2013; Morales et al., 2008; Akhtar et al., 2011; Calantone et al., 2002; Ellinger et al., 2002; Martinez, 2009; Wetherington, 2010); indirectly through mediation role (Hsu & Pereira, 2008; Tippins & Sohi, 2003; Morales et al., 2012; Shieh, Wang & Wang, 2009; Zagorsek et al., 2009; Alipour & Karimi, 2011; Hung et al., 2010). Forozandeh et al. (2011) stated that learning culture would prolong member's commitment to learn and their commitment on organization, which is viewed as mutual relationship.

Learning is viewed as a mean to attain process and outcomes rather than just an end for organization (Lopez et al., 2005). This means that learning carries several dimensions ranging from initiation of information acquisition, spreading the content of knowledge to and among company's members, incorporating knowledge into developed task and translating it into the real application, organizing knowledge storage for future use. This integrated stage enables employees to get use to learn and quick thinking, take right action to make critical decision on their job related. Therefore, rather than just reactive organization, it is important to see entity as a pro-active firm as the impact of learning organization. As argued by (Hurley & Hult, 1998), company that is able to elevate their competence through customer understanding and competitor' threat awareness, will survive, stands strong and ready for any chance that market place has (Tippins & Sohi, 2003). Based on such previous research results, the present study wants to examine the relationship between learning organization and organizational performance through hypothesis below:

Hypothesis 1: Learning organization has significant influence on organizational performance.

4.1.2 Transformational Leadership on Organizational Performance

Leadership generally embedded in individual and organizations (Chang & Lee, 2007), because it compresses the ability to influence others. Features of leadership affect their followers through coordination and communication, through exemplification and instruction. Strengthening followers' self-confidence, elaborating company vision are parts of leadership characteristics that enable to leverage employees' willingness in increasing their productivity and at the end direct to firms' performance enhancement (Sahaya, 2012). In agreement with this finding, Bass & Avolio (1990) stated that leader's influence on followers has contribution on organizational performance's achievement. Leaders give positive inspiration for followers to perform better and to find the more creative ways as problem's solution. If companies learn and improve their performance through more efficient way, it will affect organizational performance.

Leadership style is able to affect organizational performance (Sahaya, 2012). Organization with high performance is sustained by excellence people that led by good leaders, this reflects the considerable values brought by leaders—leader who functioned as a steward, mentor and leader itself (Senge, 1990). Transformational leadership that possesses idealized influence, inspirational motivation, intellectual stimulation and individual consideration features (Bass & Avolio, 1990), will help employees and organizations to govern entity towards collective goals.

Transformational leader will broaden followers' perspective of making priority precede the firm's needs, promulgate collective capabilities, channeling adaptive problem solving to goal attainment. In addition, as Harland, Harrison, Jones, & Reiter-Palmon (2005) argued, transformational leaders are great motivator to promote excellence behavior such respecting each others, increasing focus on task accomplishment, creatively thinking to find solution and appreciating both individual and group opinion.

In relation with followers' attitude, transformational leadership does compress coaching model and makes certain that all individuals working with sufficient means and facilities (Bass, 1990), taking over the individual responsibility, detaching hurdle, and building stable network to enable effective team work (Okenwa, 2010). Further, transformational leaders motivate followers to surpass their personal-interest, to focus more on group accomplishment. Following previous statement, the organizational outcomes not only reflected by financial performance, but also the work related to outcomes, yet the link between transformational leadership and work outcomes such organizational commitment and job satisfaction were widely examined (Bass, 1998; Rose, Kumar, & Pak, 2011).

Most of researches empirically demonstrated the notion that transformational leadership is valuable in generating organizational effectiveness (Chang & Lee, 2007), however, others suggested that attributing organizational outcomes to personal leaders is somewhat oversimplification (Parry, 2011). He added, this is presumably because entity's performance is involving complex attributes and content of non-

linear interactions among multiple factors in dynamic system. In contrast, based on reviewed of recent study of Kaiser, Hogan, & Craig (2008) as summed that managerial studies found the consistency between organizational performance with the person in charge. Leaders also do not attain high performance by themselves, rather through their collaboration with others or through followers (Hogan & Kaiser, 2005). Yet, leader is a single individual that plays a significant factor on organizational success, he creates and induces condition in which causing his followers perform effectively. To specify the relationship between transformational leadership and organizational performance, the second working hypothesis is proposed below:

Hypothesis 2: Transformational leadership has significant influence on organizational performance.

4.1.3 Organizational Innovation on Organizational Performance

Facing upward market and the business turbulence, organization needs to engage with innovation behavior as the key success to stay survive (Damanpour & Gopalakhrisnan, 2001; Hurley & Hult, 1998). This means that only firms that actively promote innovation in their attempt to gain so called ‘innovative organization’ through understanding of know how process advancement of daily operation. The primary objectives of being innovative are actually to acquire new knowledge and new process in creating new products and services, in which they strongly connected with organizational performance (Aragon-Correa et al., 2007). Innovation encourages workers to be more creative, forces them to get new knowledge to drive new ideas

and proponent to enhance the ability in rejuvenating the process of task accomplishment.

Responsive organization answers customers' needs and investors' demand through company's capability and organizes communication among members. Past researches showed that organizational performance is influenced by organizational innovation in diverse aspects, as demonstrated by Hurley & Hult (1998) that integrate market orientation and organizational learning aspect together with innovation, Calantone et al. (2002) added that innovation design and innovation speed positively related with organizational performance. Further, Irwin, Hoffman, & Lamont (1998) identified that unique and non-imitable product innovation will result in higher performance. Those studies suggest that because innovation will gain market acceptance and customer's pleasant, performance will accordingly improve. Hult, Hurley, & Knight (2004) empirically tested and found that market orientation, learning orientation, entrepreneurial orientation and innovativeness related with organizational performance, and brought organization to be adaptive. He added that administrative innovation as part of internal process in organization became the initial step to adopt innovation and proven partly as performance trigger.

Unlike in manufacturing industries, service sector companies pertinent with the quality of services offered to clients, thus, the delivery process of services becomes primary concern of the firm (Al Eisawi et al., 2012). Banks attributed with large interaction involving customers, this is important to emphasize the acquisition of innovation and its implementation on banks performance because by this way

banks make excellence service to show their commitment to furnish customer' needs. Moreover, as suggested by Lee et al. (2011), since financial service sector provides complete products and service to their clients, it becomes necessary to compete, banks obligate to take valuable innovation approach to distinctive their services. Pioneering such innovations, banks will drag remarkable performance. Related with new service development, Menor & Roth (2008), demonstrated that NSD convene expected result, to include as business performance predictor. Through market consideration, structured communication, IT deployment and posses NSD strategy, the creation of banking products will meet satisfactory outcome. Based on the view of significant contribution as seen in prior research, the next hypothesis is stated below:

Hypothesis 3: Organizational innovation has significant influence on organizational performance.

4.1.4 Learning Organization, Transformational Leadership, and Organizational Innovation on Organizational Performance

Almost none of organization who wants to fail its business within market competition, emergent or existing firms want to stand strong facing sphere alteration and they obligate themselves to move onward (Watkins & Marsick, 2003; Hurley & Hult, 1998). The decisive goal is attaining greater performance and stand out outcome high possibly will heighten customers trust towards company. Sundry efforts need to execute, transforming into learning organization (Dirani, 2009; Watkins & Marsick, 2003), venturing process of innovation (Rosenbusch, Brinckmann, & Bausch, 2011; Noruzi et al., 2012) and include leader support through the availability of

transformational leadership (Sahaya, 2012; Morales et al., 2012). With those attempts, firms are most likely able to attract larger customers and have potential chance to compete with other leading companies.

Organization with higher capability of knowledge and valuable content of information is more likely to be responsive organization and to respond dynamic market and mixture demand, this is an initial entrance to conform with organizational effectiveness (Ortenblad, 2013). The learning organization becomes part of essential organization's mechanism in achieving success. Information acquisition and knowledge distribution force employees to nurture learning behavior and resulted in firms' readiness to anticipate unpredictable threat and business challenges. Other internal source of success mechanism is leadership, in which good organization is led by good principal (Bass, 1990). Transformational leadership inspires followers and raises their self-esteem. In this way, people will feel more empowered and more appreciated to accomplish their tasks. Nevertheless, the transformational leadership utilization might bring different impact on the organization, depends on the character of the organization, transformational leaders has capability to broaden employees' perspective on organization visions and missions articulation (Gumusluoglu & Ilsev, 2009), therefore it is reasonable if transformational is taken account as the contributor in creation of more responsibility members. Having employees with higher intellectual capability, firms gained valuable capital in attempt to increase operational profit (Vargas-Hernandes & Noruzi, 2010). Success organization is the one that gives satisfaction to clients, only firm that early adopts innovation will most likely become

the most-efficient company—in the long term it is able to reduce operational cost and shorten product life cycle and in turn it would boost better organization performance (Aragon-Correa et al., 2007). Innovativeness triggers employees to put out their capability, to enhance the degree of interaction and communication among members, to raise creativity in generating new ideas. Based on earlier discussion of the relationship between the three organizational functions with organizational performance, it is plausible to pull bigger framework to search for contribution of those three constituents towards end performance. Conducive learning organization will nurture the learning atmosphere and risen employee's capability; supported by transformational leadership, organization's members will have opportunity to develop themselves, challenge themselves to execute valuable performance, share constructive values within organization and together achieve collective goals (Bass & Avolio, 2000); innovative organizations, moreover, will render creativity's creation, to strengthen company's capacity, to compete in market globalization. The integration of those elements will high possibly result in organization's performance enhancement. To delineate this relationship, the fourth hypothesis is arranged below:

Hypothesis 4: Learning organization, transformational leadership, and organizational innovation simultaneously has significant effect towards organizational performance.

4.2 Research Framework and Model

To date, there is no study conducted within sharia banking sector in Indonesia that occupies the direct role of learning organization, transformational leadership and organizational innovation to predict organizational performance. This study is undertaken with expectation in attaining deeper understanding the importance of gaining higher performance through learning organization's implementation, particularly related with transformational leadership and organizational innovation. Based on subsequent literatures reviewed and evidences illustrated, variables linkage developed in the model of research framework are below:

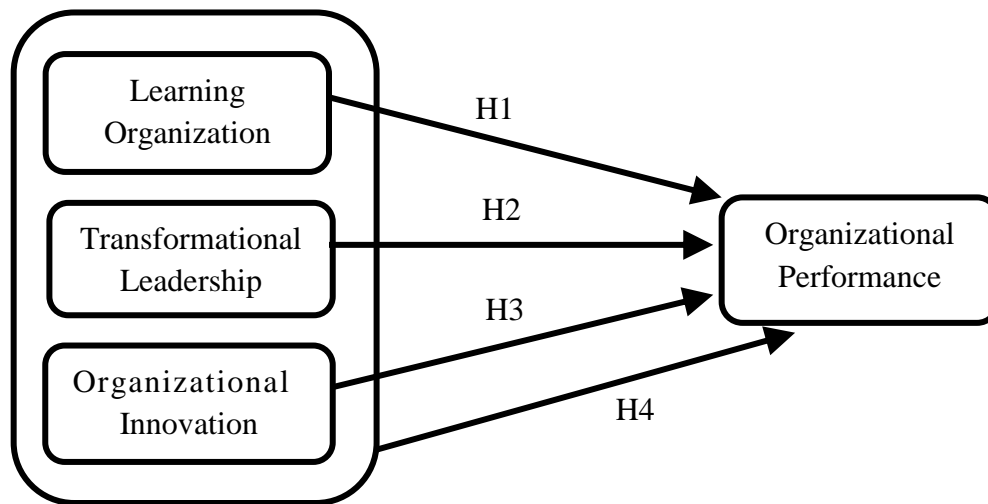


Figure 4.1 Research Framework Model (developed for this research).

Figure 4.1 depicted model of research framework that involving all variables operated in this current study. Learning organization has direct and significant influence on organizational performance, because with learning culture and dynamic learning environment, organization will create excellence human resources who keep

developing their skills and add organizational performance through competence preservation. Transformational leadership brings influence on organizational performance. Leaders inspire followers, it will raise followers' motivation and productivity to perform their task better. High productivity leads to improvement of product and service offered to market, hence, accumulate greater entity's performance. In addition, innovation is the crucial factors that take part in performance determination. Through innovation, company will define more sophisticated products and services that prospected to be more useful for customers, become one-step forward relative with competitors and yield larger organizational outcome. Lastly, to bring in company's greater performance, it is worth to mention that simultaneous interaction of implemented learning organization, supported transformational leadership and actively promoted innovation resulted in multiple business-level of performance, which able to face ever-changes market competition in the future.

4.3 Hypotheses

Based on earlier research framework and to specify this study, the four proposed hypotheses are summarized below:

H1: Learning organizational has significant influence on organizational performance.

H2: Transformational leadership has a significant influence on organizational performance.

H3: Organizational innovation has a significant influence on organizational performance.

H4: Learning organization, transformational leadership, and organizational innovation simultaneously has a significant influence on organizational performance.

CHAPTER 5

RESEARCH METHODOLOGY

Quantitative research methodology is selected in conducting this study by using survey questionnaire instrument. This chapter will cover the methodology, the process of data collection, stage of instrument testing and order of the data analysis.

5.1 Data Source

This research utilized both of primary and secondary data, in which the primary data sourced from questionnaire, interview with the bank's key people and the observation of the workplace, while the secondary data are gathered from the annual management and financial report of Bank Syariah Mandiri. The Questionnaire consists of 38 questions that compress learning organization, transformational leadership, organizational innovation and organizational performance. Beside those data, researcher also gathered data of respondents' profile, included gender, age, educational level, length of working experience and position within organization. the Interview is conducted with key people from Human Capital Division and one of BSM branch manager, mainly discussing about human resource situation, practice of learning culture and other issue related with human resource. Observation method is conducted through direct visitation to the Bank to enable to gain the real illustration about the work place outline and working environment. Secondary data included information about organization profile, human capital, policy and strategic management of the bank as provided in management report, while to confirm the

bank's performance and its situation—either current or predicted performance, annual financial report as described it in detail.

5.2 Population and Sample

Population is defined as complete group whose members are sharing some common set of characteristics (Zikmund & Babin, 2010). The objected population is the current BSM Jakarta' employees drawn from eight divisions ranging from all level of position from staff into senior manager, totaled 485 employees as of September 2013. Sampling design is an important part of the research, because sample has to represent the targeted population and for involving the whole population, research commonly has time and budget constraints. Sample is subset or some part of bigger population, from which population characteristics are estimated (Zikmund & Babin, 2010). Sampling frame of this study is gathered from the targeted population included: Human Capital Division, CMD, PMD, LCD, SMD, HUD, CND, and ALD. Those divisions were picked based on researcher's consideration, in which sample should have characteristics involving learning culture within the divisions. After discussing with BSM's key people, those divisions mentioned above were chosen as sample of this study.

Tabachnick & Fidell (2013) formulized the way to define sample size, it resulted from the formula: $N > 50 + 8k$ (where k = number of independent variables). As this study utilized 3 independent variables, so to follow the formula, researcher needs at least $50 + 8(3) = 74$ individual samples. From the 175 questionnaires distributed, 160 were completed and returned, so in this case the response rate was around 91%.

Stratified sampling method was used in designing sampling frame for this study, this aims to obtain more efficient sample and because there was person in charge from BSM that knows employee's character, so they assist to project which division that has suitability with this research.

5.3 Data Collection Method

Primary data are gathered from questionnaire covered BSM employees' perception of learning organization, transformational leadership, organizational innovation and organizational performance. Process of data collection are described as follows:

a. Questionnaire Distribution

The questionnaire used in this study consists of questions arranged to represent each variable and has been designed according to the research objectives. The questionnaire has two sections, in which first section questioned the respondent profile, and the next is the main questions for the research purpose. Since the study was conducted in Indonesia, the questionnaire has double translation, in which the first is in English language and translated into Indonesian, and next to keep the content's consistency, it is translated back into English language, however, for questionnaire distribution, researcher used the Indonesian language. 175 questionnaires were directly distributed to the Bank Syariah Mandiri employees, with assistance from person-in-charge in each division.

The cover letter attached at the first page of questionnaire, it stated that the survey was conducted on research purpose only and even to keep the confidentiality,

respondents were not asked to write their name on the respondents' profile section. The item's label of questions in the questionnaire did not show, so respondents did not know the item arranged and only gave their response based on their attitude, the questionnaire format includes its 38 questions presented in appendix 2. There was no significance hurdle, except that some respondents were went away for the business trip, some of questionnaire, therefore, did not return. Other issue is that response bias may occur in this method, because there is high possibility when respondents tend to answer questions with certain slant, they may not realize that they misrepresent the questions or statement (Zikmund & Babin, 2010).

b. Interview

Semi-structured interviews were conducted with bank's key people from Human Capital Division and the manager, mainly about the current situation of BSM human resource, the learning program that was implemented and the response of the employees. Besides, researcher also collected technical data that related with the study.

c. Observation

Direct visitation to both of front and back office allowed researcher to observe the work place and gained illustration of working situation and the process of employees' communication during the working hours. Direct visit to BSM, which was conducted within two months to distribute and collect the questionnaire, interview with key manager and in the same time observe the work place.

5.4 Research Variables and Measurement

Survey using questionnaire instrument means that the data is obtained from verbal statements of respondents. There are methods to simplify getting respondent response by using ranking, rating, sorting and choice (Zikmund & Babin, 2010). This study employs choice or options measurement to identify the magnitude of respondents' attitude toward certain statement. Likert scale is adapted to be this research's scale measurement.

Respondents indicate their attitude by showing how strong they agree or disagree with constructed statements arranged in questionnaire. The use of Likert scale also varies, some researchers using five response options Likert scale and others using even total number of rating scale—for instance six, eight, or ten scales. This study uses 6 Likert scale for all questions within the questionnaire, with numerical score 1, 2, 3, 4, 5 and 6 that represent strongly disagree, very disagree, disagree, agree, very agree and strongly agree respectively. It also worth to mention that even though Likert scale is an ordinal scale, many researchers treat it as an interval scale (Gall, Gall, & Borg, 1996 as cited in Dirani, 2009). The likert scale used in this study is depicted below:

Strongly disagree	Very disagree	Disagree	Agree	Very Agree	Strongly Agree
1	2	3	4	5	6

a. Learning Organization

Previous research employed different measurement for learning organization, for instance Yeo (2005) and (Forozandeh et al., 2011) emphasized learning organization based on Senge (1990) theory, therefore, the five disciplines of Senge were used in those researches. Ortenblad (2004) explored learning organization concept and developed different measurement by using learning at work, organizational learning, climate for learning and learning structure as the measurement. Furthermore, Watkins & Marsick (1997) developed integrated measurement of learning organization called DLOQ (the Dimensions of Learning Organization Questionnaire), it compressed three learning perspectives—individual, group and organizational level of learning. Since this measurement is viewed as the most complete and measure learning culture in comprehend aspects (Ortenblad, 2013), DLOQ also the only measurement that has closest items to the real application of learning organization. DLOQ used and widely acceptable in several studies (Ellinger et al., 2002; Wetherington, 2010; Weldy & Gillis, 2010; Martinez, 2009; Balay, 2012; Sahaya, 2012; Akhtar et al., 2011). Based on the consideration earlier mentioned, this study adopted the DLOQ as the variable measurement. This instrument covered sevens dimensions including continuous learning opportunities, promote inquiry and dialogue, encourage collaboration and team learning, embedded systems, system connection, and provide strategic leadership for learning. From total forty-three items under seven dimensions, researcher utilized eighteen questions that are suitable to the Bank Syariah Mandiri in learning organization section.

b. Transformational Leadership

Transformational leadership was measured by Multifactor Leadership Questionnaire (MLQ 5X-short form) as developed by Bass and Avolio (1990). Many scholars use MLQ to measure either full range leadership or only the transformational leadership (Sahaya, 2012). Other measurement for leadership developed by Podsakoff, Mackenzie and Bommer (1996) was also used by Noruzy et al., (2013). Nonetheless, along with the purpose of study, this research employs Multifactor Leadership Questionnaire as a scale. This instrument suggests four elements to describe transformational leadership, including idealized influence, inspirational motivation, intellectual stimulation, individual consideration, as a result, eight questions are arranged within four elements for transformational leadership.

c. Organizational Innovation

Organizational innovation is defined in wide context (Damanpour, 1991; Hurley & Hult, 1998), and therefore, it has various measurements. One common measurement is developed by Miller and Friesen (1986) cited in Noruzy et al. (2013), and study of Aragon-Correa et al. (2007). Most of them conducted study in manufacturing industries, using five point responses, the measurement indicates the rate of new product and service introduction, new production method and the level of innovativeness in comparison with the competitor. Akgun et al., (2007) used measurement of four questions adapted from Wang and Ahmed (2004), in which almost all questions demonstrated the level of innovativeness of the organization in comparison with competitors.

Since this research is conducted within the banking sector as considered as service industry, the term organizational innovation will be specified into New Service Development (NSD) and therefore, adopted the NSD competence as developed by Menor & Roth (2007) as variable measurement. Within NSD competence, five aspects accommodate process focuses, market acuity, strategy, culture, and information technology experience. Through NSD competence, it suggested that to promote innovation, organizations need to consider five elements in deploying available resource and its routines. As a result, eight questions were developed to measure organizational innovation for this study.

d. Organizational Performance

Performance is a multidimensional construct (Dirani, 2009), nonetheless, in the banking sector, number of measurement is used in several literatures, including financial outcomes and organization efficiency (Ho & Zhu, 2004; Zineldin & Bredenlow, 2001). To find objectives performance measurement is not an easy task, even less in Islamic banking as noticed as emergent organization in Indonesia. In the absence of objective measurement of organizational outcome, perception of performance becomes one accepted measurement in several researches, as demonstrated by Tippins & Sohi (2003); Hsu & Pereira (2005); Aragon-Correa (2005); and Lopez-Gamero (2010) that used perception of respondents about the organization performance through ROA, ROI, sales growth profits and compared with competitors in the last three years period. Perception of performance was used to

evaluate competitive advantage, market share, customer retention and the level of product success (Hung et al., 2010; Adu & Singh, 1998).

This research used perception of performance in accordance with several previous researches mentioned above as measurement instrument for organizational performance. Since the organizational setting of this study is Islamic bank, the respondents were asked about their perception of performance consisting of financial indicator commonly used in Islamic banking in comparison with competitors in the last three months. There are Return on Assets, Return on Equity, Finance to Deposit Ratio and Net Interest Margin. Return on Assets (ROA) and Return on Equity (ROE) are the financial ratio that aims for measuring the enterprise profitability (Ningtyas et al., 2012). Besides those aspects, performance is measured by Finance to Deposit Ratio (FDR) and Net Interest Margin (NIM) as the performance indicator. FDR is the ratio of financing amount towards third party fund that managed by bank (Purwanto, 2011). NIM indicates the bank's ability to generate net income based on productive assets utilization, since in Islamic banking there is no interest rate, so NIM calculation is gained from divided net operating income by the average of productive assets (Suciani, 2012). In Bank Syariah Mandiri, NIM is also often called as Net Profit Sharing Income to Productive Assets (Bank Syariah Mandiri, 2013).

5.5 Instrument Testing

5.5.1 Validity and Reliability test

To generate accurate data as required in the research, ensuring validity and reliability is the basic need before obtaining the data. As stated by Zikmund & Babin

(2010), validity is “the accuracy of measure or the extent to which a score truthfully represents a concept”. To get valid measurement, accuracy and the correctness to represent the truth situation are characters that instrument should be owned (Sarwono, 2012), and therefore validity is used to assess the quality of instrument. Validity test can be done by using Pearson product moment correlation by investigating the correlation between each of item correlation coefficient with the total correlation. Validity of research instrument is achieved if the t-count value \geq t-table (Sarwono, 2012).

Reliable instrument also emphasizes to check in order to examine the measurement internal consistency. This means that if such measure is used for several attempts, the consistent data or result will be obtained (Zikmund & Babin, 2010). In other words, reliability indicates the stability of result generated from the same measurement in various situations over different time (Sarwono, 2012). To test the reliability, coefficient alpha is the most common estimation applied, called Cronbach Alpha coefficient. The interpretation of Cronbach Alpha value is different among several researchers. Pallant (2005) for instance, described that accepted reliability is achieved if the coefficient shows above 0.70. Other said that a very good reliability is achieved when the value of cronbach alpha coefficient is ranging between 0.80 and 0.96, good reliability is attained from value between 0.70 and 0.80, fair reliability came from coefficient value between 0.60 and 0.70, while coefficient below 0.60 is considered as poor reliability (Zikmund & Babin, 2010).

5.5.2 Correlation Analysis

Correlation analysis is used to describe the magnitude of the direction of the linear relationship between two variables (Pallant, 2005), or to represent the measure of association, however it does not specify the causalities relationship. This research uses Pearson product-moment coefficient to measure correlation. To guide the measure of correlation Sarwono (2012) describes criteria as shown below:

The Pearson Correlation	Type of Relationship
>0 – 0.25	Weak correlation
>0.25-0.50	Fair correlation
>0.50-0.75	Strong correlation
>0.75-0.99	Very strong correlation

5.6. Data Analysis

In accordance with the research objective, this study utilizes single regression to examine the relationship among variables and to identify whether there is contribution of each of independent variables on dependent variable. Multiple regressions are performed to investigate the relation and the simultaneous effect of the three independent variables on organizational performance. Moreover, additional steps of multiple regression, so called hierarchical or sequence multiple regression was conducted. All data analyses is conducted using IBM Statistical Package for Social Science (SPSS) version 21.0.

The data analysis began with single regression from each of learning organization (LO), transformational leadership (TL) and organizational innovation (OI) with organizational performance (OP). Next stage, first step of multiple

regression is conducted by involving LO, TL and OI simultaneously towards OP. As the high variability among respondents data profile, this research wanted to explore more in testing the fourth hypothesis through the second step of multiple regression analysis. Second step of regression is conducted with sequential multiple regression model that utilizes respondent profile data as set of control variables—including gender, age, educational level, working years and position, by added one by one of each independent variables—learning organization, transformational leadership and organizational innovation to regress with organizational performance. This aims to determine if additional information regarding control variables would affect in determining organizational performance. There were four stages of sequential regression designed for this study. Lastly, sequential multiple regression by deducting one and by one control variable is also performed, to confirm the accuracy of data analysis.

5.6.1 Assumptions

5.6.1.1 Normal Distribution

Good regression model is achieved when the data are normally distributed (Sarwono, 2012). Normality test is the first test needed to be done because if the residual data are not normally distributed, it might be causing invalid or bias statistical results that mostly caused by outliers existence (Tabachnick & Fidell, 2013). Using SPSS, there are two ways to test this assumption: graphical method such histogram, normal probability Plot and through One-Sample Kolmogorov-Smirnov Test. With graphical method, if the distribution spreads close to the line, lie

along to the diagonal line from the bottom left to the top right side, it is concluded that the data are normally distributed, while using the second method, if the coefficient significance > 0.05 , it means that the data are normally distributed (Latan & Temalagi, 2013).

5.6.1.2 Multicollinearity

Test of multicollinearity is to identify whether there is relationship among the independent variables or not. Multicollinearity exists when there is high coefficient of correlation (0.90 or above) among independent variables (Pallant, 2005). The most common way to check the multicollinearity is by looking at Tolerance and Variance Inflation Factor (VIF) value, in which if the value of Tolerance is greater than 0.10 and VIF value is below 10, it is concluded that there is no multicollinearity problem, (Hair et al., 2010 as cited in Latan & Temalagi, 2013).

5.6.1.3 Heteroscedasticity

The next classic assumption is heteroscedasticity that aims to know whether the variance remains the same or not. If the heteroscedasticity is found within regression model, the regression coefficient will not be reliable and the calculations will possibly be inaccurate (Tabachnick & Fidell, 2013). The expected regression model is the model that is free of heteroscedasticity problem, or called as homoscedasticity. To check the homoscedasticity either scatter plot or Glejser test can be used in which through scatter plot, if dots are placed randomly and not concentrated in one point, it suggests that there is no heteroscedasticity problem

within the model. Glesjer statistical method will show the free heteroscedasticity problem if the value of significance > 0.05 (Latan & Temalagi, 2013).

5.6.2 Regression Analysis

Simple linear regression employed in the first step of this research data analysis is to examine the relationship between each of independent variable (LO, TL and OI) and dependent variable (OP). The equation formula for simple linear regression is written below:

$$Y = a + bX + e$$

Where 'Y' is dependent Variable, 'X' is independent variable, 'a' is constant or intercept, 'b' is the coefficient of independent variable, and 'e' is error level.

Multiple linear regression is the data analysis method that all the predictor variables are entered simultaneously into the equation (Pallant, 2005). Through this method, the magnitude of each independent variable among the others is evaluated, this also helps to know how much unique variance of dependent variable is explained by independent variable. For multiple regression, the equation is formulized below:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + e$$

Where Y is the dependent variable, X₁, X₂, X₃, X_n are the independent variables, 'a' is constant, b₁, b₂, b₃, b_n are the slope coefficients (unstandardized coefficient), and 'e' is the error level (Latan & Temalagi, 2013).

5.6.2.1 R square (coefficient of determination)

Coefficient of determination indicates how strength the independent variable in explaining variance of dependent variable (Tabachnick & Fidell, 2013). R-value

represents the total correlation between all independent variables on dependent one; R squared (R^2) refers to the total amount of represents the amount of variance of dependent variable as explained by all independent variables. Adjusted R squares has similar function with the former but has adjusted value, it make the adj-R square have ability to be used according to the total samples and whether the variable is added or deducted, thus, for multiple regression analysis, it is preferable to use adjusted R^2 value.

5.6.2.2 The F-test analysis

The F-test is the key statistical test for an ANOVA model, and used to determine if there is different variance between samples. This is important to examine how much variance within dependent variable as determined by independent variables. F-test channeled to examine whether all independent variables entered in the regression model have simultaneous influence towards dependent variable. When the F-test value $>$ F table, it means that there is significant influence of independent variable on dependent one, otherwise, it is not significant. F value is considered significance if the significance value $<$ the p-value, usually 0.001 and 0.05 is used as the level of probability value (Latan & Temalagi, 2013).

5.6.2.3 Coefficient

Within multiple regression, apart from the simultaneous effect of all independent variables, there is essential part to check the contribution of individual independent variable through t-test analysis. This analysis could be done by checking the partial coefficient of each independent variable by looking at the unstandardized

coefficient Beta value. In multiple regression, the weight of correlation between one independent variable and dependent variable are usually affected by other independent variables (Pallant, 2005), thus, by examining partial coefficient, we obtain the real individual contribution among all independent variables. The greater the value of unstandardized beta coefficient is, the more influence is brought by partial independent variable to explain the variance of dependent variable. Latan & Temalagi (2013) added that the significance effect of partial independent variable can be seen from the sig. value in the table, if the sig value less than 0.05, it is considered as significant.

CHAPTER 6 DATA ANALYSIS AND RESULT

6.1 Analytical Procedure

6.1.1 Demographic of Respondent

This study conducted survey using questionnaire to get primary data of respondents' perception compresses learning organization, transformational leadership, organizational innovation and organizational performance.

Category		Male	Percentage	Female	Percentage
Gender		97	61%	63	39%
Age	20-34	82	51%	57	36%
	35-45	12	8%	6	4%
	46-60	3	2%	0	0%
Educational Level	Diploma	7	4%	6	4%
	Undergraduate	85	53%	54	34%
	Graduate	5	3%	3	2%
Working Years	1-10	90	56%	62	39%
	11-20	7	4%	1	1%
Position	Staff	44	28%	50	31%
	Officer	47	29%	13	8%
	Manager	5	3%	0	0%
	Senior Manager	1	1%	0	0%

Table 6.1 Characteristics of Respondents

Source: Processed Primary Data, 2013

Table 6.1 presents the demographic of respondents with the gender, age, level of education, working year period and position characteristics. From gender side, there

are 97 male and 63 female respondents, in which 61% of respondents are male employees. Based on aging composition, researcher categorized it into three age categories: between 20-34 years old, 35-45 years old and 46-60 years old, with the number of each category are 82, 12, and 3 male respondents respectively, there are 57, 6, female respectively, and no female respondents within 46-60 years old category.

Based on the table, 87% of total respondents placed in productive age category, in which people are in period of beginning adjustment of working task and continuing the skill acquisition through working experience (Smart & Peterson, 1997). Respondent demographic also accommodate level of educational and length of working experience. There are three categories in level of education: diploma, undergraduate and master degree, most of respondents own undergraduate level of education or about 53% male and 34% female employees. Regarding working experience, 56% male respondents and 39% female respondents have been working in BSM for between 1-10 years, while the rest, 4% male and 1% female have been working between 11-20 years. According to the position category, 44 (28%), 47 (29%), 5 (3%) male respondents are staff, officer and manager position respectively, there is only one male senior manager as current respondent. Finally, 31% of respondents are female staff and the remaining 8% are female officer.

6.1.2 Respondent Response

This section describes summary of respondents response. Here, response category is divided into three: low, medium and high response, the frequency derived from average of total frequency of each category accumulated from all questions

within one variable. Each independent variable has several items and each item has three response categories earlier mentioned. Learning organization, for instance, has seven items (LO1-LO7), transformational leadership consists of four items (TL1-TL4), organizational innovation with five items (OI1-OI5), and organizational performance has four elements (OP1-OP4).

Variable	Item	Frequency	%	Response Category
Learning Organization	LO1-LO7	3	2%	Low
		116	73%	Medium
		41	26%	High
Transformational Leadership	TL1-TL4	7	4%	Low
		106	66%	Medium
		48	30%	High
Organizational Innovation	OI1-OI5	2	1%	Low
		113	71%	Medium
		45	28%	High
Organizational Performance	OP1-OP4	3	2%	Low
		114	71%	Medium
		43	27%	High

Table 6.2 Respondent Response Summary

Source: Processed primary data, 2014

Table 6.2 depicts respondents' response for each variable within three categories. It can be seen that 73% respondents stated their medium attitude towards learning organization, while 41 (26%) respondents said that they have high perception of learning organization and only 3 respondents thought that the

organization possesses low characters to be learning organization. From this result, it is concluded that most of Bank Syariah Mandiri's employees have high perception that the institution implemented learning culture well, thus the organization is considered as learning organization. This indicated that BSM workers have high expectation toward the organization to promote organizational learning and provide them with facilities that enable them to have learning process.

Broadly speaking, two third of respondents or about 106 employees accumulated their thought for medium level of transformational leadership, 48 (30%) respondents considered high preference for transformational leadership, while the remains or only 2% of respondents stated low preferences in transformational leadership. This is in line with Bass thought (1997) that mentioned, if organization has transformational leadership, followers would feel more appreciated. This also suggests that BSM employees high likely perceived the necessity of having transformational leadership within organization and they know that it will result in good impact for their work accomplishment.

Related with organizational innovation that compresses five elements, 113 respondents or about 71% stated the medium level of organizational innovation adoption, 28% respondents stated that organizational innovation is a vital function for company. Only 2 or about 1% of respondents expressed their low attitude towards organizational innovation process. From this result, it is asserted that most of BSM employees strongly agree and support early adoption of organizational innovation,

they also think that process of innovation needs to consider both internal and external factors of the organization.

In general, most of respondents claimed that their organization performance was better than competitors during the last three years. Roughly around two-third or 71% of respondents stated their medium thought that BSM financial performance was greater than competitors were and 43 respondents highly believed that the organizational performance was far better than its competitors. There are 3 respondents or around 2% thought that the organization financial outcome was either the same level or lower than other companies within the same industries. This indicated that BSM employees realized the firm's performance has grown well over the competitors during the last three years financial periods. This will create higher responsibility of employees as the increase of their pride as a part of the company. This result was in line with the real situation as shown in the trend of BSM financial performance, in which it keeps growing from year to year.

6.1.3 Validity and Reliability Test

The capability of instrument to reflect what is intended to measure is the concept of validity (Latan & Temalagi, 2013), it means that the measure truthfully represents unique concept and generate accurate data. Reliability defines the level of consistency of instrument, reflects the consistency of measurement if it is used in several attempts and expected to give equal result. Therefore, good measure is those that complied with validity and reliability concept (Zikmund & Babin, 2010). Table 6.3 shows the validity and reliability test result of all items within four variables.

Pearson product-moment correlation is employed to conduct validity test, in which each items correlated with the total correlation coefficient. Research instrument is considered valid if the value of r -count $>$ r -table (Latan & Temalagi, 2013), and since the total sample of this study is 160, so the value of r -table is 0.208. The result shows that all items under learning organization variable were valid because their correlation coefficients were greater than 0.208, the same result were also depicted by TL, OI, OP and indicated that the instruments were valid and can be utilized for this research.

Variable	Item	Correlation Coefficient	Decision	Cronbach Alpha	Decision
Learning Organization (LO)	LO11	0.638**	Valid	0.943	Reliable
	LO12	0.683**			
	LO13	0.53**			
	LO21	0.764**			
	LO22	0.621**			
	LO23	0.763**			
	LO31	0.818**			
	LO32	0.737**			
	LO41	0.674**			
	LO42	0.677**			
	LO51	0.462**			
	LO52	0.663**			
	LO53	0.699**			
	LO61	0.719**			
	LO62	0.701**			
	LO63	0.695**			
LO71	0.766**				
LO72	0.476**				
Transformational Leadership (TL)	TL11	0.817**	Valid	0.895	Reliable
	TL12	0.831**			
	TL21	0.825**			
	TL22	0.358**			

	TL31	0.745**			
	TL32	0.774**			
	TL41	0.787**			
	TL42	0.715**			
Organizational Innovation (OI)	OI11	0.773**	Valid	0.907	Reliable
	OI21	0.805**			
	OI22	0.689**			
	OI31	0.67**			
	OI32	0.766**			
	OI41	0.611**			
	OI51	0.752**			
	OI52	0.751**			
Organizational Performance (OP)	OP1	0.699**	Valid	0.688	Reliable
	OP2	0.709**			
	OP3	0.751**			
	OP4	0.625**			

** significant at 1% level

Table 6.3 Result of Validity and Reliability Test

Source: Primary processed data, 2014

Test of instrument reliability was conducted through internal consistency method using Cronbach alpha. From the above table, the value of Cronbach alpha for variable learning organization, transformational leadership, organizational innovation and organizational performance are 0.943, 0.895, 0.907 and 0.688 respectively. They are all reliable because the coefficients expresses value above 0.6, as Zikmund & Babin (2010) stated that if the cronbach alpha coefficient shows value equals or over than 0.6, the measure is regarded as accepted and fair measure. In this study, since other three variables show value above 0.80 tan other organizational performance, it is concluded that the instruments have a very good level of reliability.

6.2 Correlation Analysis

Correlation analysis was used to define the relationship between two variables, but it does not point out the cause and effect relation. Identifying correlation coefficient will help to detect whether there is autocorrelation problem or not within the data.

N=160	(1)	(2)	(3)	(4)
(1)	1			
(2)	0.784**	1		
(3)	0.875**	0.650**	1	
(4)	0.680**	0.457**	0.650**	1

(1) = LO = Learning Organization
 (2) = TL = Transformational Leadership
 (3) = OI = Organizational Innovation
 (4) = OP = Organizational Performance
 ** significant at 1% level

Table 6.4 Pearson Product- Moment Correlation among measure of variables

Source: Processed primary data, 2014

Table 6.4 exhibits the coefficient correlation and demonstrates the relationship between variables, in which Learning Organization (LO), Transformational leadership (TL) and Organizational Innovation (OI), are the independent variables, while Organizational Performance (OP) is the dependent variable. The relations among variables are all positive and significant ($p < 0.01$). There are positive and high correlation between learning organization and transformational leadership ($r = 0.785$, $p < 0.01$, $n = 160$), between learning organization and organizational innovation ($r = 0.875$, $p < 0.01$, $n = 160$), between learning organization and organizational performance ($r = 0.680$, $p < 0.01$, $n = 160$), and between organizational innovation and

organizational performance ($r=0.650$, $p<0.01$, $n=160$). Only one medium, positive correlation between transformational leadership and organizational performance ($r=0.457$, $p<0.01$, $n=160$) does exist. Based on this result, the strongest correlation stands between learning organization and organizational innovation and the lowest is between transformational leadership and organizational performance.

Next, partial correlation between main variables and control variables that aims to identify whether there is autocorrelation problem within those variables. Since this study also employs sequential or hierarchical multiple regression analysis, it is necessary to examine correlation between main variables— LO, TL, OI, OP and control variables that are gained from respondents' profile data—gender, age, level of education, working years period and position. Partial correlation is equal to Pearson product-moment correlation, except it allows controlling the correlation through additional variables utilization (Pallant, 2005).

Control Variables	N=160	(1)	(2)	(3)	(4)
Gender, Age, Education, Working years, Position	(1)	1			
	(2)	0.776**	1		
	(3)	0.868**	0.635**	1	
	(4)	0.676**	0.427**	0.647**	1

(1) = LO = Learning Organization

(2) = TL = Transformational Leadership

(3) = OI = Organizational Innovation

(4) = OP = Organizational Performance

** significant at 1% level

Table 6.5 Pearson Product- Moment Partial Correlation among measure of variables

Source: Processed primary data, 2014

In general, correlation coefficient among variables are slightly reduced in comparison with prior result depicted in table 6.3 earlier, as the effect of controlling variables such gender, age, education, working years and position. All of them are positive and significant at 0.01 of level significance. Learning organization demonstrates high and positive when it is correlated with transformational leadership ($r=0.776$, $p<0.01$, $n=160$), organizational innovation ($r=0.868$, $p<0.01$, $n=160$), and organizational performance ($r=0.676$, $p<0.01$, $n=160$). In addition, transformational leadership exhibits high and positive correlation with organizational innovation ($r=0.635$, $p<0.01$, $n=160$), while with organizational performance it shows medium correlation ($r=0.427$, $p<0.01$, $n=160$). Finally, there is a high and positive correlation between organizational innovation and organizational performance ($r=0.647$, $p<0.01$, $n=160$).

6.3 Regression Analysis

Regression analysis is a statistical technique that enables to assess relationship between one or several independent variables and one dependent variable (Tabachnick & Fidell, 2013). Simple and multiple linear regression are conducted to address research questions in which simple regression allotted to regress each of learning organization, transformational leadership and organizational innovation as independent variable with organizational performance as dependent variable. Multiple regression is employed to examine the simultaneous effect from the three independent variables on organizational performance. The process and result of regression analyses will describe one by one in the following sections.

6.3.1 Simple Regression Analysis

Simple regression analysis was performed in order to check the relationship among each independent variable and dependent variable and to test the first three hypotheses. As expected, the result shows that there is a positive and significant relationship between each of learning organization, transformational leadership and organizational innovation with organization performance.

	Model	Sig	A	Unstandardized Coefficient (β)	R²
H1	LO and OP	0.000**	1%	0.686	0.462
H2	TL and OP	0.000**	1%	0.374	0.208
H3	OI and OP	0.000**	1%	0.643	0.422

** significant at 1% level

Table 6.6 Summary of Simple Regression Analyses

Source: Processed Primary Data, 2014

The result of the first three simple linear regressions are summarized in table 6.6 within alpha 1%, the first hypothesis supports and concludes that there is a significant and positive (sig=0.000, p-value<0.01, β =0.686) relationship between learning organization (LO) and organizational performance (OP). Based on the R² value, LO exhibits 46.2% in explaining OP variance, while the remaining might be influenced by other factors outside this study. Next, TL demonstrates slightly smaller portion than LO, which is 20.8 % contribution on OP variance. The model shows significant and positive relationship (sig=0.000, p-value<0.01, β =0.374) between (TL) and OP, hence, the second hypothesis is supported.

Following the first and second hypothesis, the third one also meets expected result, in which organizational innovation (OI) expresses 42.2% of the total OP variance, while the 58.8% of it may be affected by other factors. Nevertheless, the F-test model shows the significant and positive result (sig=0.000, p-value<0.01, $\beta=0.643$) that reflects significant relationship between OI and OP. Among the three independent variables, TL is variable with the lowest magnitude in influencing organizational performance, yet the model was supported. From earlier explanation, it resumes that the first three hypotheses are all supported and this indicates that each of learning organization, transformational leadership and organizational innovation play significant role in predicting organizational performance.

6.3.2 Multiple Regression Analysis

To test the fourth hypothesis, two stages of multiple regression are performed—standard and sequential multiple regression analysis. Pallant (2005) suggests three steps to interpret multiple regression result, performing assumption test, evaluating overall model and continue with examining each of independent variable contribution on dependent

First, checking the multiple regression assumption, in which this study employs normality, multicollinearity and heteroscedasticity tests. Figure 6.1 below, exhibits Normal P-P Plot graph for the regression of learning organizational, transformational leadership and organizational innovation towards organizational performance. The normal P-P plot illustrates probability plots concentrated and lie

along with the diagonal line, this means that the pattern suggests linear model and reflects the normal distribution for the regression model.

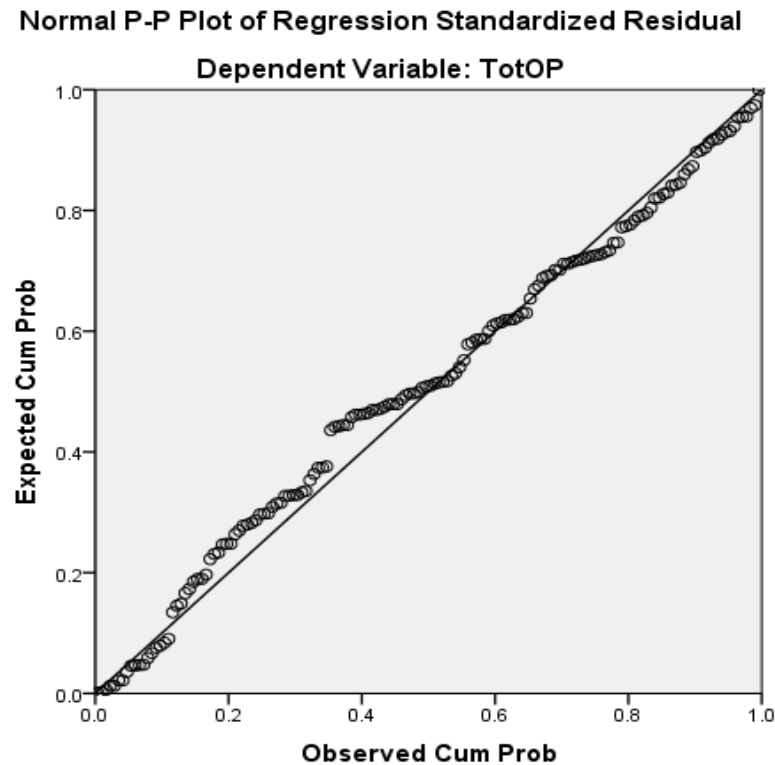


Figure 6.1 Normal P-P Plot of Regression of Learning Organization, Transformational Leadership, and Organizational Innovation on Organizational Performance.

Source: Processed Primary Data, 2014

Multicollinearity test is a mean to check whether there is relationship among independent variables or not. As presented in the table 6.7 below, the Tolerance value for independent variables (LO=0.154; TL=0.379; OI=0.232) are all greater than 0.1. While from the VIF column, each of learning organization, transformational leadership and organizational innovation demonstrate value 6.473; 2.637; and 4.313

respectively; all of them are below 10, therefore, it is plausible to conclude that there is no multicollinearity problem in regression model of this research.

LO, TL, and OI on OP			
Assumptions	Multicollinearity		Heteroscedasticity
	Tolerance	VIF	Correlation with unstandardized residual
LO	0.154	6.473	0.034
TL	0.379	2.637	0.047
OI	0.232	4.313	0.097

Table 6.7 Result of Multicollinearity and Heteroscedasticity Assumption Test
Source: Processed Primary Data, 2014

6.3.2.1 Multiple Regression Analysis of Learning Organization, Transformational Leadership, and Organizational Innovation, on Organizational Performance

LO, TL, and OI on OP					
Coeff. Of Determination	R	R²	Adjusted R²		
F-test Model	F	Sig.			
Coefficients	Unstandardized		Standardized	t	Sig.
	(B)	Std. Error	Beta		
(Constant)	4.826	0.992		4.863	0.000
LO	0.143	0.033	0.637	4.364	0.000
TL	-0.073	0.038	-0.179	-1.923	0.056
OI	0.104	0.059	0.21	1.76	0.080

Table 6.8 Result of Multiple Regression of Learning Organization, Transformational Leadership, and Organizational Innovation on Organizational Performance
Source: Processed Primary Data, 2014

Table 6.8 exhibits the result of standard multiple regression that employs learning organization (LO), transformational leadership (TL), and organizational innovation (OI) against organizational performance (OP). Looking at the adjusted R^2 , the regression demonstrates that three independent variables—LO, TL and OI simultaneously explain 48.7% of organizational performance variability, while the rest or 52.3% comes from other variability. F-test result suggests that the model with F-test of 49.384 is significant at p-value less than 0.001. In this case, the result demonstrates that as a model, it was significant and three variables simultaneously have a contribution in defining organizational performance. Moreover, in interpreting the multiple regression analysis, only seeing at the entire model is not enough, rather it needs to evaluate the partial coefficient among variables.

The standardized coefficient expresses the degree of independent variable contribution in predicting the dependent variable. The value of explanatory coefficient for each LO, TL and OI are 0.637, -0.179 and 0.210 respectively. However, in relation with the level of significance, only LO that is considered as valuable predictor variable and significant within alpha 1%. Using a maximum acceptable error at $p\text{-value} < 0.05$, TL and OI do not show other significant result, since they only meet significant level within alpha 10%. In addition, other issue that worth to mention is that among all variables, only TL, which presents negative sign of its coefficient. Those results lead to the notion that as a multiple regression model, it was supported, however after examining the individual coefficient among

independent variables, LO, TL and OI altogether is not significant influencing organizational performance, thus, the fourth hypothesis is not supported.

6.3.2.2 Multiple Regression Analysis of Learning Organization, Transformational Leadership and Organizational Innovation, on Organizational Performance with Control Variables

As the high variability of respondents' demographic data, the analysis continues to the second step by performed sequential multiple regression. Using the respondent's data of gender, age, educational level, length of working period and position as control variables, sequential multiple regression designed by entered one by one independent variable into the equation within four orders. First, is by involving only five control variables (without main independent variable) as independent variables against organizational performance. Second, with constant control variables within the model, LO is added into the equation, third, by holding the former model, (TL) is entered into the model. The last stage, OI is added into the fourth model.

These results lead to different degree of independent variable contribution on organizational performance and improve the magnitude of the model explanatory as illustrated by increasing the value of R^2 in every model. Table 6.9, demonstrates the result of sequential regression within four orders designed, with the F-test and adjusted R^2 value to examine the model accurateness, partial coefficient among independent variables (standardized beta) will assist to interpret the result. Starting with the first model, there is no significant influence from control variables on

organizational performance, hence, this model does not support to test hypothesis number four. Next, after LO is added into the model and the result is changed, in which the model shows significant influence (F-test= 23.724, p-value< 0.001) towards OP and the adjusted R² values of 46.2%, demonstrates that almost half of the organizational performance variability is predicted by LO and control variables. In addition, only LO has significant influence (β = 0.684, p-value<0.001) on organizational performance, gender expresses the other significant but negative contribution (β = -0.127, p-value<0.05); while the others are not significant in predicting organizational performance.

Following the second result, TL is added and the result display a significant influence on OP (F-test value=22.115, p-value<0.001). The third stage also differs because of the increased adjusted R² of 48.2 % or increased 2 percent than the former. The individual coefficient illustrates that LO remain as the only predictor that gives significant influence within alpha 1% (β = 0.878, p-value<0.001), on the other hand, TL exhibits significant but negative contribution within alpha 5% towards OP (β = -0.25, p-value<0.05), equals with previous model, gender performs a significant but negative (β = -0.143, p-value<0.05) influence.

The fourth stage displays distinct result, by added OI, the ability of the model to predict OP variance increased—indicated by the raise of adjusted R² value becomes 48.9%. Besides, F-test value of 20.057, showing that the model has a significant (p-value<0.001) influence towards dependent variable. Further, the standardized beta value is 0.677 for LO, -0.299 for TL and 0.211 for OI as predictor

variables. In addition, among control variables, only gender variable that shows as predictor variable ($\beta = -0.146$), LO solely exhibits significant influence at p-value 0.001, TL and gender carry the same level of significance with p-value 0.05, meanwhile OI does not present as explanatory variable.

	(1)	(2)	(3)	(4)
F- test	1.498	23.724**	22.115**	20.057**
Adjusted R²	0.015	0.462	0.482	0.489
LO		0.684**	0.878**	0.677**
TL			-0.25*	-0.229*
OI				0.211
Gender	-0.02	-0.127*	-0.143*	-0.146
Age	0.228	0.025	0.112	0.107
Education	0.05	0.079	0.024	0.017
Working Years	0.164	0.018	0.033	0.041
Position	0.02	0.046	0.043	0.052

* significant at 5% level; ** significant at 1% level

Table 6.9 Result of Sequential Multiple Regression Analysis (added one by one main variables)

Source: Processed Primary Data, 2014

Additionally, this study employed the second sequential multiple regression analysis by deducting one by one control variable from the complete model—that consists of all primary independent and control variables. This regression is conducted in order to check the consistency and to examine the previous result accurateness. First, the regression is performed by deducted position variable from the model, followed by working years, education and age. The result will present in table 6.10 below:

	(1)	(2)	(3)	(4)
F- test	20.057**	22.919**	26.849**	32.321**
Adjusted R²	0.489	0.491	0.494	0.496
LO	0.677**	0.682**	0.688**	0.685**
TL	-0.229*	-0.231*	-0.229*	-0.227*
OI	0.211	0.205	0.203	0.205
Gender	-0.146*	-0.133*	-0.135*	-0.133*
Age	0.107	0.122	0.108	0.106
Education	0.017	0.03	0.029	
Working Years	0.041	0.029		
Position	0.052			

* significant at 5% level; ** significant at 1% level

Table 6.10 Result of Sequential Multiple Regression Analysis (dropped one by one control variables)

Source: Processed Primary Data, 2014

First model, involves LO, TL, OI and all control variables. The result depicts that as a model, it shows significance influence (F-test= 20.057, p-value< 0.001) to predict organizational performance, with 48.9% ability to explain OP variance. While among independent variables, only LO that has significant contribution on OP ($\beta=0.677$, p-value<0.001), while TL partly negative and has lower significant influence towards OP ($\beta= -0.229$, p-value<0.05). Uniquely, gender appears as the only control variable that significantly influence OP ($\beta= -0.146$, p-value<0.05). From table 6.10, the second until the fourth regression demonstrates consistent result. Only learning organization (LO) that exhibits the strongest and significant contribution on organizational performance with standardized β value of 0.677, 0.682, 0.688 and 0.685 respectively (p-value<0.001). Meanwhile, TL shown a significant but negative contribution on organizational performance as depicted by standardized β value of -

0.229, -0.231, -0.229 and -0.227, respectively (p-value<0.05). Another unique result that shows its consistency is the gender variable, which exhibits significant and negative predicting power to OP, with standardized β value of -0.146, -0.133, -0.135 and -0.133 respectively, within $\alpha= 5\%$.

From the two steps of sequential multiple regression presented in table 6.9 and 6.10 above, it is suggested that overall, the model is supported to bring significant influence towards OP (p-value<0.001). However, after controlled by gender, age, education, working years and position, only LO (p-value<0.001) and TL (p-value<0.05), partially exhibits as valuable predictor in defining OP. Addition of one by one independent variable as depicted in table 6.9, causing adjusted R^2 value slightly improved. Deduction of one by one of control variables as depicted in table 6.10 also increases adjusted R^2 value. Unexpectedly, from the group of control variable, only gender that appears as a significant (p-value<0.05) but negative factor that influences organizational performance. Both of the sequential multiple regression analysis reveals consistency in term of independent variable ability to determine organizational performance.

CHAPTER 7

DISCUSSION OF FINDINGS AND IMPLICATIONS

Chapter seven presents discussion of earlier finding and to relate it with both theoretical and practical implications. The present study aims to examine the effectiveness of organizational functions by identifying the predicting power each of learning organization, transformational leadership and organizational innovation on organizational performance, and by investigating simultaneous effect from those three functions on organizational performance. To meet the objectives, four hypotheses were posed and the following sections will elaborate discussion of the result, implication and significance of this study.

7.1 Learning Organization on Organizational Performance

A simple linear regression was performed between learning organization (LO) and organizational performance (OP) to test the first hypothesis. The result demonstrates that there is a positive and significant relationship between LO and OP ($R=0.462$; $p\text{-value}<0.001$). This reflects that around 46.2% of organizational performance variability is explained by learning organization. The findings show agreeing with previous study of Noruzy et al. (2013), Morales et al. (2008), Martinez (2009), and Calantone et al. (2002) that suggested the direct positive and significant relationship between learning organization and organizational performance because learning culture is a mean to accumulate firm's knowledge capacity, in which company can utilize it for organizational change. Employees inherently carry the belief of organizational learning (Ortenblad, 2004) with different degree, but it does

not mean automatically conform to learning culture. People need to initiate and cherish endeavor to create learning environment to support organizational learning as part of organizational change that in the end will convey organizational outcome enhancement (Akhtar et al., 2011).

If the organization's members continuously acquire information and knowledge, practically implement in working task and eager to share the idea, listen to others opinion, these will eventually enhance their individual capacity. This way brings individual, team and organizational level be ready to anticipate and properly react to uncertain business alteration. As elaborated by Watkins & Marsick (1993), learning organization differs from non-learning organization in term of how organization adapts to change, how to employ the capacity to crave the organization's future and disseminate the knowledge to enlarge market expansion. The result as shown in figure 7.1 demonstrates learning organization that compresses seven dimensions has a significant influence on company's performance. Further, if we look at the correlation among learning organization and organizational performance from table 6.4 and table 6.5, the Pearson product-moment correlation coefficient of 0.680 and 0.676 shows high correlation between the two functions. This suggests that regardless control variables, learning organization is one of essential factor in defining organizational performance. Establishing learning organization, will channel learning culture within company and enhance member's willingness to learn, continuously develop their skill, become adaptive human resource that adequate to achieve higher organizational performance.

7.2 Transformational Leadership on Organizational Performance

Success of organization to some extent depends on who is the leader and how the leader leads (Rijal, 2010). Leadership takes a role for developing organizational capability, and transformational leadership has ability to help organization to achieve better performance (Morales et al., 2008). The second simple regression analysis was conducted to test the second hypothesis and the result shown that there is a positive and significant relationship between TL and OP ($p\text{-value} < 0.001$). Transformational leadership explained about 20.8% of organizational performance variability. Although it has relatively low level of magnitude in predicting performance, a significant influence might be sufficient to attest that transformational leadership is leadership style that is required by organization development. Transformational leader induces followers to raise creative thinking, construct positive working climate, trigger member' initiative, synergize followers' potential with company' capacity in order to enhance organizational competence.

Transformational leader as organization's catalyst is capable to motivate and heighten staff confidence to perform their task better. Besides, greater organizational performance will only be achieved if the company led by success leader. Morales et al. (2008) added that among internal factors, leadership style is one of elements that determines success and failure of the company. In general, past studies (Bass, 1991; Lopez et al, 2005; Correa, Morales & Pozo, 2005; Sahaya, 2012; Kennedy & Andersen, 2002) demonstrated that transformational leadership contributes significantly towards organizational performance through mediator variables

including innovation, learning organization, organizational commitment and work motivation. Result of this study is complement existing notion that there is direct relationship between transformational leadership and organizational performance. From this outcome, it also indicates that BSM's employees, regardless other factors, believe that there is a need of transformational leadership for company's development and performance enhancement. One might say that BSM employees recognize that their leaders, though not strongly implemented, perform transformational leadership in accordance with their role as mentor, coach and instructor within firm's operation.

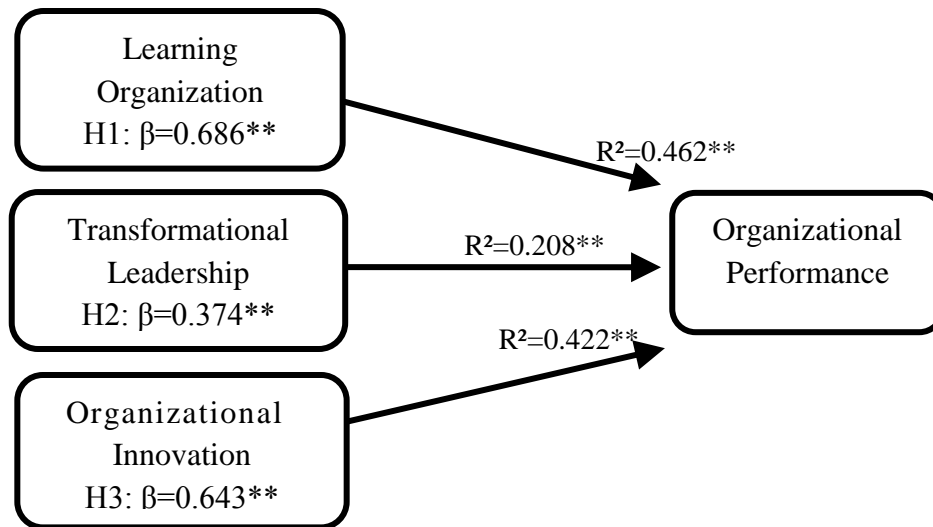
7.3 Organizational Innovation on Organizational Performance

Organization that early adopts innovation will gain success (Noruzy et al., 2013; Al Eisawi, et al., 2012). Innovation aims to create and increase company' value, through creation of new products and services include the increasing in products and services quality. The last simple linear regression was performed to test the third hypothesis. The result shown that there is a significant contribution made by organizational innovation on organizational performance. Empirical test as shown in table 6.5, exhibits that around 42.2% of performance is predicted by the organization attempt in adopting innovation. Service organizations including banks, need to consider key points in developing organizational innovation, as acknowledged by Sundbo (1997) that banks with quick innovation are able to respond market change and grow faster in comparison with competitors. In service organizations, since companies have to satisfy customers and stakeholder, it is necessary to execute customer-oriented approach in innovate products and services.

Bank Syariah Mandiri as the biggest Islamic bank in Indonesia has a huge potential and capabilities to innovate by bringing out new ideas of banking products and services that in turn will provide customer with efficient financial transactions and stimulate them to increase their dealings quantity. Moreover, as a first mover in Islamic banking innovation, BSM has a high possibility to attract new customer to use BSM excellent services. In executing innovation process, company needs to consider organization's strategy, production's capacity, market's demand and customers loyalty to accrue client's trust and satisfaction. Currently BSM sharpen its innovation advancement in enhancing service's qualities. Banking service such as e-banking, mobile-banking, online transaction, money transfer, online payment, financial transactions monitoring, are included in the company' awareness of sophisticated technological employment. Present result is in line with previous study, stated that innovation in the banking industries is a mean to pursue excellence service (Al Eisawi et al., 2012), thus, innovative organization will high likely be able to drive higher organizational performance.

In sum, referring to the result depicted in figure 7.1 above, it is evidence to state that each of learning organization, transformational leadership and organizational innovation are significantly contributed towards organizational performance. The learning organization possessed the strongest function that influence organizational performance, followed by organizational innovation and transformational leadership function, with R^2 value of 46.2%, 42.2% and 20.8% respectively. Since learning organization is the largest substance among the three

factors in determining organization, it reflects that greater outcomes cannot apart from learning culture, only can be achieved if the organization members continually enhance their learning attitude, acquire knowledge and information to arrange company' movement in business competition.



** significant at 1% level

Figure 7.1 Result of Simple Linear Regression to test Hypothesis 1, 2 and 3

Source: Primary Processed Data, 2014

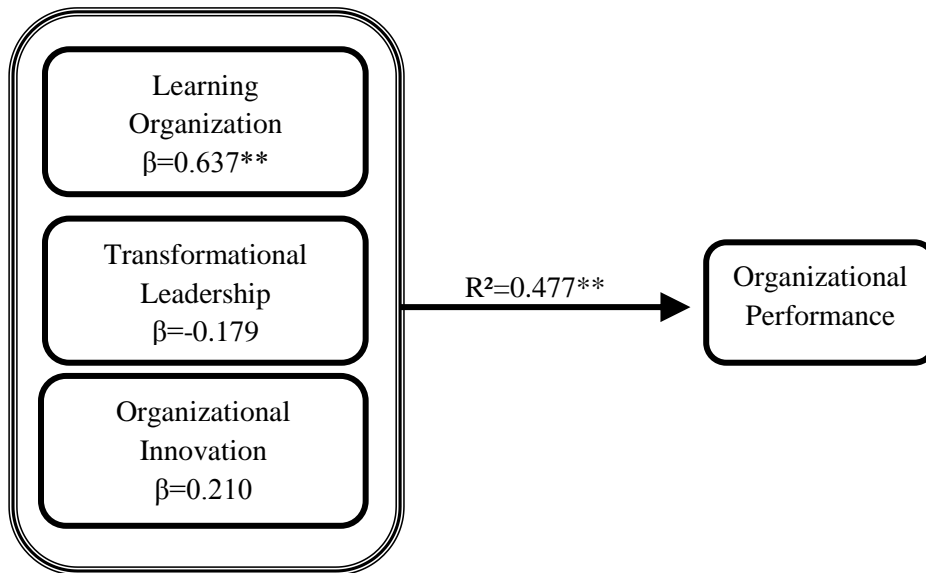
While transformational leadership, though it shows the lowest contribution towards performance, it does not mean that company can ignore the role of this leader, because to define the organization' success, the presence of transformational leader is undeniable. Nonetheless, the gauge of its influence to some extent needs to be coupled with other factors. It is also worth to mention, that since this research is conducted within social study area with cross sectional data, the fair R^2 value is sufficient to profound the relation between two variables. Cross sectional data have

more variance than time-series data, so that this reason may result in low R²-value of the regression, however, the more important thing is the significant outcome of the model suggests that there is causalities between independent and dependent variable. Overall, it concludes that the first three hypotheses are supported.

7.4 Learning Organizational, Transformational Leadership and Organizational Performance on Organizational Performance

The analysis continue to test the fourth hypothesis that tries to investigate if there is simultaneous contribution from LO, TL and OI towards OP. The result in figure 7.2., presents that as a research model, it was supported with 47.7% (p-value<0.001) ability of independent variables to predict the organizational performance variance. Multiple regression analysis brings further result, in which among predictor variables, only LO that possessed significant influence on organizational performance, while the other two variables were not contribute significantly on OP. Transformational leadership and organizational innovation only depicted significance at level of p-value<0.1, that violates tolerable level of significance for this study, therefore, hypothesis number four was not supported.

Since only LO that shows a significant contribution on organizational performance, this emphasizes the major role of learning in defining organizational performance. Only organization that continuously learns and transforms knowledge through dialogue among members will able to sustain its success (Watkins & Marsick, 2003).



** significant at 1% level

Figure 7.2 Result of Multiple Linear Regression to test Hypothesis 4

Source: Primary Processed Data, 2014

However, looking at the detail result, transformational leadership and organizational innovation are found as non-significant predictor of organizational performance. This result partially against previous researches that shown significant contribution both of transformational leadership (Lopez et al, 2005; Kennedy & Andersen, 2002; Sahaya, 2012) and organizational innovation (Hurley & Hult, 1998; Calantone et al., 2002; Irwin et al., 1998) towards organizational performance in different degree.

7.5 Learning Organization, Transformational Leadership, Organizational Innovation, and Organizational Performance with Control Variable

In order to deepen investigation and to know the predicting power of independent variables on dependent variable, sequential multiple regression analysis was performed for this research. As high diversity of respondents' characteristics, fourth hypothesis is being tested by employed variable such gender, age, level of education, length of working period and position as control variables. Sequence multiple regression analysis technically was performed by enter one by one independent variables into the regression model, started with control variables, LO, TL and OI. Result of first regression shows that control variables do not make significant influence on organizational performance.

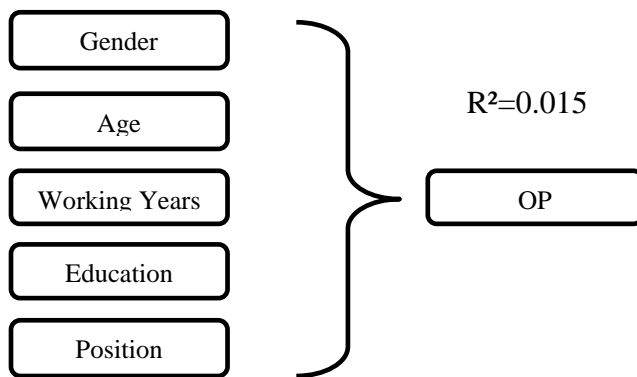
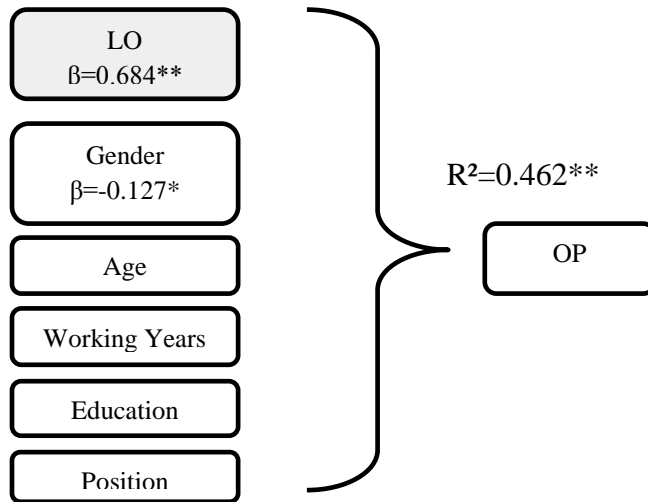


Figure 7.3 Sequential Multiple Regression- Control Variables on OP
Source: Primary Processed Data, 2014

Moving into second model, as depicted in figure 7.4, it shows that overall models explained around 46.2% of organizational performance, and only LO that influences OP significantly ($p\text{-value}<0.001$), while gender shows another contribution at lower $p\text{-value}$ of 0.05. This indicates that the existence of LO is the primary

function to achieve organizational effectiveness. Moreover, LO modified the result, in which by places LO in the second stage of regression model, gender shows its predicting ability for determining OP.

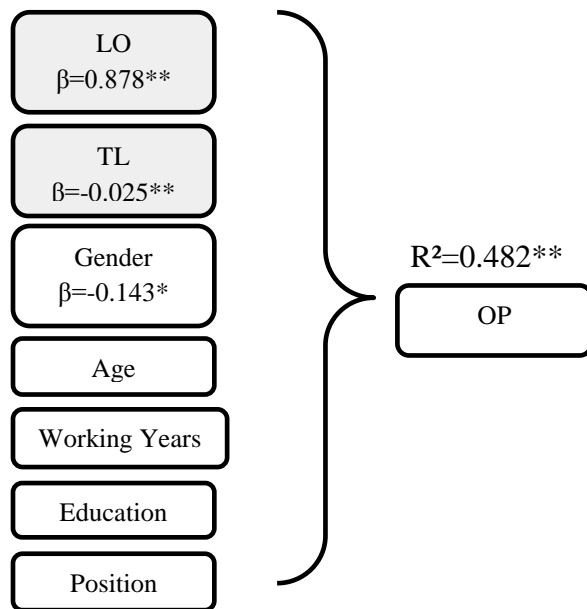


* significant at 5% level; ** significant at 1% level

Figure 7.4 Sequential Multiple Regression – Control Variables, LO on OP
Source: Primary Processed Data, 2014

The next regression added transformational leadership into the regression model, and the result shows that as a model, it contributes around 48.2% of OP variability. Partially, both LO and TL display significant influence towards OP (p-value<0.001), while gender shows a significant control variable, with lower level of significance (p-value<0.05) that influences OP. Finally, the fourth regression model administered OI as the last independent variable that added into the equation and outcome demonstrated that the model as shown in figure 7.5, make higher contribution of 48.9% towards organizational performance. Up to this stage, LO is the only variable that exhibited positive and highest significant prediction on OP,

while TL fall at the lower level of significance (p-value<0.05). On the other hand, OI revealed insignificant contribution on organizational performance.

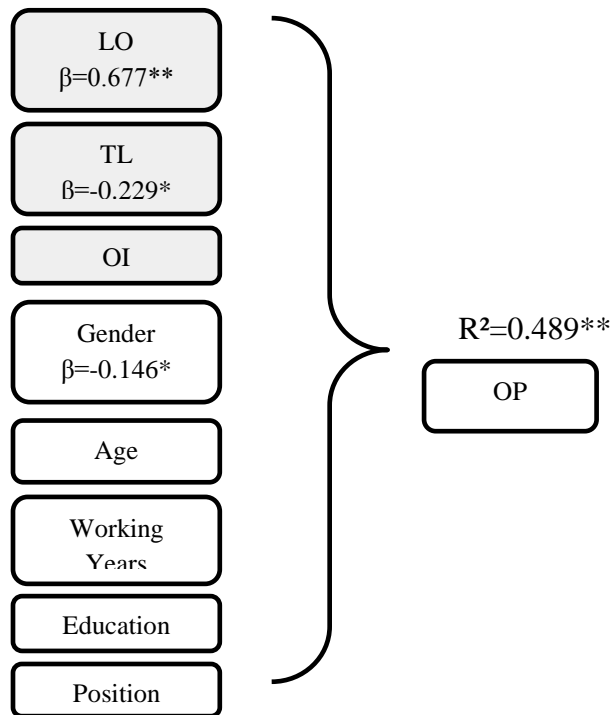


* significant at 5% level; ** significant at 1% level

Figure 7.5 Sequential Multiple Regression – Control Variables, LO, TL on OP
 Source: Primary Processed Data, 2014

Based on the four stages in sequential multiple regression analysis, some points are highlighted. First, that similar to the standard multiple regression analysis, the regression model has proven to present significant predicting power towards organizational performance. One might argue that as a model, regardless addition of control variables, integrated LO, TL and OI were supported to show the functions as organizational performance predictors. It also supported when two types of regression models exhibit stable coefficient of determination, slightly increasing when control variable was entered into the model. However, interpreting multiple regression does

not stop at this point, rather examining the strength and partial contribution of individual variable will sharpen the quality of analysis (Pallant, 2005).



* significant at 5% level; ** significant at 1% level

Figure 7.6 Sequential Multiple Regression – Control Variables, LO, TL and OI on OP

Source: Primary Processed Data, 2014

Second, is that partially, LO is the only independent variable which exhibits the significant contribution in determining OP, with stable level of significant in all models ($p\text{-value}<0.001$). Thus, it is worth to mention that learning organization is ultimately needed by organization to achieve success. Through learning, company's competitiveness will be created from the advancement of knowledge acquisition (Sahaya, 2012) and skill developing reinforcement. The combination of two will mount become organization's capability. Learning organization as Watkins &

Marsick (1997) mentioned, elaborate individual, team and organizational level of learning, through learning culture, members attune to keep learning from the working place, customer service experience, or even from their colleague ideas. Dialogue and inquiry state that learning organization facilitates employee to share their idea with working partners and communicate what they have learnt to members who have not the same learning experience (Watkins & Marsick, 2003). Interactive communication within workplace enables employees to become more creative and adaptive towards change (Ortenblad, 2013). In addition, from individual learning, members utilized at group work will practice it within team, transmit the learning attitude to others and broaden their insight together. These will benefits organizational in term of increasing in knowledge stored that can be used anytime as the company needs it and eventually will lead the firm into desired performance.

In relation with transformational leadership, the two results demonstrated different feature, in which at the first analysis, TL exhibits no significant influence on OP, while the second regression said the opposite, significant but negative contribution. Prior studies stressed out that TL proposes better perspective and brings good influence on organizational performance (Bass, 1991; Morales et al., 2008; Okenwa 2010). Transformational leadership is able to govern members to enhance their self-confidence, bring out their self-actualization and motivate them to appreciate their and their partner' work. In fact, transformational leaders act as leader and mentor for their members, they promote the importance of personal relationship over the transactional one, open to share valuable experience, appreciate followers

more than their formal status within organization. As consequences, employees feel more empowered and more confidence to develop themselves in finding constructive way to solve work problems. The study proven that partially, TL significantly related with OP, however, with the negative coefficient, it suggests different perspective. This is possibly emanated, particularly causing by different characteristics of the object study. Most of past researches conducted over the manufacturing industries, while current study executed within Islamic banking sector.

Distinct result is caused by differing situation between one and each organization. Transformational leadership is viewed as effective leadership style that is able to harness the personal value to motivate subordinates to attempt more than what is expected, however, leader with too strong transformational leader characters, might result inefficient working environment (Padilla, Hogan, & Kaiser, 2007). Leadership will not succeed in determining performance without collaboration from follower' attitude and conducive working climate; many studies emphasized that it is too exaggerate to state that individual leadership generated organizational outcome (Parry, 2011). This reflects that OP cannot simply be attributed to leaders including transformational leadership style because organization' performance accommodate complex and various interactions among multiple factors, internal and externally. Further, Marion & Uhl- Bien (2001) acknowledges that there is weak support that changes in leadership directly influence organizational performance. Transformational leader, although accepted as good leadership style, do not achieve

results themselves, rather they gain organizational goal through influencing other people (Hogan & Kaiser, 2005).

Most of past studies also stressed out that TL directly influences and control followers' effectiveness and constructs company's performance. In present study, Bank Syariah Mandiri' employees perceived positively that they have transformational leader within as depicted on respondent' response summary, it indicated BSM' leader has convinced members to rely on their leadership and raise follower' motivation to perform the work task. Besides, employees realize that to strive better performance, company need figure who have combination of task orientation, leader-member relationship and change orientation behavior; thus, it is expected that leaders would play effective role in communicating organization's vision, transform it into strategic mission, encourage members to provide efforts beyond the initial expectation. In the case of Bank Syariah Mandiri, they have regular collective activities called "doa pagi", in which all employees from all levels gather every morning before work started to pray together invoking for well-managed operations. They pronounce the company value to reflect and as reminder to act according to company' corporate governance, continue by leader's speech to enhance employees' motivation in performing the duty. This activity aims to engrave member spirit to give the best efforts for organization wellness; also as a means for leaders to communicate company' strategic mission and raising the sense of firm' belonging to all elements.

Both transformational leadership and organizational innovation, individually, put as vital role in determining performance, this is along with many earlier studies conducted mostly in manufacturing industries. Nonetheless, for study of Islamic banking in Indonesia, as researcher noted, this is the first study to test direct effect of TL on OP, and therefore, this is not quite surprising when different result came out, indicated unique character of the Islamic banking industry. This highly possible caused by the Islamic banking situation, in which, Islamic banking in Indonesia operated within tight regulation of government and Central Bank of Indonesia. To achieve market share' target accomplishment for instance, BSM need to manage effort and balance funding and financing activities, yet this is not easy task under quick and dynamic industry' alteration. When high tension of transformational leadership attempted, company' culture may not fully accept or adopt the function, this is clarified by the existence of organizational innovation. Relate with innovation, this is not simply task to adopt innovation process for Islamic banking sector. To some extent, banking regulation limits innovation space. According to the interview with BSM' branch manager, Bank Syariah Mandiri find barriers in order to innovate its core banking system, in which company experiencing dilemma when it face the regulation and business effectiveness at the same time. Consequently, the company need to reevaluate the policy of core banking system refinement, yet it sacrifice certain amount of bank' capital and the potential of future outcomes.

Banking industry although unlike public sector that carries out high level of bureaucracy, also it is not true to equalize it as manufacture does, rather banking

sector is in the middle (Okenwa, 2010). Based on the result and in regard with the banking industry's characteristics, one might say that TL has significant effect on organizational performance, however, with negative relationship, it means that business players need to carefully implement it and adjust each component within TL according to the organization character. With transformational leadership, leaders create conducive and psychologically safe working environment to encourage follower enhance their participation in advancing the company, leader injects motivation to build organizational effectiveness.

Organizational innovation did not show other level of significance towards organizational performance. Generally, as many previous studies demonstrated, organizational innovation significantly related with company performance, however, in the case of BSM, the result against the past research. Even though currently BSM develop company competence through technological advancement in providing products and services, yet if integrated with other factors, organizational innovation did not suggest expected outcome. Possible reason is that over TL might confusing employees to response leader' direction, at the same time, based on their knowledge and creativity, members want to signify organizational innovation idea, but to some point, it against regulated policies. In sum, this does not mean that transformational leadership not appropriate to induce bank' employee to perform, but to some extent, it need to consider other factors that frame TL as organizational performance' predictor, according to the company' characteristics and situations. In line with this result, organizational innovation not always resulted in better performance. Antonelli

(1993) found that innovation causing negative effect on OP, in which it consumed high cost to switch to the new technology-based innovation, also because the organization did not well-prepared to adopt innovation process. The successful of innovation in determining performance depends on the firm' size, age, type of innovation and other company' culture context (Rosenbuch et al., 2011). As consequence, it is possible that in this present study, when innovation integrated with other factors in multiple regression model, the result revealed insignificance influence. In addition, for Islamic banking sector like BSM, it is evidence that organization innovation become key success of market share enhancement, this is demonstrated by its attempt to signify BSM' service through information and technology utilization in product and service update, thus, customers feel more comfortable to do transactions with. Finally, it benefits internal company, in term of easy access to information network, flexibility of communication and customer relationship management.

Unexpectedly, there was a unique result found in sequence multiple regression analysis. From the first until the last model, gender is the only control variable that always came out to give significant influence in predicting organizational performance within 5% of significance level, the others were not add further prediction. Gender appears as important factor to consider after assigned in regression model that employed main independent variable, although with negative coefficient. This explains that gender existence provide additional information in examining organizational performance determinant, and provide a chance for further exploration. Significant and negative gender indicated that gender difference suggest

different outcome in organizational performance' creation. Female workers tend to less productive in compared to male workers, because female employee often has to allocate their time between working hour and household matter (Alvesson & Billing, 2009). Gender segregation, in the past, designed by organization to separate types of jobs available for different sexes, but current situation is not distinguishing female and male labor. In the case of BSM, there is no discrimination between men and women workers because members recruited with human resources defined standard, job allocated according to the member' capacity and competence. Nevertheless, the general stigma of lower status of female than male employee still embedded in current business circumstances (Mirza & Jabeen, 2011).

In related with other variables, possible reason is that female workers feel confuse when transformational leader directed to adopt new service development idea, on the other side, tight banking regulation limit the organization movement to explore its capacity. After that, it possibly causes different degree of innovation failure within service organization and bank will risk in losing opportunity of organizational improvement. Other possibility is that female workers might have fluctuations of work attitude; means that female workers tend to less consistent to perform job assignment in compared with male employees (Alvesson & Billing, 2009). Further, as currently BSM preparing for the core banking system's replacement and because the increased of workload, causing workers exhaust in performing their task. Here, some female workers difficult to adapt with emerge product innovation and the new technological implementation. In a case of BSM, when respondents being asked

about implementation of organizational innovation, female workers tend to answer in moderate level, it might indicated that they actually resistant towards innovation. This is in line with research conducted by Venkantesh & Morris (2000), which found that women's staffs tend to have lower acceptance of new technology implementation within organization in compared with men. Overall, learning organization, transformational leadership and organizational innovation are essential elements in ascribing organizational performance.

7.6 Implications of the Study

Based on the result, analysis and findings discussion, this study is expected will contribute to both practical and theoretical implications. In regards to practical implications, these research findings lead to practical suggestion for leader, followers, consultants as well as researcher. This study stressed out investigation of which is the most factor influencing organizational performance, using three factors employed, learning organization, transformational leadership and organizational innovation.

It is a clear evidence that learning organization appears as the key function to improve follower' competence, to encourage them continuously learn, advancing their skill to achieve higher level of competency. As Ortenblad (2013) described that LO, ultimately lead to organization change, to be more adaptive, responsive, and more effective in confronting dynamic competition, thus BSM as the largest Islamic banking in Indonesia needs to maintain and expand its capacity as learning organization. Specifically for human resources division, this findings suggest that the effort in providing training and development program for BSM employees, resulted

in change of member learning behavior and mount in learning culture within organization, further, it encourage employee' trust and commitment towards the company. Therefore, it is worth to argue that human resource division—called HCD, need to organize and arrange employee' development program to enhance members capacity and skill advancement according to organization need, by maintaining existing program, adding and creating innovation in learning or training, rejuvenating learning system and evaluating its implementation. In addition, utilize technology to enhance learning program is a part of learning organization' success, this way, BSM provide easy access to every information relate with internal and external dealings to strengthen company' operation and in attempt to satisfy consumers. Looking at the positive employees' perception of LO, it suggest that BSM human capital division need to increase the frequency and type of development program, thus it will cover all employees to actively participate in organizational learning creation.

Equally important, considering the importance of LO, company need to design the organization as learning facilitator include provides place, infrastructure and systems to support learning. Reevaluate and create policies and structures that related with learning activity, set up rewards for individual and teams learning, insert learning activity as part of company' culture; build monitoring system to identify employees' learning progress and evaluate it to improve learning effectiveness (Marquardt, 1996). For some training program that align with other party, in the future, it is good if BSM establish long-term training partnership by specifying company' objective in term of knowledge capacity improvement. In providing

learning and training program, it need to balance between needs and organization capacity—financial and human resource structure, these preparations enable BSM to encourage individual, team, and organizational level of learning and create proper climate for learning.

Other implications related with transformational leadership aspect, transformational leadership is ideally implemented in organization, however not all entities perfectly match with transformational leader (Padilla et al., 2007). One of weakness in TL research is that the tendency to idealize transformational leadership approach and over credit given to the leader (Diaz-Saenz, 2011), rather ignored other factors attributed to lead individual, group and organization development. The result of current study revealed two fragmented results of TL effect on OP. In agreed with this result, Davies (2004) found that there is negative relationship between TL and excitable, skeptical, cautious and dutiful. This occurrence likely rendered by incongruity of TL characteristics with the work place circumstances. In addition, BSM leaders not only need to direct employees according to company' strategies, but also demanded to engage in benefit activity include learning activity, facilitate information and knowledge transfer, shows commitment of transformational leader that will championing organizational vision and missions. This study suggests that leader need to arrange conducive working system with available structure by considering company's culture and characteristic. Parallel with LO, as organizational performance' predictor, TL in BSM expected able to drive employees to concentrate in learning process within company, help members to empower themselves, as

Podsakoff et al. (1990) mentioned to act as instructor, mentor and coach, conceptualizing and inspiring followers through two-ways communication and appreciate individual personal feeling for valuable interaction.

Following learning organization and transformational leadership, banking sector need to precede organizational innovation as a means to present excellence service for customer (Al-Eisawi, et al., 2012). Trust and customer' satisfaction is primary point to achieve if service sector like bank want to achieve higher performance. It is evidence for BSM that early adoption of OI improved market share year by year, by launch new products and services regularly. Product include e-mobile, e-banking, e-payment and others technology-based innovation are BSM betterment manifestation to accumulate customer' loyalty and eventually bring greater company' outcome. To face dynamic business environment, BSM need to continue innovation process and generate banking service to surpass competitor, by learn from customer demand and competitor' orientation to complement company' innovation behavior. Not less important, as TL take a role to boost follower creativity and inducing innovation, BSM' leader and management need to synergize the core value of TL and OI advancement according to the organization characteristics. Just like in other industries, banks want to maintain existing and attract new customers by providing them with best quality products and services, while financial and firm's capacity sometime limit this effort. Linking with organizational innovation, banking operation in Indonesia vetted by regulators (Iman, 2011), ruled by government policy and aligned with externalities and standardization (Wagner, 2008), consequently,

banks need to implement it conservatively. In turn, it will generate client's satisfaction and channel organizational efficiency.

Implications in leaders-members relationship spotlight issue that although company facilitates member capacity improvement, there would be negative reactions from follower. Inherent individual behavior, to some extent will constrain organization goal. For instance, member naturally against firm' rule and lose motivation to learn or innovate, shown resistance towards leader coaching and mentoring method. Leader should consider how to get rid these problems while initiated to induce effective working climate by directly engage in daily working assignment, create challenging but achievable task and balance team communication and personal approach. These ways, follower will view LO, TL and OI as crucial functions to astonishing organizational performance. In other way, the increased of follower' commitment and sense of belonging will enable them to maximize their effort to perform better, utilize larger opportunity and build useful network for their future career improvement. Uniquely, among control variables, gender presence as influential factors on organizational performance, causing company might need to consider the policies related with job assignment and allocation in accordance to gender diversity.

For the theoretical implications, this research expected to explain more detail about the importance of learning organization implementation within organization, by exhibiting the result of study conducted with seven dimensions of learning organization. Moreover, this study attained result that depict the relationship between

LO, TL and OI in defining organizational performance. This describes that the three organizational functions shown each and their simultaneous predicting power towards organizational performance, with different level of magnitude, regardless other factors that not captured within this study might involved. Although there were many past studies about organizational performance determinant performed, to the researcher note, none of them conducted study that involved the three independent variables role in determining OP in Islamic banking in Indonesia. It is worth to mention that each organization and sector has its characteristics, hence, expecting the same result for different industries could not absolutely achieved. Therefore, the result variability of this empirical study will enrich the scope of literatures.

CHAPTER 8 CONCLUSIONS

Based on analysis and result, the following section offers research conclusions of the study that will summarize the result analysis. The chapter ends with several research limitations and some points of directions and recommendations for future study.

8.1 Research Conclusions

This study showed empirical evidence regarding the role of learning organization, transformational leadership and organizational innovation on organizational performance. It also directed to examine the importance of learning organization implementation within Islamic banking sector as this study performed within the case study in Bank Syariah Mandiri Jakarta. By simple linear, standard multiple and sequential multiple regression analyses, findings demonstrated that each of LO, TL and OI significantly influenced on organizational performance enhancement, therefore, the first three hypotheses were supported. To test the fourth hypothesis, standard multiple and sequential multiple regression analysis were employed and the result suggested that as a research framework, the model was supported to show simultaneous contribution of three functions on organizational performance. However, among independent variables, only LO that appears as profound significant predictor of organizational performance. After this result, together with control variable entered into two sequential multiple regression models, learning organization and transformational leadership appeared as influential factors

in organizational performance, while organizational innovation did not show a significant ability in organizational performance. Meanwhile, among respondent's demographic variables such as gender, age, working years, level of education and position, only gender was continuously affecting organizational performance. Consequently, based on these findings, this research did not support the fourth hypothesis.

It is important to mention that each organization has its own characteristics, and the result of this research cannot be applicable in different industries because of different environments and ever-changing business competition. Since most of studies about learning organization, transformational leadership and organizational innovation- on organizational performance relation were conducted in the manufacturing sector, the study to exam them in Islamic banking sector is unique. In general, learning organization was accounted as the largest factor in affecting organizational performance, but it does not mean that company might ignore transformational leadership and organizational innovation occurrence. The truth is that all of them are needed if organization wants to sustain its competitiveness and enhance its performance, however, it is necessarily to be noted that other internal and external factors exist in preserving those functions. Those might carry another influence on working environment and predicting power to performance. In relate with negative coefficient of transformational leadership, these findings are to some extent contrast with common notion that justify its idealism. Additionally, insignificant organizational innovation generated the result variance for this study.

This possibly happened because of the different banking sector characters, distinct working environment and rigid banking regulations, that in particular could impede effect of certain organizational functions such as diversity or creativity. Another interesting outcome is that gender was the only control variable that significantly and negatively predicts organizational performance. The negative correlation might indicate a certain unique situation. Female workers are highly possible possess less degree of productivity, less focus and consistency to accomplish their task and lower acceptance towards technological innovation, and those situations might hinder performance. Concluding earlier discussion and implications mentioned, this study would enrich and add enlightenment to literatures related with learning organization, transformational leadership, organizational innovation and their relation with organizational performance, specifically within Islamic banking sector in Indonesia.

8.2 Limitations and Direction for Future Study

Before the conclusions are completed, few limitations need to be discussed for interpreting these outcomes and building recommendations for future work. This study attempted to examine the learning organization concept together with transformational leadership and organizational innovation in explaining organizational performance, using questionnaire involved 160 respondents. It would be more desirable if future studies increase data available to expand a samples size. Another limitation relates with the organizational setting of the study, simply because current research concentrated only in one Islamic bank, therefore, to add more convinced and rigorous analysis, future studies need to recruit survey participants

from other Islamic banks. This way, could help attain comparative effects and generate stronger evidence of learning organization implementation associate with transformational leadership and organizational innovation in elevating organizational performance in Islamic banking sector.

Other potential limitation stems from the organizational performance measurement because this study employed worker' perception of company' performance relative with competitor in the last three years, which is agreed with previous studies (Tippins & Sohi, 2003; Hsu & Pereira, 2005; and Gamero, 2010). The perception of organizational performance seems rather subjective performance measurement, yet it is broadly accepted and generated reliable result in the research field. Since organizational performance is a multi dimension, it is common that scholars face difficulty in addressing accurate organizational performance measurement (Dress & Robinson, 1984). Moreover, it is not a simple task to measure organizational performance for different sectors. Alternatively, future studies may adopt objective performance indicators such other quantitative data of financial ratio, or by employed both objective and subjective organizational performance measurement, to make a complement and gain more profound outcome. With regard of organizational innovation, since there are many notions proposed in articulating organizational innovation, future studies suggested either adding or specifying the types of innovation—administration and technical innovation, aims to heighten result variability, as Subramanian & Nilakanta (1996) stated that there was different outcome of performance measures according to the types of innovation. Finally,

since this research was conducted in Islamic banking entity, it would be some interesting research questions such as whether Islamic (sharia) principle implementation is affecting the learning organization, the level of transformational leadership and the way which banks become innovative organization, and which banks of sharia or non-sharia is more influential on organizational performance based on a comparative study.

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Appendix 1
Output SPSS

1. Correlation of independent variables

Correlations

		AverageLO	AverageTL	AverageOI
AverageLO	Pearson Correlation	1	.784**	.875**
	Sig. (2-tailed)		.000	.000
	N	160	160	160
AverageTL	Pearson Correlation	.784**	1	.650**
	Sig. (2-tailed)	.000		.000
	N	160	160	160
AverageOI	Pearson Correlation	.875**	.650**	1
	Sig. (2-tailed)	.000	.000	
	N	160	160	160

** . Correlation is significant at the 0.01 level (2-tailed).

Correlations

		AverageLO	AverageTL	AverageOI	AverageOP
AverageLO	Pearson Correlation	1	.784**	.875**	.680**
	Sig. (2-tailed)		.000	.000	.000
	N	160	160	160	160
AverageTL	Pearson Correlation	.784**	1	.650**	.457**
	Sig. (2-tailed)	.000		.000	.000
	N	160	160	160	160
AverageOI	Pearson Correlation	.875**	.650**	1	.650**
	Sig. (2-tailed)	.000	.000		.000
	N	160	160	160	160
AverageOP	Pearson Correlation	.680**	.457**	.650**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	160	160	160	160

** . Correlation is significant at the 0.01 level (2-tailed).

Correlations

		RerataLO	RerataTL	RerataOI	Gender	Age	Education	Workingyears	Position	RerataOP
RerataLO	Pearson Correlation	1	.784**	.875**	.145	.120	.039	.094	.036	.680**
	Sig. (2-tailed)		.000	.000	.066	.131	.626	.237	.653	.000
	N	160	160	160	160	160	160	160	160	160
RerataTL	Pearson Correlation	.784**	1	.650**	.059	.198*	.040	.054	.045	.457**
	Sig. (2-tailed)	.000		.000	.459	.012	.614	.498	.570	.000
	N	160	160	160	160	160	160	160	160	160
RerataOI	Pearson Correlation	.875**	.650**	1	.147	.123	.054	.049	.030	.650**
	Sig. (2-tailed)	.000	.000		.063	.122	.494	.539	.705	.000
	N	160	160	160	160	160	160	160	160	160
Gender	Pearson Correlation	.145	.059	.147	1	.109	.075	-.126	.341**	-.005
	Sig. (2-tailed)	.066	.459	.063		.171	.348	.112	.000	.950
	N	160	160	160	160	160	160	160	160	160
Age	Pearson Correlation	.120	.198*	.123	.109	1	-.035	-.480**	.419**	.154
	Sig. (2-tailed)	.131	.012	.122	.171		.662	.000	.000	.052
	N	160	160	160	160	160	160	160	160	160
Education	Pearson Correlation	.039	.040	.054	.075	-.035	1	-.009	.249**	.044
	Sig. (2-tailed)	.626	.614	.494	.348	.662		.907	.002	.583
	N	160	160	160	160	160	160	160	160	160
Workingyears	Pearson Correlation	.094	.054	.049	-.126	-.480**	-.009	1	-.406**	.048
	Sig. (2-tailed)	.237	.498	.539	.112	.000	.907		.000	.543
	N	160	160	160	160	160	160	160	160	160
Position	Pearson Correlation	.036	.045	.030	.341**	.419**	.249**	-.406**	1	.054
	Sig. (2-tailed)	.653	.570	.705	.000	.000	.002	.000		.495
	N	160	160	160	160	160	160	160	160	160
RerataOP	Pearson Correlation	.680**	.457**	.650**	-.005	.154	.044	.048	.054	1
	Sig. (2-tailed)	.000	.000	.000	.950	.052	.583	.543	.495	
	N	160	160	160	160	160	160	160	160	160

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

2. Simple Linear Regression Analysis

Learning Organization on Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680 ^a	.462	.458	.40432

a. Predictors: (Constant), ALO

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22.157	1	22.157	135.539	.000 ^p
	Residual	25.829	158	.163		
	Total	47.986	159			

a. Dependent Variable: AOP

b. Predictors: (Constant), ALO

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.295	.244		5.298	.000
	ALO	.686	.059	.680	11.642	.000

a. Dependent Variable: AOP

Transformational Leadership on Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.457 ^a	.208	.203	.49030

a. Predictors: (Constant), ATL

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.004	1	10.004	41.615	.000 ^p
	Residual	37.982	158	.240		
	Total	47.986	159			

a. Dependent Variable: AOP

b. Predictors: (Constant), ATL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.583	.241		10.726	.000
	ATL	.374	.058	.457	6.451	.000

a. Dependent Variable: AOP

Organizational Innovation on Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650 ^a	.422	.419	.41881

a. Predictors: (Constant), AOI

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.273	1	20.273	115.580	.000 ^b
	Residual	27.713	158	.175		
	Total	47.986	159			

a. Dependent Variable: AOP

b. Predictors: (Constant), AOI

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.426	.252		5.648	.000
	AOI	.643	.060	.650	10.751	.000

a. Dependent Variable: AOP

3. Multiple Regression Analysis

Learning Organization, Transformational Leadership, and Organizational Innovation, on Organizational Performance.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.698 ^a	.487	.477	1.58881	1.920

a. Predictors: (Constant), TotalOI, TotalTL, TotalLO

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	373.984	3	124.661	49.384	.000 ^b
	Residual	393.791	156	2.524		
	Total	767.775	159			

a. Dependent Variable: TotOP

b. Predictors: (Constant), TotalOI, TotalTL, TotalLO

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4.826	.992		4.863	.000		
1 TotalTL	-.073	.038	-.179	-1.923	.056	.379	2.637
TotalLO	.143	.033	.637	4.364	.000	.154	6.473
TotalOI	.104	.059	.210	1.760	.080	.232	4.313

a. Dependent Variable: TotOP

Sequential Multiple Regression Analysis (added one by one main variables)

LO, TL, OI, and Control Variables on Organizational Performance

Model 1

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.215 ^a	.046	.015	2.18044	2.024

a. Predictors: (Constant), Position, Education, Gender, Workingyears, Age

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.610	5	7.122	1.498	.194 ^b
	Residual	732.165	154	4.754		
	Total	767.775	159			

a. Dependent Variable: TotOP

c. Predictors: (Constant), Position, Education, Gender, Workingyears, Age

d.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	13.334	1.358		9.820	.000		
1 Gender	-.088	.376	-.020	-.234	.816	.882	1.134
Age	1.230	.508	.228	2.420	.017	.697	1.435
Education	.044	.073	.050	.604	.547	.912	1.096
Workingyears	1.648	.934	.164	1.764	.080	.717	1.395
Position	.073	.366	.020	.200	.842	.637	1.570

a. Dependent Variable: TotOP

Model 2

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.694 ^a	.482	.462	1.61233	1.998

a. Predictors: (Constant), TotalLO, Position, Education, Gender, Workingyears, Age

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	370.036	6	61.673	23.724	.000 ^b
	Residual	397.739	153	2.600		
	Total	767.775	159			

a. Dependent Variable: TotOP

b. Predictors: (Constant), TotalLO, Position, Education, Gender, Workingyears, Age

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.443	1.274		3.488	.001		
	Gender	-.569	.281	-.127	-2.024	.045	.862	1.161
	Age	.427	.383	.079	1.116	.266	.673	1.486
	Education	.016	.054	.018	.300	.764	.910	1.098
	Workingyears	.249	.702	.025	.355	.723	.695	1.439
	Position	.169	.271	.046	.624	.533	.636	1.572
	TotalLO	.153	.014	.684	11.342	.000	.932	1.074

a. Dependent Variable: TotOP

Model 3

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.711 ^a	.505	.482	1.58121	2.046

a. Predictors: (Constant), TotalLO, Position, Education, Gender, Workingyears, Age, TotalTL

TotalTL

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	387.741	7	55.392	22.155	.000 ^b
	Residual	380.034	152	2.500		
	Total	767.775	159			

a. Dependent Variable: TotOP

b. Predictors: (Constant), TotalLO, Position, Education, Gender, Workingyears, Age, TotalTL

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4.345	1.250		3.477	.001		
Gender	-.639	.277	-.143	-2.308	.022	.854	1.171
Age	.607	.381	.112	1.591	.114	.652	1.534
Education	.021	.053	.024	.397	.692	.909	1.100
Workingyears	.335	.689	.033	.486	.628	.693	1.442
Position	.161	.266	.043	.607	.545	.636	1.572
TotalTL	-.103	.039	-.250	-2.661	.009	.368	2.717
TotalLO	.197	.021	.878	9.357	.000	.370	2.701

a. Dependent Variable: TotOP

Model 4**Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.718 ^a	.515	.489	1.57007	2.048

a. Predictors: (Constant), TotalOI, Position, Education, Gender, Workingyears, Age, TotalTL, TotalLO

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	395.541	8	49.443	20.057	.000 ^b
	Residual	372.234	151	2.465		
	Total	767.775	159			

a. Dependent Variable: TotOP

b. Predictors: (Constant), TotalOI, Position, Education, Gender, Workingyears, Age, TotalTL, TotalLO

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.843	1.273		3.020	.003		
Gender	-.657	.275	-.146	-2.387	.018	.853	1.173
Age	.576	.379	.107	1.519	.131	.650	1.538
Education	.015	.053	.017	.292	.771	.906	1.104
Workingyears	.409	.685	.041	.597	.552	.691	1.448
Position	.192	.264	.052	.725	.470	.633	1.579
TotalTL	-.094	.039	-.229	-2.438	.016	.362	2.760
TotalLO	.152	.033	.677	4.640	.000	.151	6.640
TotalOI	.104	.059	.211	1.779	.077	.229	4.368

a. Dependent Variable: TotOP

Sequential Multiple Regression (dropped one by one control variables)

LO, TL, OI and Control Variables on Organizational Performance

Model 1

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.718 ^a	.515	.489	1.57007	2.048

a. Predictors: (Constant), TotalOI, Position, Education, Gender, Workingyears, Age, TotalTL, TotalLO

b. Dependent Variable: TotOP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	395.541	8	49.443	20.057	.000 ^b
	Residual	372.234	151	2.465		
	Total	767.775	159			

a. Dependent Variable: TotOP

b. Predictors: (Constant), TotalOI, Position, Education, Gender, Workingyears, Age, TotalTL, TotalLO

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.843	1.273		3.020	.003		
	Gender	-.657	.275	-.146	-2.387	.018	.853	1.173
	Age	.576	.379	.107	1.519	.131	.650	1.538
	Education	.015	.053	.017	.292	.771	.906	1.104
	Workingyears	.409	.685	.041	.597	.552	.691	1.448
	Position	.192	.264	.052	.725	.470	.633	1.579
	TotalTL	-.094	.039	-.229	-2.438	.016	.362	2.760
	TotalLO	.152	.033	.677	4.640	.000	.151	6.640
	TotalOI	.104	.059	.211	1.779	.077	.229	4.368

a. Dependent Variable: TotOP

Model 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.717 ^a	.513	.491	.39190

a. Predictors: (Constant), Workingyears, Education, RerataTL, Gender, Age, RerataOI, RerataLO

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.640	7	3.520	22.919	.000 ^b
	Residual	23.346	152	.154		
	Total	47.986	159			

a. Dependent Variable: RerataOP

b. Predictors: (Constant), Workingyears, Education, RerataTL, Gender, Age, RerataOI, RerataLO

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.029	.304		3.387	.001
	RerataLO	.689	.147	.682	4.683	.000
	RerataTL	-.189	.077	-.231	-2.456	.015
	RerataOI	.203	.117	.205	1.738	.084
	Gender	-.149	.065	-.133	-2.277	.024
	Age	.164	.090	.122	1.822	.070
	Education	.007	.013	.030	.523	.602
	Workingyears	.072	.166	.029	.436	.663

a. Dependent Variable: RerataOP

Model 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 ^a	.513	.494	.39087

a. Predictors: (Constant), Education, Age, RerataLO, Gender, RerataTL, RerataOI

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.611	6	4.102	26.849	.000 ^b
	Residual	23.375	153	.153		
	Total	47.986	159			

a. Dependent Variable: RerataOP

b. Predictors: (Constant), Education, Age, RerataLO, Gender, RerataTL, RerataOI

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.103	.251		4.393	.000
	RerataLO	.694	.146	.688	4.751	.000
	RerataTL	-.188	.077	-.229	-2.446	.016
	RerataOI	.201	.116	.203	1.724	.087
	Gender	-.152	.065	-.135	-2.340	.021
	Age	.145	.078	.108	1.850	.066
	Education	.006	.013	.029	.512	.610

a. Dependent Variable: RerataOP

Model 4**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 ^a	.512	.496	.38993

a. Predictors: (Constant), Age, Gender, RerataLO, RerataTL, RerataOI

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.571	5	4.914	32.321	.000 ^b
	Residual	23.415	154	.152		
	Total	47.986	159			

a. Dependent Variable: RerataOP

b. Predictors: (Constant), Age, Gender, RerataLO, RerataTL, RerataOI

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.112	.250		4.451	.000
	RerataLO	.691	.146	.685	4.747	.000
	RerataTL	-.186	.077	-.227	-2.434	.016
	RerataOI	.203	.116	.205	1.753	.082
	Gender	-.149	.064	-.133	-2.313	.022
	Age	.143	.078	.106	1.829	.069

a. Dependent Variable: RerataOP

Appendix 2

Questionnaire form – Indonesian Language Version

KUESIONER

**IMPLIKASI KEPEMIMPINAN TRANSFORMASIONAL, ORGANISASI PEMBELAJAR, dan INOVASI ORGANISASI TERHADAP KINERJA ORGANISASI
STUDI KASUS DI BANK SYARIAH MANDIRI**

Profil Responden

Jenis Kelamin : Pria Wanita Divisi:

 Usia : 20 – 34 35 – 45 46 – 60
 Tingkat Pendidikan :D3 S1 S2 S3
 Masa Kerja (Tahun) :1 – 10 11 – 20 21 – 30 > 30
 Posisi : Pelaksana Officer Manager
 Senior Manager

Pilihlah pernyataan yang menurut Bapak/Ibu paling mencerminkan situasi yang dihadapi dalam pekerjaan sehari-hari di kantor dengan cara melingkari atau memberi tanda silang pada salah satu angka di kolom yang disediakan. Kami menjamin kerahasiaan jawaban Bapak/Ibu dan hanya akan menggunakan jawaban tersebut untuk kepentingan penelitian.

Skala:

- 1 = Sama Sekali Tidak Setuju
 2 = Sangat Tidak Setuju
 3 = Tidak Setuju
 4 = Setuju
 5 = Sangat Setuju
 6 = Sangat Setuju Sekali

KUESIONER BAGIAN I: KEPEMIMPINAN TRANSFORMASIONAL

No	Pernyataan	SSTS	STS	TS	S	SS	SSS
1	Saya bangga bekerja sama dengan atasan saya	1	2	3	4	5	6
2	Atasan saya memberikan contoh perilaku yang patut diteladani	1	2	3	4	5	6
3	Atasan saya menumbuhkan motivasi pegawai untuk mencapai tujuan organisasi	1	2	3	4	5	6
4	Atasan saya tidak memberikan pengarahan yang jelas kepada pegawai untuk mencapai target	1	2	3	4	5	6

	kerja						
5	Atasan saya memberikan tantangan kepada pegawai untuk mencari solusi dengan cara pandang yang baru	1	2	3	4	5	6
6	Atasan saya memberikan tantangan kepada pegawai untuk secara kritis menyampaikan ide baru	1	2	3	4	5	6
7	Perusahaan memberikan kesempatan yang sama bagi para pegawai untuk berkembang	1	2	3	4	5	6
8	Perusahaan memperhatikan aspirasi pegawai	1	2	3	4	5	6

KUESIONER BAGIAN II: ORGANISASI PEMBELAJAR DAN INOVASI ORGANISASI

No	Pernyataan	SSTS	STS	TS	S	SS	SSS
1	Di perusahaan saya, problem kerja merupakan peluang untuk belajar	1	2	3	4	5	6
2	Perusahaan memberikan kesempatan belajar dan training merata untuk peningkatan kompetensi pegawai	1	2	3	4	5	6
3	Kegagalan yang pernah dialami dalam pekerjaan merupakan bahan untuk pembelajaran	1	2	3	4	5	6
4	Perusahaan tidak menghargai sikap proaktif yang ditunjukkan pegawai	1	2	3	4	5	6
5	Pegawai di unit kerja saling memperhatikan pendapat rekan kerja lain	1	2	3	4	5	6
6	Di perusahaan saya, pegawai dimotivasi untuk mengungkapkan ide yang membangun tanpa membedakan posisi dan jabatan	1	2	3	4	5	6
7	Di unit kerja saya, semua pegawai memiliki peluang yang sama dalam mengembangkan diri	1	2	3	4	5	6
8	Di perusahaan, kualitas proses kerja dianggap sama pentingnya dengan hasil/kuantitas kerja	1	2	3	4	5	6
9	Perusahaan menggunakan berbagai media komunikasi untuk memfasilitasi komunikasi dua arah	1	2	3	4	5	6
10	Di perusahaan, pegawai dapat mengakses informasi yang dibutuhkan dengan mudah	1	2	3	4	5	6
11	Para pegawai saling memberikan feedback untuk pencapaian sasaran kerja	1	2	3	4	5	6
12	Perusahaan mendukung terciptanya work life balance para pegawai	1	2	3	4	5	6
13	Perusahaan menyediakan perlengkapan dan fasilitas yang dibutuhkan untuk menyelesaikan pekerjaan	1	2	3	4	5	6

14	Perusahaan memastikan keselarasan antara tujuan di divisi dengan tujuan perusahaan	1	2	3	4	5	6
15	Perusahaan mengutamakan kebutuhan pelanggan dalam pertimbangan pengambilan keputusan	1	2	3	4	5	6
16	Atasan memastikan bahwa pegawai menggunakan informasi terkini dalam menyelesaikan pekerjaan	1	2	3	4	5	6
17	Perusahaan memberikan dukungan kepada pegawai untuk berpikir dengan perspektif global	1	2	3	4	5	6
18	Perusahaan menyeleksi ide-ide baru secara rutin untuk pengembangan konsep produk/layanan baru bagi nasabah	1	2	3	4	5	6
19	Perusahaan secara aktif menganalisis informasi terkini terkait lingkungan bisnis	1	2	3	4	5	6
20	Proyek pengembangan produk dan layanan baru dimulai ketika perusahaan memiliki informasi dan pemahaman tentang kebutuhan nasabah secara komprehensif	1	2	3	4	5	6
21	Ide untuk kreasi produk dan layanan baru didasarkan pada strategi bisnis perusahaan	1	2	3	4	5	6
22	Fokus perusahaan adalah menciptakan produk/layanan yang dapat menciptakan loyalitas nasabah sekaligus untuk mencari nasabah baru	1	2	3	4	5	6
23	Atasan tidak mendukung penyediaan fasilitas pemenuhan kebutuhan program pembelajaran untuk pengembangan karyawan	1	2	3	4	5	6
24	Perusahaan memanfaatkan IT dalam memperkenalkan produk baru	1	2	3	4	5	6
25	IT dimanfaatkan juga untuk menilai dan menganalisis kebutuhan nasabah	1	2	3	4	5	6
26	Di perusahaan, pegawai tidak dibiasakan saling bertukar pendapat	1	2	3	4	5	6

KUESIONER BAGIAN III: KINERJA ORGANISASI

No	Pernyataan	SSTS	STS	TS	S	SS	SSS
1	ROA perusahaan lebih tinggi dibanding perusahaan lain dalam waktu tiga tahun terakhir	1	2	3	4	5	6
2	ROE perusahaan lebih tinggi dibanding perusahaan lain dalam waktu tiga tahun terakhir	1	2	3	4	5	6
3	FDR perusahaan lebih tinggi dibanding perusahaan lain dalam waktu tiga tahun terakhir	1	2	3	4	5	6
4	NIM perusahaan lebih tinggi dibanding perusahaan lain dalam waktu tiga tahun terakhir	1	2	3	4	5	6

Questionnaire with code – English Version

1. Transformational Leadership

No	Item	Code
Idealized Influence		TL1
1	My leader instill pride being associated with him/her	TL11
2	My leader acts in ways that builds my respect	TL12
Inspirational Motivation		TL2
1	My leader expresses confidence that goals will be achieved	TL21
2	My leader talks enthusiastically about what needs to be accomplished	TL22
Intellectual Stimulation		TL3
1	My leader suggests new ways of looking at how to complete assignment	TL31
2	My leader has ideas that have challenged me to reexamine critical assumptions about my work.	TL32
Individual Consideration		TL4
1	My leader considers each of individual having different needs, abilities, and aspirations.	TL41
2	My leader threats others as individuals rather than just as a member of the group	TL42

2. Learning Organization

No	Item	
Individual Learning		
Continous Learning		LO1
1	In my organization, people view a problem in their work as an opportunity to learn	LO11
2	In my organization, people are given time to support learning	LO12
3	In my organization, people openly discuss mistakes in order to learn from them	LO13
Dialogue and Inquiry		LO2
1	In my organization, people give open and honest feedback to each other	LO21
2	In my organization, people listen to others's view before speaking	LO22
3	In my organization, people are encouraged to ask 'why' regardless of 'rank'	LO23
Group Learning		
Team Learning and Collaboration		LO3

1	In my organization, teams treat members as equal, regardless of rank, culture, or other differences	LO31
2	In my organization, teams focus both on the groups' task and how well the group is working	LO32
Organizational Learning		
Embedded System		LO4
1	My organization uses two-way communication on a regular basis such a suggestion, electronic bulletin boards, or open meetings	LO41
2	My organization enables people to get needed information at any time quickly and easily	LO42
Empowerment		LO5
1	My organization recognizes people for taking initiative	LO51
2	My organization gives people control over the resources they need to accomplish their work	LO52
3	My organization builds alignment of visions across different levels and work groups	LO53

System Connections		LO6
1	My organization encourages everyone to bring the customer's view into the decision making process	LO61
2	My organization encourages people to think from global perspective	LO62
3	My organization helps employee balance work and family	LO63
Provide Leadership for Learning		LO7
1	In my organization, leaders share up to date information regarding competitors, industry trends, and organization directions	LO71
2	In my organization, leaders generally support request for learning opportunities and training	LO72

3. Organizational Innovation

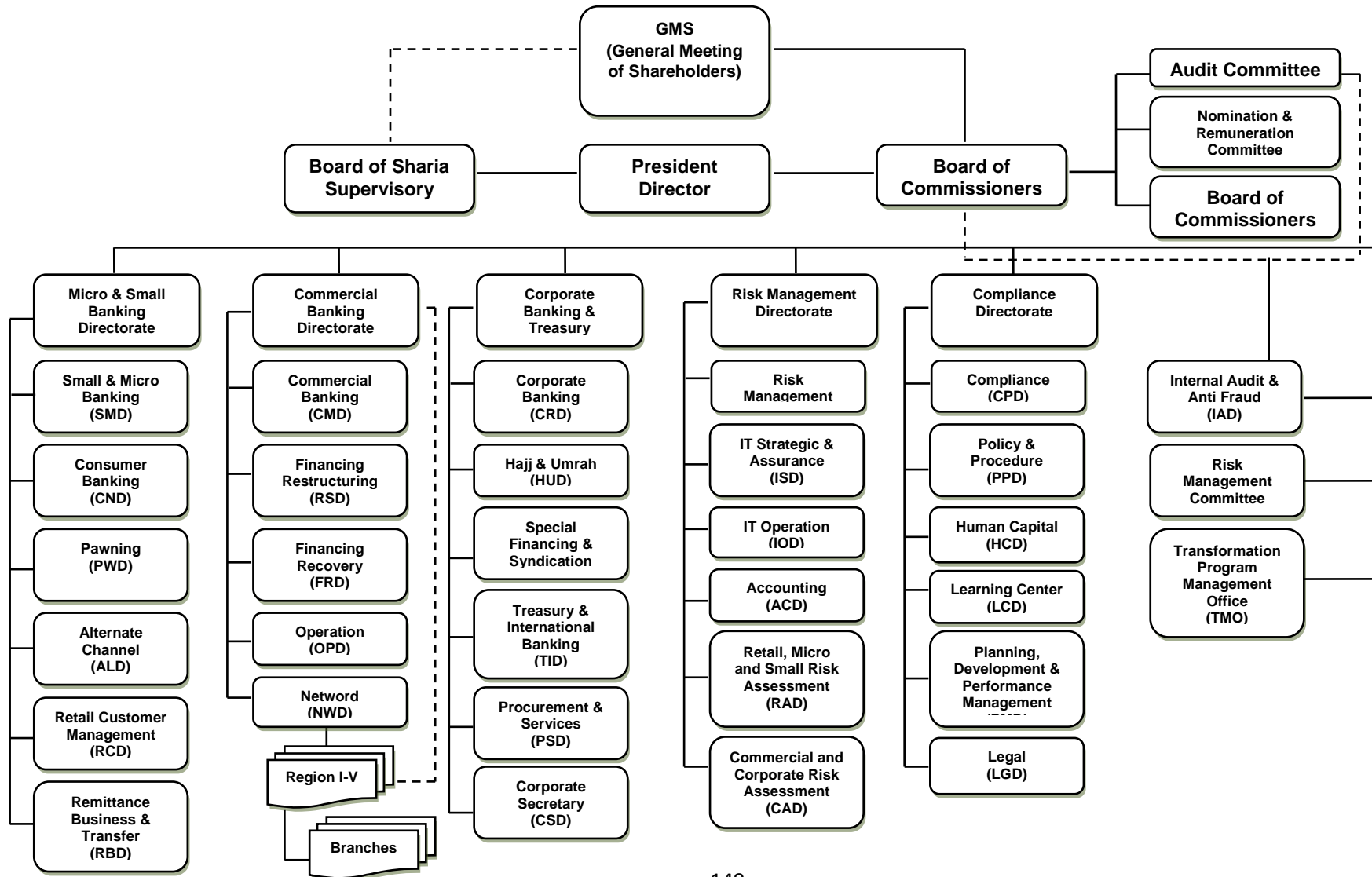
No	Item	
Process		OI1
1	My organization, utilizes systematic routines for screening and selecting new service development ideas	OI11
Market acuity		OI2
1	My organization, actively seeks out for information about our company's business environment	OI21

2	New service development projects are started only when we have a complete understanding of customer's needs	OI22
Strategy		OI3
1	Ideas for new service/ product development are driven by the service's overall business strategy	OI31
2	The focus of my organization is designing service/product that build the loyalty of existing customers while also attracting new ones	OI32
Culture		OI41
1	In my organization, my supervisor generally encourage their members to exchange opinions and ideas	OI41
IT experience		OI5
1	IT are used to speed up the introduction of new services and products	OI51
2	IT is used to identify and diagnose customer needs	OI52

4. **Performance Organization**

No	Item	
1	During the last three years, my organization's ROA has markedly improved.	OP1
2	During the last three years, my organization's ROE has markedly improved.	OP2
3	During the last three years, my organization's FDR has markedly improved.	OP3
4	During the last three years, my organization's NIM has markedly improved.	OP4

Appendix 3 – BSM Organization Structure





29 July 2013

Division Head of Human Capital Division (HCD)
Bank Syariah Mandiri
c.q: Mr. Ahmad Fauzi
Bank Syariah Mandiri I, Lt 2, Jl. MH Thamrin No.5 Jakarta 10340

RE: Approval for Data Collection

Dear Mr. Ahmad Fauzi:

My name is Dr. SUZUKI Kanichiro, professor of College of International Management in Ritsumeikan Asia Pacific University (APU) in Japan, and Ms. Alif Theria Rifana is a graduate student enrolled in the Master's in Business Administration (MBA) program in APU.

She is currently pursuing a questionnaire survey for her master's thesis on "The Implication of Transformational Leadership, Learning Organization, and Organizational Innovation towards Organizational Performance: A Case Study of Bank Syariah Mandiri Jakarta," under my supervision. This research is not only important for her research purpose but also useful for your organization because she is studying about *Learning Organization that relate with organizational performance*.

We would like to ask your kind support to all of her research works and we hope that your organization will consider this important scientific research inquiry.

Thank you in advance for your cooperation. Should you need any further information, please do not hesitate to contact me.

Best Regards,

Dr. SUZUKI Kanichiro
Professor of International Management
Graduate School of Management
Ritsumeikan Asia Pacific University.

MEMO

No:	15/205-1/HCD	Tanggal:	03 September 2013
Dari:	HCD	Kepada:	ALD, CMD, PMD, LCD, SMD, HUD, CND
Lampiran:	1 bundel		
Perihal:	PENEMPATAN PENELITIAN MAHASISWA A.N ALIF THERIA RIF'ANA (PEMBAGIAN KUESIONER)		
Reff:	- Surat No. 09/079/FEB/VII/2013 Tanggal 24 Agustus 2013 Perihal Permohonan Izin Penelitian.		

Assalaamu'alaikum Wr. Wb.

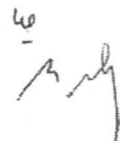
Menunjuk referensi di atas, dengan ini kami sampaikan permohonan untuk pelaksanaan riset dalam rangka penulisan skripsi mahasiswa di divisi Saudara, dengan keterangan sebagai berikut:

NO	Nama/NIM	Jurusan/Universitas	Judul Skripsi	No. Telp
1.	Alif Theria Rifana/ 52112616	MBA Spesialisasi International Business/ Ritsumeikan Asia Pacific University	The Implication of Transformational Leadership, Learning Organization, and Organizational Innovation towards Organizational Performance: A Case Study of Bank Syariah Mandiri Jakarta.	081328248181

Perlu kami tegaskan bahwa dalam pelaksanaan penelitian tersebut agar selalu memperhatikan hal-hal sebagai berikut:

1. Peserta riset harus mematuhi UU Perbankan No 10 tahun 1998 serta ketentuan intern Bank Syariah Mandiri yang menyangkut prinsip-prinsip kerahasiaan bank.
2. Peserta riset harus mematuhi SE No. 5/007/DSI tanggal 5 Agustus 2003 perihal Riset, Survey, Penelitian Ilmiah, Pengisian Kuesioner bagi mahasiswa dalam rangka penyusunan skripsi; program studi S.1-S.2 dan praktek kerja lapangan/magang bagi siswa sekolah menengah kejuruan/diploma.
3. Peserta riset hanya dapat memperoleh data untuk kepentingan ilmiah dan yang bersangkutan tidak diperkenankan menyebarkan/luaskannya kepada pihak lain.
4. Peserta riset tidak diperkenankan menyalin (*fotocopy*) data dan membuat salinan dokumen nasabah untuk kepentingan pribadi.

W
-



5. Peserta melaksanakan riset selama \pm 2 (dua) minggu, dan bila diperlukan, dapat diperpanjang dengan jangka waktu maksimal 1 (satu) bulan.
6. Peserta riset di bawah bimbingan dan pengawasan seorang pejabat bank.
7. Peserta riset menyerahkan 1 (satu) buah *copy* hasil riset yang telah diperiksa/disetujui oleh pembimbing dan pejabat Bank Syariah Mandiri.
8. Peserta wajib menandatangani **Surat Pernyataan** bermaterai (terlampir).

Demikian kami sampaikan, atas bantuan dan kerja sama saudara kami mengucapkan terima kasih.

Wassalaamu'alaikum Wr. Wb.

HUMAN CAPITAL DIVISION ^{ur}



Hermansyah
Deputy Div. Head



Merza Gamal
Department Head

TO WHOM IT MAY CONCERN
No.15/2090-3/HCD

The undersigned below:

Name: Achmad Fauzi
Job title: Senior Vice President

We hereby certify that:

Name: Alif Theria Rifana
Student ID: 52112616
University: Ritsumeikan Asia Pasific University
Major: MBA International Business

Has done her Research Program at PT Bank Syariah Mandiri from **02 – 13 September 2013** with the title: "The Implication of Transformational Leadership, Learning Organization, and Organizational Innovation towards Organizational Performance: A Case Study of Bank Syariah Mandiri Jakarta"

We would like to express our gratitude for service and wish her all the best in the future endeavours.

Jakarta, 18 September 2013

PT BANK SYARIAH MANDIRI
HEAD OFFICE

ul.



Achmad Fauzi
Senior Vice President