

The Effect of Transformational Leadership on Market Orientation, Learning Orientation, Organization Innovation and Organization Performance

(Study on Star-Rated Hotels in Central Java Province, Indonesia)

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Abstract: The study is aimed at examining the Effect of Transformational Leadership on Market Orientation, Learning Orientation, Organization Innovation and Organization Performance of the Star-Rated Hotels in Central Java Province. The research samples cover 110 Marketing Managers of the Star-Rated Hotels in Central Java Province. Sample determination applies totals sampling or population sampling in which all members of the population are used as research samples and its Marketing Manager as the respondent represents every star-rated organization/hotel. In examining the established model relationship, the data are analyzed by using Structural Equation Modeling (SEM). The results reveal: Transformational Leadership does not give significant effect on Organization Performance; Transformational Leadership gives significant effect on Market Orientation; Transformational Leadership gives significant effect on Organization Innovation; Transformational Leadership gives significant effect on Learning Orientation; Market Orientation does not give significant effect on Organization Performance; Market Orientation gives significant effect on Organization Innovation; Market Orientation does not give significant effect on Learning Orientation; Learning Orientation gives significant effect on Organization Innovation; Learning Orientation does not give significant effect on Organization Performance; and Organization Innovation gives significant effect on Organization Performance.

The findings of this study are in line with Resources Based approach and Organizational Learning Theory as well, meaning both approaches work synergistically in providing research model used in the star-rated hotels in Central Java Province. It is evident that learning orientation variables give direct significant effect on organization innovation and they give significant effect on organization performance through organization innovation variables as mediating variables. The indicators showing the most dominant contribution on research variables involve demonstrating acknowledgement towards Transformational Leadership, market survey on Market Orientation, self-correction by exchanging ideas and identifying environment on Learning Orientation, improving work practices for Organization Innovation and escalating market share for Organization Performance.

Keywords: Transformational Leadership, Market Orientation, Learning Orientation, Organization Innovation and Organization Performance

I. Introduction

The background of the study lies on the facts that there are several research gaps, among others, the differences of the research results regarding the effect of leadership on organization performance as stated by Kazt and Kahn (1978) and Peters and Waterman (1982) in Yukl (2009) shows that leadership gives positive significant effect on organization performance. Meanwhile, Meindl *et al.* (1985) and Pfeffer (1977) in Yukl (2009) state that leadership does not give positive significant effect on organization performance. The next gap is the contradictory research results relating to the effect of market orientation on organization performance. Researchers such as Castro *et al.* (2005), Kirca *et al.* (2005) and Jain and Bhutia (2007) conclude that market orientation has a positive significant effect on organization performance. On the other hand, some researchers suggest different result that market orientation does not give positive significant effect on organization performance (Jaworski and Kohli, 1993; Selnes *et al.*, 1996; Pelham, 1997; Deshpande *et al.*, 2000; and Harris, 2001).

On the effect of market orientation on organization innovation, the research result also reveals differences. Some researchers convince that market orientation gives positive significant effect on organization innovation (Han *et al.*, 1998; Vasques *et al.*, 2001; Agarwal *et al.*, 2003; Kirca, 2005; Mavondo *et al.*, 2005; and Tajeddini *et al.*, 2006). However, Lawton and Parasuraman (1980), Lukas and Ferrell (2000), Verhees (2004), and Kurtinainitiene (2005) state that market orientation does not give positive significant effect on organization innovation. Further, another different research result is found in the effect of organization

innovation on organization performance as proposed by Agarwal *et al.* (2003) and Im and Workman (2004). Their findings show that organization innovation gives positive significant effect on organization performance. Yet, Mavondo *et al.* (2005) and Darroch (2005) explain that organization innovation does not give positive significant effect on organization performance.

Besides those research gap above, the study is motivated by several business phenomena, such as the development of global tourism trend with innovation as the keyword. In fact, there are only a few researches that specifically examine the new trend in global tourism and its impact. According to Damanik (2011), one of the strategic study themes is the shift in the socio-economic profile of tourists marked by, among others, their high mobility from one destination to another, the increasing proportion of the elderly yet dominated by baby-boomer, and high involvement of middle-class in the tourist markets that have strong implications on the changes in travel management. On the practical level, the ways of handling them are different from handling conventional tourists. Here, innovation is the key word—the introduction of new ideas, new products, new designs and many others (Page, 2007).

Another interesting phenomenon that influences the hospitality industry in Indonesia is the rapid growth of MICE industry (Meeting, Incentive, Convention, and Exhibition) which is also known as “The Meeting Industry”. The term MICE in Indonesia is also known as convention tourism. The convention tourism is part of tourism activities since a lot of tourism facilities are used in its implementation, therefore, it is categorized as labor-intensive activity that gives great contribution to both labor supply and state revenues. Based on the data acquired from ICCA Statistics Report (2010), the venues held for MICE activities are mostly located in hotel reaching 43%, conference/exhibition hall 26%, universities 21.1% and others 9.5%. Recently, world tourism has grown rapidly that tourism industry becomes a profitable business area, further it encourages some improvements in economic sector. Indonesia as one of the world’s leading tourist destinations with beautiful islands scattered throughout the archipelago also acquires the benefit of the development of tourism sector in the world. During the period of 2010 to the mid of 2011, there was an increase of 6.50% in the number of foreign tourists visiting Indonesia through 19 main entrances.

Among the nineteen (19) main entrances for foreign visitors to enter Indonesia, there are two important main entrances to Central Java Province and Special District of Yogyakarta—Adisumarmo Airport in Solo and Adi Sucipto Airport in Yogyakarta. Both airports are widely used by foreign tourists when they visit Central Java and Yogyakarta. Tourists usually go to Borobudur Temple, Prambanan Temple, Solo Palace, Yogyakarta Palace, Dieng Plateau and many others. During the period of 2010 – 2011, there was an increase of 11.01% of the visitors coming through Adi Sumarmo Airport and an increase of 3.17% of the visitors coming through Adi Sucipto Airport.

Referring to the previous study and the phenomenon of tight competition in hospitality industry, hence, the researcher is interested in analyzing the Effect of Transformational Leadership on Market Orientation, Learning Orientation, Organization Innovation and Organization Performance in Star-Rated Hotels in Central Java Province.

II. Theoretical Review

Regarding the definition of leadership, Yukl (2009) cites from some definitions proposed by experts in leadership and eventually concludes that leadership involves the process of social influence deliberately performed by a person towards another person to structure activities and relationship within an organization. The differences over those definitions lie on—who use the influence, how to use the influence, what target is going to be achieved from such influence and the result of the efforts in using such influence. Contemporary leadership concept assumes that leadership is a reciprocal process of disseminating influence to achieve a common goal (Lussier and Achua, 2001). One of the theories that emphasize the most comprehensive change in leadership is the theory of transactional and transformational leadership (Bass and Avolio, 1993). The initial idea of transactional and transformational leadership style was developed by James MacGregor Burns who applied it in political context. Further, the idea was complemented and introduced in the organizational context by Bernard Bass (Bass and Avolio, 1993).

According to Burns in Elencov (2002), the transformational leadership will lead its followers to experience trust, admiration, loyalty and respect towards their leader, thus, the followers are motivated to make a greter effort than what the leader has previously expected (Yukl, 2009). Transformational leadership involves several aspects such as values, trust, integrity, fairness, ethics, vision, charisma, agents of change, communication, goals and standards (Avolio and Bass, 2002). Burns (1978) defines transformational leadership as a process to elevate the morality and motivation of the leaders and subordinates to a higher level. Transformational leader tries to enhance the awareness of the subordinates by promoting higher idealism and moral values like freedom, justice, peace, balance, humane, and not be based on emotional circumstances like fear, greed, jealousy, and hatred.

According to Lukas & Ferel (2000), market orientation is defined as the process of creating and delivering market information to construct superior value for consumer. Meanwhile, Narver and Slater (1990) explain that market orientation is a concept focussing on constructing high values for consumer. Although there are various terms on market orientation, yet the four experts giving important contribution on the development of the concept are Kohli and Jaworski and Narver and Slater. According to Kohli and Jaworski (1990a), market orientation is “organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it.”

Garvin (1993) defines organizational learning as a process in which the company learns to have such expertise in creating, learning and transferring knowledge as well as attitude of the company to reflect the company’s learning outcomes. Schwandt (1993) defines organizational learning as a system of action, actor, symbol and process enabling an organization to transform information into valuable knowledge that can be used by an organization to improve its long-term adaptive capacity. Lukas, *et al.* (1996) in Farrel (2000) states that organizational learning is considered as the key to success for organization in the future. This concept is different from neoclassic theory arguing that assets, land, labor and capital are the key elements of productivity. Hunt & Morgan (1995) also state that information and knowledge are the key elements for success. Meanwhile, Stata (1989) explains that learning orientation is a process in which individuals acquire new knowledge and insight that further modify their behavior and attitudes.

Damanpour (1991) distinguishes three concepts of innovation in relation to organization; *organizational innovation*, *innovativeness* and *capacity to innovate*. *The innovativeness* is defined as level in which an individual or unit relatively adopt new ideas earlier than other members of the organization system do (Avlonitis *et al.*, 1994). Further, Hurley and Hult (1998) explain that the *innovativeness* is more like organizational culture aspects reflecting the level of openness towards new ideas. On the other hand, the capacity to innovate is considered as the organizational ability to adopt or implement new ideas, process and new products. Hurley and Hult (1998) adapt these two concepts in his research model, and identify them as organizational culture, while the capacity to innovate as organization performance. Organizational innovation is defined as the adoption of new ideas or behavior within an organization (Damanpour, 1991). Innovation involves all dimensions of organization activities; like new products and services or new production process technology, structure and new administrative system, or planning or new program within an organization.

Organization performance is the parameter of success in an organization, which is measured periodically. The result can be considered as the value of every arranged and implemented activity in order to identify whether the strategy that has been developed and implemented works appropriately or even inappropriately. Pelham & Wilson (1996) define organization performance as the success of having new product and great market development in which company performance is measured through sales growth and market share.

The Effect of Transformational Leadership on Market Orientation, Learning Orientation, Organization Innovation and Organization Performance

The theory applied in the study of the effect of transformational leadership on organization performance is the theory of transformational versus transactional leadership. The theory suggests that the role of a leader in achieving organization competence has been defined in a knowledge-based theory; the use of transformational leadership can improve organization performance.

Furthermore, the theory applied in the effect of transformational leadership on market orientation is *market orientation theory*. The theory suggests that the development of market orientation within a company is not merely a simple matter. According to Siguaw *et al.* (1998), there are several constraints in the implementation of market orientation; one of them is the corporate culture that long has been well established in a company. In their study, Jaworski and Kohli (1993) reveal that additional factor is required in order to be able to implement and develop market orientation in a company. In the context of marketing, when a company is ready to direct its business into a market-oriented business; thus, leadership style is a critical factor that determines the success of market oriented implementation in a company (Harris and Ogbonna, 2001). It happens because leadership is indeed highly influential in the life of a company as a whole, including the creation of a conducive atmosphere in the company for the growth of marketing culture.

The theory used in analyzing the effect of transformational leadership on organization innovation is transformational versus transactional leadership theory. The theory explains that promoting organization innovation requires transformational leadership to face the new economic era based on intellectual capital. Transformative leadership enables an organization to learn and innovate through experiments —dialogue — self-control— broad knowledge about organization (Senge *et al.*, 1994).

The theory used in analyzing the effect of transformational leadership on learning orientation is transformational versus transactional leadership theory. The theory explains that a transformative leader will become a catalyst / mentor / facilitator / trainer in his/her learning capability. Organizational learning happens

when managers do not only generate ideas but also have the ability to share ideas and reach a commitment to learn among the members (Ulrich *et al.*, 1993.). A leader who does not have a commitment to learn will trigger a wave of organizational cynicism (Maani and Benton, 1999).

The theory used in analyzing the effect of market orientation on organization performance is *market orientation theory*. Market orientation provides the company with “the focus on the efforts and activities of both individual and department in an organization to achieve excellent performance” (Kohli and Jaworski, 1990). In addition, market orientation is also used to obtain information on market demand and to adjust the decision-making based on market information. Consequently, the company needs to adjust market demand so that customers’ satisfaction and loyalty can be improved (Kohli and Jaworski, 1990). The concept is in line with the findings discovered by the writer in which market orientation has direct, positive and significant impact towards performance. The theory used in analysing the effect of market orientation on organization innovation is *market orientation theory*. The elements of market orientation have long been associated with innovation in some researchs. (eg, Agarwal *et al.*, 2003; Han *et al.*, 1998; Hult *et al.*, 2004, Sandvik and Sandvik, 2003). Firstly, market orientation has contributed access to new ideas from the market and encouraged the company to fulfil the demand (Lucas and Ferrell, 2000). Secondly, strong market orientation reflects comprehensive understanding upon customer needs and competitive situation (Salavou *et al.*, 2004). Thirdly, market orientation increases the possibility of having a better innovation based on the market needs, and therefore, it increases the confidence of the company to use innovation as a managerial activity (Gatignon and Xuereb, 1997). Finally, market orientation creates an environment that facilitates organizational innovation (Damanpour, 1991).

The theory used in the study of the effect of market orientation on learning orientation is *market orientation theory*. Day (1994) explains that market orientation can be fostered by “studying and learning” about market. The view leads to a debate over the causality between learning orientation and market orientation. However, Bell *et al.* (2002) tries to reconcile those different views by stating, “Both learning orientation and market orientation in an organization are mutually dependent.” We find that the relationship among learning orientation, market orientation and innovation lies on the continuum of exploitation – exploration. Learning orientation is about exploration and innovation is about exploitation, while market orientation stands in the middle of both characteristics.

The theory applied in the study of the effect of learning orientation on organization innovation is *organizational learning theory*. An organization can adapt as long as they can learn. Consequently, the fact that learning is primarily concerned with sustainable organizational issues and the use of knowledge in an uncertain competitive atmosphere (Morgan and Strong, 1997), has initiated a more convincing concept stating that effective learning orientation deals with innovation. Indeed, Hurley and Hult (1998) propose evidences to show that higher level of innovation is associated with the development of culture of learning.

The theory used in the study of the effect of learning orientation on organization performance is *organizational learning theory*. Several empirical studies have demonstrated a positive relationship between organizational learning and organization performance (Bontis *et al.*, 2002; Ellinger *et al.*, 2002; Tippins and Sohi, 2003). The efforts to relate learning orientation and organizational performance in general reveal that an organization having higher level of learning mostly outperform their competitors, particularly in a chaotic and competitive environment (Dickson, 1992; DeGeus, 1988).

The theory used in analyzing the effect of organization innovation on organization performance is organization innovation theory. Although there are some contradictory evidences (Armour and Teece, 1978; Hage and Aiken, 1967; Kimberly and Evanisko, 1981; Rogers, 1995), most studies have shown the positive effect of innovation on performance (Bierly and Chakrabarti, 1996; Brown and Eisenhard, 1995; Cave and Ghemawat, 1992; Damanpour and Evan, 1984; Damanpour *et al.*, 1989; Hansen *et al.*, 1999; Roberts, 1999; Wheelwright and Clark, 1992; Schulz and Jobe, 2001. Shortly, both theory and empirical studies show a positive relationship between innovative activity and company performance.

III. Method

The research is conducted on 110 star-rated hotels in Central Java Province as the unit of analysis spread over 25 (twenty-five) districts/municipalities. The variable data of Transformational Leadership, Market Orientation, Learning Orientation, Organization Innovation and Organization Performance are primary data collected through questionnaires and interviews. The activities of collecting data were conducted in 6 (six) months, from January to June 2011.

Based on the sampling technique applied, *totals sampling* or *population sampling*, all members of the population are used as research samples and its Marketing Manager as the respondent represents every star-rated organization/hotel. Based on the existing data, there are 118 star-rated hotels in Central Java Province in 2011. At the time of data collection, 8 (eight) star-rated hotels could not be observed in order to obtain the primary data. They had their own reasons, as follows; one hotel was in the process of merger, another one did not want to fill out the questionnaire because of the confidentiality reason, three hotels were closed and three other hotels

were sold and had been inactive for almost 2 years. Thus, the total number of the research samples is 110 questionnaires that will be analyzed and processed in the study.

To describe the variables of Transformational Leadership, Market Orientation, Learning Orientation, Organization Innovation and Organization Performance, Descriptive Statistical Method is used. Meanwhile, SEM Method is used to examine and analyse the inter-effect of the variables, and test-t is used to examine research hypotheses.

Conceptual Framework And Hypotheses

The hypotheses model of this research can be seen on Figure 1 below:

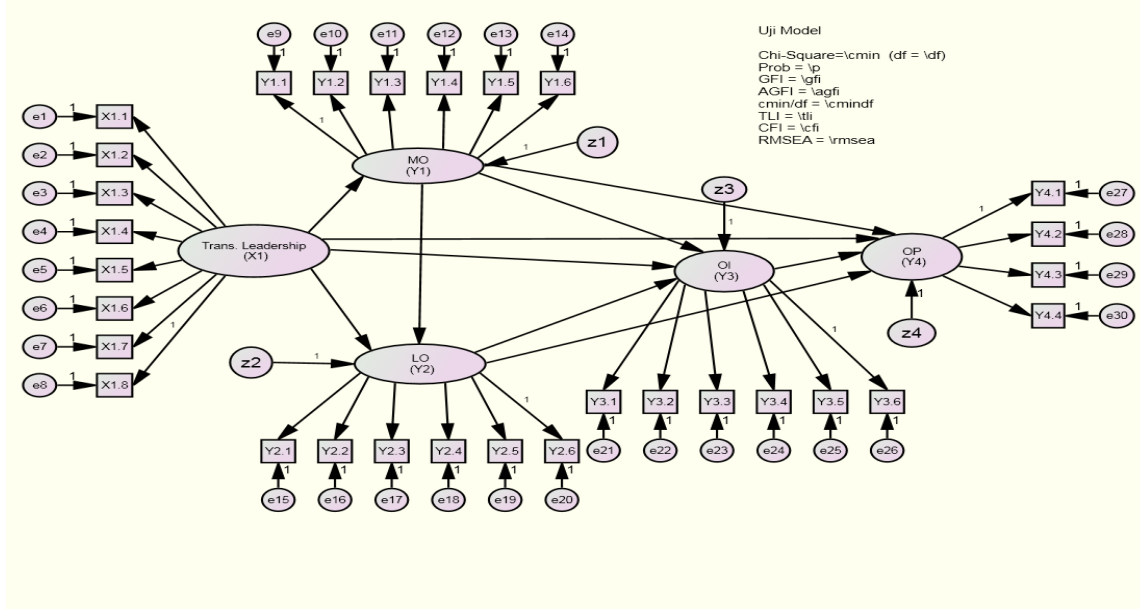


Figure 1. Research Hypotheses Model

Based on the hypotheses model above, hence, the hypotheses of the research are:

- Hypothesis (1) there is a significant effect of transformational leadership on organization performance.
- Hypothesis (2) there is a significant effect of transformational leadership on market orientation.
- Hypothesis (3) there is a significant effect of transformational leadership on organization innovation.
- Hypothesis (4) there is a significant effect of transformational leadership on learning orientation.
- Hypothesis (5) there is a significant effect of market orientation on organization performance.
- Hypothesis (6) there is a significant effect of market orientation on organization innovation.
- Hypothesis (7) there is a significant effect of market orientation on learning orientation.
- Hypothesis (8) there is a significant effect of learning orientation on organization innovation.
- Hypothesis (9) there is a significant effect of learning orientation on organization performance.
- Hypothesis (10) there is a significant effect of organization innovation on organization performance.

IV. Result

SEM Assumptions Testing

There are several test performed in the assumptions testing of SEM, i.e. normality, linearity, and outlier. The assumption of multivariate normality is tested by using AMOS 18 software as seen in Appendix 5A. If the value of CR Multivariate data is smaller than Z 5%, which is 1.96%, the normal assumption of multivariate is fulfilled. However, if the value of CR Multivariate data is bigger than 1.96%, the normal assumption of multivariate data is not fulfilled, which means the data is not normal. The value of CR Multivariate data is 0.772 (Appendix 5A), which is less than 1.96; therefore, the normal assumption of multivariate is fulfilled.

To examine the existence of an outlier, the researcher uses mahalanobis distance (Md). Mahalanobis distance is a distance measuring the distance of the central point of the “average” data from each observation point. Here, observation point is the questionnaire number of the respondent. The examination of outliers multivariate is performed by using mahalanobis criteria at $p < 0.001$ level. Mahalanobis distance is evaluated by using χ^2 on the loose degree which is based on the number of indicators used. Here the number of indicators are 30 and the statistic table defines $\chi^2_{30} = 53.301$. Based on the rules of decision-making, if Md is determined

> 53.301 from the observation point, the observation point is considered outlier. Meanwhile, if Md is determined < 53.301 from the observation point, the observation point is not considered as outlier. From the Mahalanobis distance table (Appendix 5B), the farthest observation point is 86 with the Md=48.698. Comparing to the value of $\chi^2_{30} = 53.301$, the value of Md at point 86 is <53.301. Hence, it can be concluded that all data are not considered as outlier, and the assumption of data absence is fulfilled.

Testing of linearity assumption is done by applying Curve Fit method and is counted by using SPSS software. Parsimony principle is used as reference. When all models used as the basis of testing tend to be significant or non-significant, then, the model is said to be linear. The specifications of the models used as the basis of testing are linear model, quadratic, cubic, inversion, logarithmic, power, compound, growth and exponential.

Goodness of Fit SEM

The theoretical model of the research conceptual framework is considered fit when it is supported by empirical data. The testing results of goodness of fit overall model correspond to the SEM result analysis as seen on Table 1 below:

Table 1. The Testing Results of Goodness of Fit Overall Model

Criteria	Cut-of value	Model Result	Description
Chi square	small	404.568	Poor Model
p-value	≥ 0.05	0.359	Good Model
CMIN/DF	≤ 2.00	1.024	Good Model
GFI	≥ 0.90	0.819	Poor Model
AGFI	≥ 0.90	0.787	Poor Model
TLI	≥ 0.95	0.993	Good Model
CFI	≥ 0.95	0.994	Good Model
RMSEA	≤ 0.08	0.015	Good Model

The testing results of Goodness of Fit Overall based on table 1 above show the five criteria; p-value, CMIN/DF, TLI, CFI and RMSEA indicate a good model. According to Arbuckle and Wothke in Solimun (2009), the best criteria used as indication of the goodness of the model is Chi Square/DF that is less than 2, and RMSEA is below 0.08. In this study, the values of CMIN/DF and RMSEA have met the cut off value.

Measurement Model

Measurement model is measured from the loading factor (standardize coefficient) value of each indicator to the latent variable. Loading factor value indicates the weight of each indicator indicating the measure of each variable. Indicator with a big loading factor indicates that it acts as the most dominant variable measure. The result analysis of the confirmatory factors against the indicators of six variables can be seen on the table below.

Table 2. Testing Result of Measurement Model Variabel

Variable/indicator	Standardize	P-Value
Transformational Leadership (X₁):		
Giving Examples (X _{1.1})	0.753	0.000
Fostering Optimism (X _{1.2})	0.754	0.000
Giving Motivation (X _{1.3})	0.798	0.000
Providing Idea (X _{1.4})	0.811	0.000
Encouraging Innovation (X _{1.5})	0.733	0.000
Encouraging the involvement in Decision-Making (X _{1.6})	0.770	0.000
Providing Direction (X _{1.7})	0.695	0.000
Conferring Award (X _{1.8})	0.816	Fix
Market Orientation (Y₁):		
Meeting Customer (Y _{1.1})	0.804	Fix
Conducting Market Survey (Y _{1.2})	0.808	0.000
Circulating Documents (Y _{1.3})	0.732	0.000
Disseminating Customer Satisfaction Data (Y _{1.4})	0.749	0.000
Reviewing Product Development (Y _{1.5})	0.745	0.000
Listening to Customer Complaints (Y _{1.6})	0.784	0.000
Learning Orientation (Y₂):		
Learning is considered as a shared-vision (Y _{2.1})	0.715	0.000
Having the commitment to achieve the goal (Y _{2.2})	0.702	0.000
Openning for Self-Correction through sharing thoughts (Y _{2.3})	0.770	0.000
Recognizing Environment (Y _{2.4})	0.770	0.000
Analyzing Failure (Y _{2.5})	0.696	0.000
Using Method of Exchanging Experiences (Y _{2.6})	0.654	Fix

Variable/indicator	Standardize	P-Value
Organization Innovation (Y₃):		
Improving Working Practices (Y _{3,1})	0.795	0.000
Training Employees routinely (Y _{3,2})	0.663	0.000
Creating New Services (Y _{3,3})	0.666	0.000
Creating Modification of Services (Y _{3,4})	0.735	0.000
Developing New Ideas (Y _{3,5})	0.741	0.000
Encouraging Initiatives (Y _{3,6})	0.746	Fix
Organization Performance (Y₄):		
The Decreasing Number of Complaints (Y _{4,1})	0.616	Fix
The Increasing Number of Room Occupations (Y _{4,2})	0.620	0.000
The Increasing Number of Market Share (Y _{4,3})	0.797	0.000
The Increasing Number of New Customers (Y _{4,4})	0.735	0.000

Description: significant (p-value < 0,05)

Structural Model

In this structural model, ten hypotheses regarding the relationship among variables are examined (direct effect). Below is the complete testing result of the relationship among research variables.

Table 3. Structural Model of SEM Result: Direct Effect

Hypothesis Number	Relationship among Variables	Standardize	P-value
1	Transformational Leadership (X ₁) towards Organization Performance (Y ₄)	0.139	0.222 ^{ns}
2	Transformational Leadership (X ₁) towards Market Orientation (Y ₁)	0.252	0.018*
3	Transformational Leadership (X ₁) towards Organization Innovation (Y ₃)	0.249	0.018*
4	Transformational Leadership (X ₁) towards Learning Orientation (Y ₂)	0.294	0.008*
5	Market Orientation (Y ₁) towards Organization Performance (Y ₄)	0.17	0.126 ^{ns}
6	Market Orientation (Y ₁) towards Organization Innovation (Y ₃)	0.257	0.013*
7	Market Orientation (Y ₁) towards Learning Orientation (Y ₂)	0.166	0.130 ^{ns}
8	Learning Orientation (Y ₂) towards Organization Innovation (Y ₃)	0.26	0.020*
9	Learning Orientation (Y ₂) towards Organization Performance (Y ₄)	-0.011	0.921 ^{ns}
10	Organization Innovation (Y ₃) towards Organization Performance (Y ₄)	0.427	0.003*

Description: the mark * indicates significant, and the mark ^{ns} indicates nonsignificant

The Result of the Structural Model is seen on Figure 2 below:

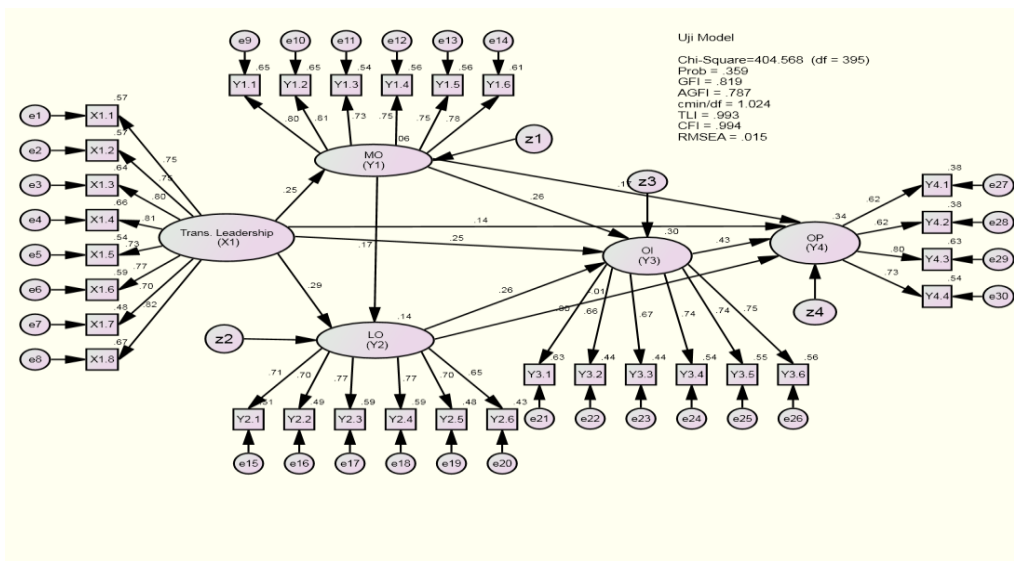


Figure 2. The Diagram of SEM Analysis Result Lines

Based on the data on Table 3 and Figure 2 above, the results of the structural model test are as follows:

1. There is a non-significant effect of Transformational Leadership on Organization Performance. It can be seen from the p-value of $0.222 > \alpha/\text{error rate (0.05)}$. It means, regardless the value of Transformational Leadership, it will not affect the value of Organization Performance.
2. There is a significant effect of Transformational Leadership on Market Orientation. It can be seen from the p-value of $0.018 < \alpha/\text{error rate (0.05)}$. The positive coefficient indicates that the relationship between Transformational Leadership and Market Orientation is in line. It means, the better value of Transformational Leadership is parallel with the better Market Orientation value.
3. There is a significant effect of Transformational Leadership on Organization Innovation. It can be seen from the p-value of $0.018 < \alpha/\text{error rate (0.05)}$. The positive coefficient indicates that the relationship between Transformational Leadership and Organization Innovation is in line. It means, the better value of Transformational Leadership is parallel with the Organization Innovation value.
4. There is a significant effect of Transformational Leadership on Learning Orientation. It can be seen from the p-value of $0.008 < \alpha/\text{error rate (0.05)}$. The positive coefficient indicates that the relationship between Transformational Leadership and Learning Orientation is in line. It means, the better value of Transformational Leadership is parallel with the Learning Orientation value.
5. There is a non-significant effect of Market Orientation on Organization Performance. It can be seen from the p-value of $0.126 > \alpha/\text{error rate (0.005)}$. It means, regardless the value of Market Orientation, it will not affect the value of Organization Performance.
6. There is a significant effect of Market Orientation on Organization Innovation. It can be seen from the p-value of $0.013 < \alpha/\text{error rate (0.005)}$. The positive coefficient indicates that the relationship between Market Orientation and Organization Innovation is in line. It means, the better value of Market Orientation is parallel with the Organization Innovation value.
7. There is a non-significant effect of Market Orientation on Learning Orientation. It can be seen from the p-value of $0.130 > \alpha/\text{error rate (0.05)}$. It means, regardless the value of Market Orientation, it will not affect the value of Learning Orientation.
8. There is a significant effect of Learning Orientation on Organization Innovation. It can be seen from the p-value of $0.020 < \alpha/\text{error rate (0.05)}$. The positive coefficient indicates that the relationship between Learning Orientation and Organization Innovation is in line. It means, the better value of Learning Orientation is parallel with the Organization Innovation.
9. There is a non-significant effect of Learning Orientation on Organization Performance. It can be seen from the p-value of $0.921 > \alpha/\text{error rate (0.05)}$. It means, regardless the value of Learning Orientation, it will not affect the value of Organization Performance.
10. There is a significant effect of Organization Innovation on Organization Performance. It can be seen from the p-value of $0.003 < \alpha/\text{error rate (0.05)}$. The positive coefficient indicates that the relationship between Organization Innovation and Organization Performance is in line. It means, the better value of Organization Innovation is parallel with the Organization Performance value.

This study elaborates the previous research of Gowen *et al.* (2009), Ensley *et al.* (2006), Meindl *et al.* (1985), and Pfeffer (1977) (**Hypothesis 1**); Felton (1959), Harris (1998), Chaganti and Sambharya (1987), Messikomer (1987), Wonget *et al.* (1989), Harris and Piercy (1999), Harris and Ogbonna (2001), Najib (2003) (**Hypothesis 2**); Mumford *et al.* (2002), Amabile (1998), Yukl (2001), Jung (2001), Schein (1992), Bass and Avolio (1997), Scott and Bruce (1994), Kanter (1983), McDonough (2000), Manz *et al.* (1989), Tushman and Nadler (1986), Harbone and John (2003), Sethi (2000), Jung *et al.* (2003), Garcia-Morales *et al.* (2008/1), Garcia-Morales *et al.* (2008/2), Gumusluoglu and Ilsev (2009/1), Jung *et al.* (2004), Garcia-Morales *et al.* (2006), Gumusluoglu and Ilsev (2009/2), Senge *et al.* (1994) (**Hypothesis 3**); Coad and Berry (1998) (**Hypothesis 4**); Jaworski and Kohli (1993), Selnes *et al.* (1996), Pelham (1997), Deshpande *et al.* (2000), Harris (2002), Han *et al.* (1998) (**Hypothesis 5**); Han *et al.* (1998), Hult *et al.* (2004), Sandvik and Sandvik (2003), Kirca *et al.* (2005), Wu *et al.* (2008), Han *et al.* (1998), Jimenez-Jimenez and Valle (2008), Lin *et al.* (2008), Kirca *et al.* (2005), Mavondo *et al.* (2005), Tajeddini *et al.* (2006), Lado (2001), Agarwal *et al.* (2003) (**Hypothesis 6**); Lee and Tsai (2005), Akgun *et al.* (2007), Rhee *et al.* (2009), Calantone *et al.* (2002), Sinkula *et al.* (1997), Wu *et al.* (2008), Lin *et al.* (2008), Farrell (1999), Garrido and Camarero (2010), Liu *et al.* (2002), Hult *et al.* (2004), Keskin (2006), Garcia-Morales *et al.* (2006) (**Hypothesis 8**); Wu *et al.* (2008), Farrell *et al.* (2008), Garrido and Camarero (2010), Baker and Sinkula (1999), Slater and Narver (1995), Droge, Vickery and Markland (1995) (**Hypothesis 9**); and Garcia-Morales *et al.* (2008), Hurley and Hult (1998), Loof and Heshmati (2002), Andneels and Kleinschmidt (2001), Wu *et al.* (2008), Li-An Ho (2011), Camison and Lopez (2010), Correa *et al.* (2007), Damanpour (1991), Gopalakrishnan (2000), Rhee (2009), Calantone *et al.* (2002), Garcia-Morales *et al.* (2006), Keskin (2006), Lee and Tsai (2005), Garcia-Morales and Llorens-Montes (2006), Han *et*

al. (1998), Jimenez-Jimenez and Valle (2008), Lin *et al.* (2008), Garrido and Camarero (2010), Agarwal *et al.* (2003), Subin-Im and Workman (2004), Hurley *et al.* (2003), Porter (1990), Damanpour and Evan (1984), Damanpour, Szabat, and Evan (1989), serta Zahra, de Belardino, and Boxx (1988) (**Hypothesis 10**).

V. Conclusion And Recommendation

Several conclusions of this study involve (1) Transformational Leadership does not have a significant effect on Organization Performance, (2) Transformational Leadership has a significant effect on Market Orientation, (3) Transformational Leadership has a significant effect on Organization Innovation, (4) Transformational Leadership has a significant effect on Learning Orientation, (5) Market Orientation does not have a significant effect on Organization Performance, (6) Market Orientation has a significant effect on Organization Innovation, (7) Market Orientation does not have a significant effect on Learning Orientation, (8) Learning Orientation has a significant effect on Organization Innovation, (9) Learning Orientation does not have a significant effect on Organization Performance and (10) Organization Innovation has a significant effect on Organization Performance. The study presents recommendations to the following parties (1) **Future Researcher**: future researcher can develop similar or different model by using several or all dimensions/indicators of learning orientation and organization performance variables. The same research model can also be developed by using different research object; (2) **Owners of Star-Rated Hotels**: The owners of star-rated hotels should maintain the principles of transformational leadership, increase market orientation level, enhance learning orientation, improve organization innovation and elevate organization performance; (3) **Local Government**: Local Government should supervise the star-rated hotels and create conducive atmosphere in promoting tourism.

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