

## **TRANSFORMATIONAL LEADERSHIP AND SOCIAL CAPITAL: IS IT IMPORTANT FOR INNOVATION?**

**(Case Study on Coffe Farmers Member of Koperasi Tani Benteng  
Alla, Enrekang Regency, South Sulawesi)**

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### **ABSTRACT**

**Purpose** — This research aims to explain the influence of transformational leadership and social capital of the leader for innovation that has been applied to coffe farmers who are members of Koperasi Tani Benteng Alla in Enrekang Regency, South Sulawesi.

**Design/methodology/approach** — Research methods by using a descriptive qualitative purposive sampling and snowball sampling approach with 21 informants that is the chairman of Koperasi Tani Benteng Alla, head of the farmer group and member of farmer group. The researcher used triangulation, member checking and comparing the information in the field as a test of data validation.

**Findings** — The results of this study showed that the leader with transformation style and have a good social capital will easily to influence his members to do innovations. The chairman of Koperasi Tani Benteng Alla as a leader has a good transformation style and social capital that has a positive impact on the implementation of innovation for his members.

**Practical implications** — *innovation should be created through good synergy between transformational leaders who have a vision of change and are supported by the trust of members who are built up through social interaction.*

**Originality/value** — *This study is to strengthen existing theories and previous research on the important role of transformational leaders and social capital have to execute innovation.*

**Keywords** — Transformational leadership, social capital, innovation.

**Paper type** — *Case Study*

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## **Introduction**

The current globalization era has an impact on changes that occur throughout the order of people's lives. This condition requires leaders in various fields to prepare their organization's competitive ability to face and anticipate these changes. The survival of an organization depends on how quickly and responsively the organization responds to the challenges of change. One thing that can be done is to innovate. The concept of innovation is a development concept towards improvement.

Innovation in organizations is an important issue to discuss because many organizations that fail to survive in the modern industrial world are caused by a lack of innovation. (Kotler, 2003) reminds that without organizational innovation it will become old, old-fashioned, fragile and not long lasting. Innovation must continue to be built through creative culture, following the changing trends and building markets. Instilling a culture of innovation in the organization is believed to make the organization survive in the midst of the growth of the industrial world. This shows that success is not permanent, but success can be maintained when the organization can meet the demand for innovation and make internal improvements as an organization's short-term plan, (Reilly, 2013)

Leadership is one of the main factors that can bring an organization to positive change. The complexity of organizational problems both internally and externally requires leaders to play a central role as transformational leaders. Transformational leaders are leaders who are able to transform the values held by their followers to support and achieve common goals. The role of the leader is considered vital because it plays a role in determining the direction of the organization. As a decision maker, the leader can influence the members to carry out planned innovations so as to have an impact on the economic

transformation of the organization. According to (Wirawan, 2013) a leader is a figure or elite member of a social system known by and seeks to influence his followers directly or indirectly.

The true leader is an agent of change that is adaptive to the slightest change. Environmental uncertainty requires the presence of a visionary leader, able to think out of the box, have a high sense of change and have an entrepreneurial spirit. Strategic leadership that has a high sense of business and a sense of change is able to act proactively, creatively and innovatively. As an agent of change basically must have three main characters, namely (1) creative and innovative; (2) able to act as an intrapreneurship and entrepreneurship for the organization, and (3) have adequate capacity and networking. These three characters together will be the basis for a leader to take the attitude to be proactive to change. Leadership is able to create conditions that can foster motivation for all elements of the organization to continue to learn and develop, (Purhantara, 2010). The true leader is an agent of change that is adaptive to the slightest change. Environmental uncertainty requires the presence of a visionary leader, able to think out of the box, have a high sense of change and have an entrepreneurial spirit and spirit. Strategic leadership that has a high sense of business and a sense of change is able to act proactively, creatively and innovatively. As an agent of change basically must have three main characters, namely (1) creative and innovative; (2) able to act as an intrapreneurship and entrepreneurship for the organization, and (3) have adequate capacity and networking. These three characters together will be the basis for a leader to take the attitude to be proactive to change. Leadership is able to create conditions that can foster motivation for all elements of the organization to continue to learn and develop, (Wahyu Purhantara, 2010)

Enrekang Regency is one of the biggest coffee producing regions in the South Sulawesi region. In 2016, the amount of coffee production

and productivity in the region reached 7,999 tons and 900 kg / ha ([www.sulselprov.go.id](http://www.sulselprov.go.id)). This shows the great potential of Enrekang coffee as the region's leading commodity. Arabica Enrekang coffee is one of the coffee development potentials because it is able to become the economic foundation of coffee farmers.

One of the problems faced in developing Arabica coffee in Enrekang Regency is the cultivation of Arabica coffee which is still carried out traditionally by the local community and farmers and has not fully implemented the technology of coffee cultivation so that the products produced are dominated by random seeds which affect the poor quality of coffee. Therefore, the existence of a visionary and innovative leader figure is needed to move farmers to make changes to the development of modern coffee cultivation (Thamrin, Hartono, Darwanto, Pertanian, & Gadjah, 2015) in order to achieve success in empowering farmers which will have an impact on many things, especially on developing coffee quality.

Previous research conducted by (Nurita Andriani, 2009) states that leadership is one of the drivers of creativity and innovation in organizational members. The research was supported by the research of (Zuraik & Kelly, 2018) which states that leadership has an important role in formulating and implementing innovation in organizations.

One of the ability of leaders to make changes comes from the social capital they have. A leader will not be able to make changes if he does not get the support and trust of the members. Therefore, innovations by leaders whose application is accepted by members of the organization are the result of building social capital. Social capital is prioritized in the potential of groups and patterns of relationships between individuals within a group and between groups with space for attention on social networks, norms, values and trust among people born from group members and become the norm of the group (Nurita Andriani, 2009).

Referring to the eastern tradition adopted by the people of Indonesia, social capital is part of maintaining social interaction that is applicable and accepted by the public as part of social life. This means that social capital is one's effort to build relationships with others.

Research (Camps & Marques, 2014) states that social capital must be built with trust, communication, shared goals and cooperation with other parties so as to be able to create innovations that are needed by organizations. The research was supported by research conducted by (Martínez-pérez & García-villaverde, 2016) which states that building social capital in an organizational environment is one way to create innovative organizations.

Based on the existing literature and supported by previous research, this study chooses the theme of the importance of transformational leadership and social capital to the innovations carried out.

## **LITERATURE REVIEW**

### **Innovation**

(Damanpour, Fariborz Walker, 2009) defines innovation as a process of adopting ideas or habits in a new system, policy, program, process, equipment, product or service to be adopted by a company. (Lawson & Samson, 2001) states that innovation is a process within organizations to utilize skills and resources to develop new products and services or to build new production and operational systems so that they are able to answer customer needs. Innovation in organizations will be directly connected to organizational goals, business plans and competitive market placement. In general business organizations will provide a place for innovation, such as making changes to their products, processes and services.

Suriani (2015) believes that innovation is the application of new ideas for a product, process or other aspects related to company activities. The focus of innovation on the process is to commercialize ideas into something that can be considered. Innovations are divided into five types, namely: (1) new products; (2) new production methods; (3) providing new resources for utilization; (4) new markets; and (5) new ways of managing business. Theoretically, the emergence of innovation can be caused by five drivers, namely: (1) innovation comes from science (technology push); (2) innovation comes from market needs (market pull); (3) innovation comes from the interrelationships between actors in the market; (4) innovation comes from networks related to technology; and (5) innovation comes from social networks.

Innovation is an activity that leads to changes in products and production processes as well as managerial offered by companies to adapt to a dynamic environment,(Sri Wahyu Lelly Hana Setyanti, 2013). Indicator of innovation variables, namely:

- 1) Product innovation is a change in the characteristics or performance of an existing product or service or the creation of a completely new product or service;
- 2) Process innovation is a change in the way products and services are created, created and distributed;
- 3) Managerial innovation is a change in the management process where products and services are arranged, built and provided to consumers.

According to (Kotler, 2003), there are several ways that can be taken to produce innovative products, namely:

- 1) develop new product attributes;
  - a. adaptation (other ideas or product development);
  - b. modification (change color, movement, sound, smell, shape or appearance);

- c. enlarge (bigger, longer and stronger);
  - d. zoom out (slimmer, lighter, smaller);
  - e. substitution (other materials, processes, sources of energy);
  - f. realignment (other patterns, other layouts);
  - g. flips (outside becomes inside);
  - h. combination (mixing, gathering, assortment, assembly, combined units, uses, allure and ideas).
- 2) develop various levels of quality;
- 3) develop product models and sizes (product proliferation)

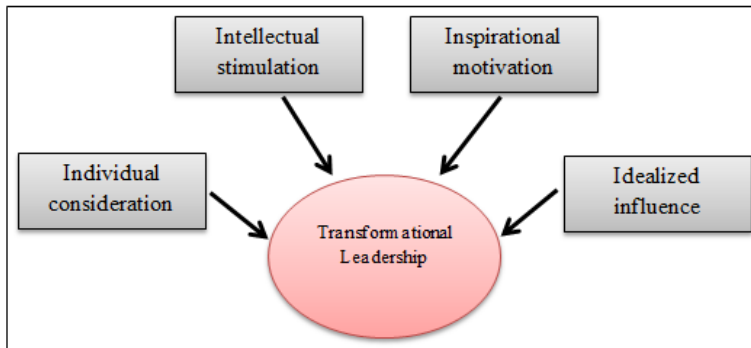
Based on the scope of the definition of innovation above, there are at least four mechanisms that contribute to continuous innovation, namely: (1) capability; (2) behavior; (3) lever; and (4) contingencies.

### **Transformational Leadership**

Transformational leadership is one of the agents of change, (Yulius S Pidekso, 2001). This initial notion of leadership was developed by James MacGregor Burns in 1979 who used the term transforming leadership which was applied in a political context. This thinking was later developed by Benard M. Bass in 1985 in his book entitled "Leadership and Performance Beyond Expectations" which uses the term transformational leadership (application of transformational leadership) which is implemented in an organizational context, (Wirawan, 2013).

The term transformational leadership is the effort of leaders to transform followers from one level of low needs to a hierarchy of needs to another level of higher needs according to Abraham Maslow's motivational theory. Leaders also transform expectations for the success of followers, and values and develop organizational culture to achieve the goals set by leaders. Through transformational leadership followers can achieve performance that exceeds leaders' expectations.

**FIGURE 1**  
**Dimension of Transformational Leadership**



Source: (Bass, 1990)

Dimensions of transformational leadership according to (Bass, 1990), namely:

- 1) Individual consideration. The leader develops followers by creating a supportive environment and organizational climate. Individual attention is the high and low leaders take care of the needs of their followers, act as a mentor for followers, listen to their wants and needs. Leaders empathize and support followers, open channels of open communication and challenge them. followers have a desire and aspiration for self-development and have intrinsic motivation to carry out their duties;
- 2) Intellectual stimulation (intellectual stimulation). The leader stimulates followers to be creative and encourages the discovery of new ideas. The leader encourages his followers to use their



imagination and challenge how to do something that is acceptable to the social system;

- 3) Inspirational motivation (inspiration). The leader creates a clear picture of the state of the future (vision) that can optimally be achieved and encourages followers to raise expectations and commit themselves to that vision;
- 4) Idealized influence (charisma). The leader acts as a role model (role model) in behavior, attitudes, achievements and commitment to his subordinates. Leaders are admired, respected and trusted. The leader shows determination, determination in achieving goals, takes full responsibility for his actions and shows high confidence in the vision. The leader is ready to sacrifice him self, giving appreciation for his achievements and honor to his followers.

### **Social Capital**

According to (Burt, 1992) social capital is defined as "friends, colleagues, and more general contracts through whom you receive opportunities to use your financial and human capital". This definition is focused on social capital as a resource that appears in a social network between one person and another. (Woolcock, 1998) explain that social capital as "information, trust and norms of reciprocity inherent in one's social networks".

Social capital theory refers to the ability of an actor to extract benefits from social structure, networks, and membership, (Binarto et al., 2013). Social capital is multidimensional in nature and occurs at both the individual and organizational level (Nahapiet & Ghoshal, 1998). (Lin, 2001) understands social capital as an actual and potential resource capable of producing a network of work relationships that respect and interpret each other. (Robert D. Putnam, 1993) understands social capital by seeing that trust and mutual trust, adherence to existing social

norms and established social networks, are basic features of social capital in various social organizations.

(Clark and Collins, 2005) put forward indicators of social capital, namely:

- 1) Network, network is measured by the number of memberships in social, political, religious, cooperative, financial, educational, industrial and network organizations;
- 2) Trust, trust is measured in three ways, namely: trust in business partners, trust in domestic institutions, and trust in foreign institutions;
- 3) Information and communication, including access to information and communication infrastructure from the micro level to the macro level;
- 4) Collective action, this indicator determines whether the respondent belongs to a collective group that deals with social and business problems, and sees the results that occur from the interaction between the two;
- 5) Social cohesion, assessing the diversity of social and business networks to stay on track;
- 6) Political empowerment, seeing whether respondents both individually and collectively feel empowered fairly to influence changes in needs.

## **RESEARCH METHODOLOGY**

This research was conducted in Enrekang Regency, South Sulawesi for two months, from September to November 2018. This study used a qualitative approach. The sampling technique used purposive sampling with 1 research informant, namely the Chairman of the Benteng Alla Farmers Cooperative and 10 research informants who headed the farmer group who were dependent on the Cooperative. Snowball sampling to get 10 additional informants from farmer group members. Data

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collection techniques used were documentation and semi-structured interviews. Documentation is done by taking pictures and sound recordings during the interview process. Semi structured interview means that in conducting interviews, researchers can develop interview questions from interview guidelines that have been prepared previously. Data analysis method used is descriptive qualitative method. Data validity uses triangulation, checking members and comparing information in the field.

## **FINDINGS**

### **Research result**

#### **Innovation**

The leaders' innovations included: (1) forming the CLC (Coffee Learning Center). This CLC concept is a gathering point for leaders and farmers to work together in one farm owned by one of the farmers, and then the location of the farm will be alternately rotated to practice directly. Usually, after extension workers come to this village and give specific directions for coffee cultivation, they will practice using the CLC concept. Thus, these directives can be proven together by leaders and farmers, whether this is successful or not; (2) create a sustainable coffee program which means handling coffee cultivation from upstream to downstream. The handling starts from environmental, economic and social aspects. It is hoped that this program can help farmers to better understand the ins and outs of all coffee cultivation processes not only concerning their agricultural activities but also all aspects starting from the economic side, namely how coffee reaches consumers, to the social impact in the form of lifestyle trends caused by coffee ; (3) the use of agricultural equipment that must be in accordance with special coffee cultivation work procedures, namely the procurement of a drying table by all farmers who carry out special coffee cultivation.

Chairman of the Benteng Alla Farmers Cooperative, Mr. Ir. Patola explained that the innovation he did was merely to make farmers want to switch from the cultivation of random coffee to special coffee. Given that the benefits of special coffee are greater so that it can help improve the family economy of farmers.

### **Transformational Leadership**

The reason the leader applies transformational leadership in the cooperative he leads is to improve the economic and social welfare of the coffee farmers who are members of the Benteng Alla farmer cooperative. Leaders acknowledge that inviting others in this case the farmers who are members to make changes is difficult. The old paradigm which is still held firmly by the farmers is one of the factors in the difficulty of this change. Yet as the times and technology develop, the leader realizes that the methods or methods of cultivation of coffee plants continue to develop and produce better quality tastes. Therefore, leaders are interested in inviting farmers to do special coffee cultivation.

Based on interviews conducted with Ms. Ratnawati as the head of the farmers' group, it was found that the special coffee cultivation introduced by the leader was difficult and complicated. It takes accuracy, carefulness and discipline to be able to produce special quality coffee with grade  $\geq 83$ . But the informant acknowledged that it is comparable to the selling price of special coffee which reaches Rp 90,000 - 95,000 / liter when compared to the original coffee priced at Rp 18,000 - 20,000 / liter. This triggered a number of coffee farmers to be involved in the special coffee cultivation process implemented by the leader.

The leader realizes that the invitation to members to change the process of cultivating coffee into a special coffee that is implemented requires special assistance and attention. Therefore, the leader

voluntarily and responsibly provides assistance by acting as a mentor or trainer at each stage of the special coffee cultivation process carried out by members both individually and in groups to ensure every detail of the stages is in accordance with work procedures.

In terms of collaborating with certain parties such as Starbucks Coffe Indonesia, the leader also involves members to become cooperative partners in meeting the number of coffee requests ordered by the client. The coffee export decision was also discussed with the heads of the farmers' groups.

### **Social Capital**

In introducing special cultivation, leaders never impose their will and always prioritize deliberation. In this way, leaders can build relationships and trust with farmers and local residents.

The leader conducts formal socialization by holding regular scheduled meetings with farmers to listen and share experiences and information related to coffee plants. Usually this activity is carried out at the Village Hall and is attended by the leader as the cooperative leader and the farmers as members. In addition, extension workers who come to Desa Benteng Alla are also given space so that they can provide useful information to farmers. The extension team is usually an envoy from the District Agriculture and Plantation Service, and from the Ministry of Agriculture. This is an effort by leaders to increase knowledge and develop their own potential for farmers.

The cooperative is known to have collaborated with several parties such as Starbucks Coffee Indonesia, importers from several countries such as Japan and Australia, as well as several clients from various provinces in Indonesia such as Java, Bali and Sumatra. This makes the leader must implement a system of sharing orders to farmer groups who are considered capable of doing and producing coffee according to the

specifications requested by the client. Therefore, leaders always emphasize the importance of communication and teamwork among farmers.

The leader explained that sharing orders were carried out because the leader was unable to meet the number of market demands, so the leader would discuss with several heads of farmer groups who were able to work together with the leader to fulfill these requests. Sharing of orders is carried out with professional calculations and remains under the supervision of the leader to equalize coffee specifications.

The leader admitted that one of the biggest obstacles was difficult to invite all cooperative members to get involved in special coffee cultivation was capital. It is undeniable that to move from careless to special cultivation requires special infrastructure that requires procurement costs, such as the procurement of a sun table and UV plastic for the drying process. Therefore, the leader as the Chairperson of the Cooperative routinely submits requests for financial assistance at village and district level officials. In additions the leader is also willing to lend his equipment to farmers who want to learn special coffee cultivation. However, this is only a short-term one, considering that the leader also works as a coffee farmer and inevitably needs the equipment individually and in groups.

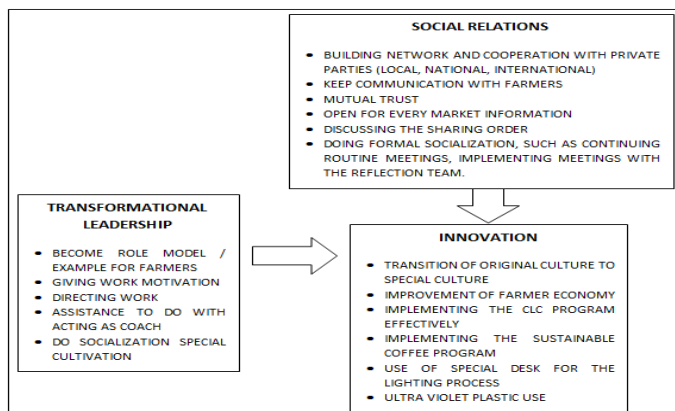
Support provided by the government of Enrekang Regency to coffee farmers, especially in Benteng Alla Village is in the form of material and non-material support. Material support in the form of budgeting for production infrastructure while non-material in the form of expert assistance for several events conducted in the village of Benteng Alla. In addition, the local government also fully supports every coffee, especially in Benteng Alla Village, which participates in the coffee contestation at the regional and national levels.

Apart from the government, assistance is also provided by private parties such as the Starbuck Coffe Indonesia which provides assistance in the form of UV plastic to facilitate the process of drying coffee. Previously, the leader acknowledged that his party was using tarpaulins for the drying process. But sometimes it is constrained by rain so, with UV plastic it is hoped that it will not hamper the drying process. In addition, NGOs from Canada also provided material assistance in the form of a grant of Rp. 150,000,000 (one hundred fifty million rupiah) to be managed by the Benteng Alla Farmers Cooperative in relation to special coffee cultivation.

As for the achievements that have been achieved by leaders, both when serving as village head and chairman of the Alla Farmer Cooperative, namely: (1) Alla Forta coffee has been exported to various countries such as Australia, Japan and America. The first export was made to Australia in one container or around 18 tons of coffee; (2) cooperating in supplying coffee to Starbuck Coffe Indonesia since 2006 until now; (3) cooperating with NGOs from Belgium and Canada; (4) Benteng Alla coffee became the overall champion as the best coffee in the archipelago in 2017 with 84.38 specialty grades from 83 standard grades, which was held in Jember, East Java with assessment teams from Bandung and Jakarta; and (5) was one of the speakers at the event titled "Indonesian Trade Food Market and Investment Conference in Middelburg Netherlands" in November 2018.

Based on the explanation above, the results of this study are described as follows.

**FIGURE 2**  
**Qualitative Research Model**



Source: Data processed (2019)

## DISCUSSION

### Innovation

The introduction of special coffee cultivation to farmers who have been cultivating random coffee for decades, especially regarding the process that is fairly new and different from what was previously done by many coffee farmers in general is a challenge for leaders. However, even though special coffee cultivation is considered complicated, leaders always try to motivate their members to develop better. The way to do this is by always introducing the method and regularly accompanying it for its implementation. The leader acts as a coach who directs and conducts work supervisors in order to get maximum results.

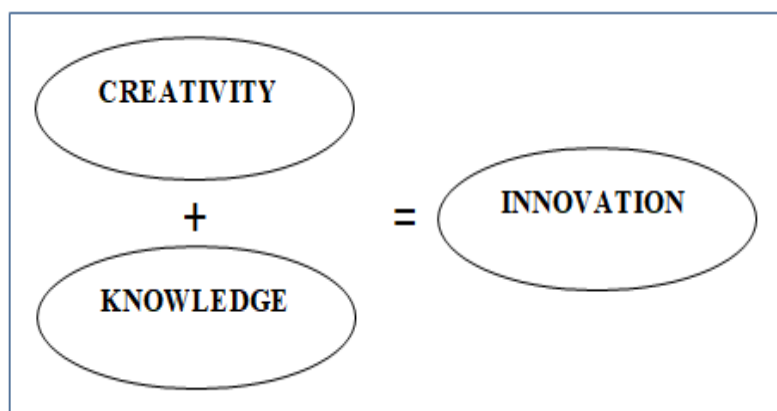
Even though demand for origin coffee is still greater than special coffee, the leader believes that the opportunity for the special coffee market in the future will be greater and more profitable. Given that the current trend of coffee is growing rapidly not only for health but also for lifestyle.

The innovations made by the leader aim to improve the quality of farmers' production so that farmers not only know how to produce random coffee but also specifically. Armed with this knowledge and



understanding, farmers are expected to be able to improve their welfare independently.

**FIGURE 3**  
**Innovation Support Facilities**



Source: (Nurjanah, 2015)

Based on the picture above it is known that in order to make a breakthrough and an idea in the form of innovation, it requires creative abilities and good knowledge from the executor. Creativity is an idea or notion of change that can be obtained from both internal and external organizations. Creativity also has to do with social interaction because it can be a stimulus for one's creativity. (Rifat

Kamasak, 2010) states that the creativity needed to innovate can come from the expertise and real experience of yourself or someone else.

In addition, the knowledge a person has is also important for creating innovation. The knowledge in question is a relevant understanding that makes a person can maximize his potential to strive for creativity and create innovation.

A transformational leader has the ability to create ideas of change with the knowledge he has to influence the members of the organization so as to create innovation. Khalili (2016) states that transformative leaders introduce new patterns in completing tasks and face challenges in work that can enhance the creative and innovative abilities of their members. This is to stimulate the members to be always ready to face changes in a very dynamic environment. Therefore, innovation can be created if one's creativity is supported by relevant knowledge.

### **Transformational Leadership**

Leaders try to create a climate that is conducive to the development of creativity and innovation of the members. The trick is to involve members in problem solving or decision making related to the organization. (Zuraik & Kelly, 2018) states that leaders have an important role in formulating and implementing innovation strategies because innovative organizations have good team work and a supportive organizational climate as an integrated system where everyone in the organization has responsibility for organizational innovation.

In this study, the existence of leaders as executors of innovation triggers pros and cons among farmers. Although there have been several groups that have decided to do special coffee cultivation according to the leader's direction, but there are also some who still carry out the

cultivation of random and do not want to try to do special cultivation because assuming that coffee is sufficient to be able to support his family.

### **Social Capital**

A good leader is a leader who does not position himself as a ruler, but rather promotes a family attitude so that it can lead to mutual trust between the leader and its members. This mutual trust is believed to be able to create good synergies that can bring change to the organization. This trust is one of the social capital that must be owned by the leader so that the leader is able to influence and direct the members to be involved in the process of change and try new things for their development.

(Xing Zhang, Shan Liu, Xing Chen, 2016) states that individual behavior comes from a social network so that social-focused individual interactions will provide social trust that can help individuals develop their abilities and face challenges. In this study the leader always strives to maintain social interaction and trust of members by respecting the decision of the farmers to get involved in special coffee cultivation or not. This is done so that farmers always feel confident and can give all their best abilities on the decisions made. The leader also hopes that the farmers have a big initiative in completing their work.

### **LIMITATIONS AND RESEARCH IMPLICATIONS**

This study has several limitations, including: this study was conducted not in the coffee harvest season, namely in April so that researchers do not have the opportunity to directly observe the process of special and random cultivation that can strengthen the interpretation of research results based on interviews conducted with informants; and this research was conducted on individual farmers not in the organizational context.

The results of this study are used to strengthen existing theories and previous research on the important role of transformational leaders and social capital they have to execute an innovation.

## **CONCLUSION**

Based on the description of the above research results, it can be concluded that innovation can be created through good synergy between transformational leaders who have a vision of change and are supported by the trust of members who are built up through social interaction. Although lack of capital is the biggest obstacle for farmers to innovate, but the existence of a leader who is believed to be able to protect and become an example for farmers to be able to move farmers to participate in trying and doing innovations initiated by leaders.

## **FUTURE RESEARCH**

1. Future studies are expected to develop research with broader perspectives with more diverse informants;
2. Develop an existing research model by adding other variables not included in this study such as the knowledge sharing variable. This is because the process of leadership, social capital and innovation are closely related to the process of knowledge sharing.

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