

Research Article

Transformational Leadership in Village-owned Enterprises Development

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Abstract.

The government is pushing for greater economic autonomy in villages to bridge the economic disparity with cities. Village-Owned Enterprises (VOEs) offer a potential solution for economic change and community welfare. Research on leadership within VOEs, exemplified by the Etawa Milk Factory in Trenggalek Regency, is crucial for promoting effective governance. This study aims to explore the impact of transformational leadership on VOEs development, employing a qualitative case study approach. It draws upon transformational leadership theory, focusing on idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Data collection involved observations, interviews, and documentation review. Results indicate that transformational leadership qualities in VOEs heads contribute to successful development, emphasizing the ongoing relevance of this leadership style in VOEs management.

Keywords: transformational leadership, village-owned enterprises, Etawa Milk Factory

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1. Introduction

Village-Owned Enterprises (VOE) represent a means of harnessing the diverse village potential within the local economy [1]. VOE in the Regulation of the Minister of Village, Development of Disadvantaged Regions and Transmigration Number 4 of 2015 is to improve the village economy, increase community businesses in the management of village economic potential. The establishment of VOE is a way of utilizing the Law that authorizes the village government to innovate in village development, especially to improve the village economy and welfare for the village community [2]. There are various forms of VOE in each village in Indonesia according to local characteristics, potential, and resources of each village. VOE is present as a new in an effort to improve the village economy based on the needs and potential of the village [3].

In its implementation, in some areas the existence of VOE has not been able to run effectively and be able to contribute to the development and empowerment of the



community in the village [4]. Problems that often arise are from the internal aspect, lack of awareness in carrying out responsibilities, then inadequate capital in running a business, from the aspect of human resources there is no mentor to train and explore skills, and the less optimal natural products of the village which causes the harvest not to be used as business land to be processed into superior products but sold raw to the market with very cheap prices [5]. The enhancement of villagers' quality of life and the sustained growth of village communities depend on the involvement of villagers in village activities. The village environment, social dynamics, individual traits, and national policies are some of the elements that affect villagers' willingness to engage [6].

Transformational leadership is a leadership model that is adaptive to the environment and its changes [7]. VOE to be managed and developed, a transformative leader capable of establishing the independence of village businesses through sound governance is needed. Leadership with a transformational model becomes a role model in realizing the values that exist in VOE management for the welfare of the community [8]. Transformational leaders encourage performance-enhancing innovations and motivate followers to transcend self-interest and focus on higher organizational goals [9]. In transformational leadership there are 4 (four) aspects namely idealized influence, inspirational motivation, intellectual stimulation and individualized consideration [10].

Previous research on the same topic, namely VOE transformational leadership conducted by Wahyuningsih et al. [11], Evidence suggests that the village chief's role is inextricably linked to the VOE Business Unit of Ketapanrame Village's success in winning accolades at the local, provincial, and national levels, particularly for Ghanjaran Tourism. The Ketapanrame Village Head plays a crucial role in the village's development, from planning—which, in collaboration with the BPD, gave rise to village regulations pertaining to asset governance—to evaluating the village's potential and ensuring that the community is successfully empowered through growing community engagement. The village chief's vision and character serve as an example for the larger community, embodying ideals such as accountability, openness, honesty, caring for others, and dependability. Research conducted by Puspitasari et al. [8] emphasizes the critical role that leaders play, particularly those who possess a transformational leadership style. This kind of leadership is known for its ability to spark innovation and motivate community members to get involved in VOE activities. Achieving accountability and openness can also satisfy the demands of all parties involved, including the village administration, managers, and the community, which in this instance has complete authority to support VOE.

This leadership is able to lead the village to become independent in its development. In addition, the formation of VOE is a way to take advantage of the Law that gives the village government the authority to innovate village development, especially to improve the village economy, welfare for rural communities and tourism is one of the main sectors that is key to increasing non-oil and gas export revenue, job creation, business development, and infrastructure. From this explanation, the researcher is interested in examining the leadership of the leader of VOE Etawa Milk Factory, Trenggalek Regency. The purpose of this study is to describe and analyze transformational leadership at VOE Etawa Milk Factory, Trenggalek Regency.

2. Literature Review

In Burns 1987 (written leadership), transformational leadership first appeared as a way to set leaders apart who create and inspire meaningful relationships with their subordinates from those who mostly rely on mutual benefit procedures to get things done. Burns defines transformational leadership as a collaborative journey where leaders and their followers inspire each other towards elevated standards of ethics and motivation Saasongu [12]; Murphy & Garthwaite in Amrullah et al. [13]. Transformational leadership entails motivating employees to dedicate themselves to a common vision and objectives for a company or division, empowering them to innovate in addressing challenges, and developing their leadership skills through guidance, support, and opportunities for growth [14].

The transformative leadership model is able to optimize the potential of self and subordinates innovatively, empower employees and the organization by changing ways of thinking, developing a vision, understanding and understanding of organizational goals, and bringing the organization towards sustainable change through managing work activities by utilizing talents, skills, abilities, identity, and experience so that every employee feels involved and responsible for completing tasks [15]. The most well-known leadership theories from several experts are the transformational and transactional theories by Bass. According to Bass's theory, transactional and transformational leadership are viewed as distinct dimensions. While a leader can exhibit both transactional and transformational qualities simultaneously, Bass suggests that they may manifest at varying degrees. He contends that leaders have the capacity and ought to embody both transactional and transformational elements, with a blend of the two proving to be the most effective form of leadership [16]. According to Bruce J. Avolio; Bernard M. Bass [10]

the elements of transformational leadership consist of Idealized influence, Inspirational motivation, Intellectual stimulation, and Individualized consideration.

Research conducted by (Andarista & Kriswibowo) delves into the topic of transformational leadership [17] with the title “Transformational Leadership of Village Heads in Village Development Innovation in Sugihwaras Village, Candi District, Sidoarjo Regency”. This research applies the transformational leadership theory developed by Bass & Riggio [18]; Bass & Avolio [19] to examine Transformational Leadership, encompassing four aspects: Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. The results of this research demonstrate the implementation of digital service innovation and Griya Sinau Digital in rural development facilitated by the transformational leadership of the Village Head of Sugihwaras, Candi District, Sidoarjo Regency.

The next research was conducted by Setyaningrum & Kriswibowo [20] with the title “Transformational Leadership Style of the Head of Sekapuk Village, Ujungpangkah Subdistrict, Gresik Regency in Developing a Tourism Village”. In their study, researchers employed four dimensions of transformational leadership, which were outlined by Bass and Avolio and discussed in Wagimo and Djameludin [21]. These dimensions include Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. The study discovered that the village head of Sekapuk effectively implemented the four dimensions of transformational leadership. As a result, he exhibited a charismatic demeanor, established a clear vision and mission, motivated and empowered the village residents, and offered support and guidance for the advancement of the tourist village. Through the transformational leadership practiced by the village head, Sekapuk Village was able to make the village a self-reliant village through the development of a tourism village that had a positive impact on the village, such as increased economic growth, increased human resources, and increased village identity. The article also concludes that transformational leadership is an effective way to utilize the village’s local potential and improve the welfare of the village community.

Finally, research by [22] with the title “Building the resilience of rural creative entrepreneurship through leadership concept: the case of Kaliabu, Indonesia”. In this study, the concept of creative transformational leadership is utilized. This concept integrates two theories of leadership, namely creative leadership theory and transformational leadership theory. This study presents a model of local leadership aimed at enhancing the resilience of creative entrepreneurs in rural settings. Creative entrepreneurs often encounter numerous challenges, necessitating resilience amidst

global market pressures. Within rural creative entrepreneurial communities, leaders play a crucial role in fostering creativity and community transformation. A case study conducted on the logo designer entrepreneurial community in Kaliabu Village revealed disruptions in their businesses due to market competition. Drawing insights from this case, we propose the concept of transformational creative leadership as a solution to bolster resilience in creative entrepreneurship. This concept integrates principles from both transformational leadership and creative leadership theories, believed to stimulate entrepreneurial innovation and creativity through creative processes, ultimately fostering resilience among creative entrepreneurs.

The difference from the previous research described above with the current research lies in the focus of research, namely on transformational leadership in VOE, besides that the research location is at the Trenggalek district etawa milk factory which was conducted in 2023.

3. Methods

This research uses a qualitative approach with a research strategy using a case study approach. According Creswell [23] Investigating and comprehending meaning related to social or humanitarian issues from the perspectives of various persons or groups of individuals is possible through the use of qualitative research methods. Research on a case with a high degree of uniqueness is done for an extensive case study. The case itself its location, program, event, or activity is the research's primary emphasis [23]. The focus of this research is transformational leadership in improving VOE at Etawa Milk Factory, Trenggalek Regency [10] are idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Data collection includes in-depth interviews with the head of VOE and two employees direct observation at VOE at Etawa Milk Factory Trenggalek Regency and documentation on Standard Operating Procedures (SOP), factory history documents, VOE's objectives and functions. The reason the researcher chose this location was because no one had ever researched it. Furthermore, VOE's existence is critical to enhancing the village's and the community's economy, raising the village's initial revenue and enhancing potential management in accordance with community needs to serve as the cornerstone of the village's economic growth and equity.

Qualitative data analysis is carried out interactively and continues continuously until completion. The data analysis technique in this study refers to the Miles and Huberman

analysis model in Sugiyono [24] there are 4 (four) activities in data analysis, namely data collection, data condensation, data display, and conclusion drawing/verification.

4. Results

Based on the research results that have been obtained from the field, a description can be made of Transformational Leadership in Improving VOE at Etawa Milk Factory, Trenggalek Regency using the theory of Transformational Leadership by Bruce J. Avolio; Bernard M. Bass [10].

4.1. Idealized influence

In transformational leadership, idealistic influence includes the leader's working behaviour and the way of working in leading. This can be seen from how he treats his subordinates and can be a good example for his subordinates. In this study, the VOE head has become a role model for his subordinates because in his behaviour, he does not discriminate against employees based on their position. All employees are considered equal and have good relations with each other. Various challenges faced by the VOE head such as related to lack of milk raw materials and etawa milk products have not been registered by BPOM, this does not discourage the VOE head from continuing to manage the etawa milk business. If there is a work programme that has not been successful, the VOE Head always looks for a solution until it is successful.

Appreciation in the form of a sentence of praise to employees is always given by the VOE head for the work that has been done. In addition to praise, the head of VOE also encourages employees and provides direction if there is work that is felt to be lacking. In terms of consistent action and reliability, the VOE head has done it well. This can be seen when looking for solutions to problems, he does not change his mind and continues to be consistent with one proposed solution. If he feels that the solution is not successful, then he will look for another solution.

4.2. Inspirational motivation

Transformational leaders inspire and motivate their followers through their actions. They involve their subordinates in envisioning compelling future outcomes, communicate expectations clearly, and demonstrate dedication to a shared vision. In the context of

this scenario, the inspirational motivation offered by the head of the Voluntary Organization of Entrepreneurship (VOE) aims to drive development initiatives that enhance the village's economy. This objective is anticipated to supplement the village's existing income sources, consequently enhancing the well-being of the community.

In inspirational motivation, a clear picture for the future must be owned by the VOE head, namely a clear vision and mission that is actually implemented. However, in this VOE Etawa Milk Factory, Trenggalek Regency does not yet have a clear vision and mission in writing, the principle is that currently VOE runs first and tries its best in carrying out its work. In the absence of a vision and mission of the VOE, there is a lack of commitment to the common goals to be achieved at the VOE Etawa Milk Factory, Trenggalek Regency.

4.3. Intellectual stimulation

Transformational leaders are characterized by their inclination to engage subordinates in decision-making processes through discussion and to encourage innovative and creative endeavors among their subordinates. They achieve this by challenging assumptions, reframing problems, and approaching familiar situations with fresh perspectives.

Based on information given by VOE employees, the VOE head is very open to complaints from subordinates and the community. If there are problems related to the Etawa milk factory they can directly convey them to the VOE head. In making decisions on problems that occur, the VOE head always involves subordinates and the community by deliberation.

In this model of transformational leadership, subordinates are motivated to innovate, and their ideas are welcomed without criticism even if they diverge from those of the leader. The VOE head always provides opportunities for subordinates and the community to convey their ideas. The results of interviews with VOE employees that when the VOE head does not really understand the technicalities of managing the etawa milk factory, he opens opportunities for subordinates and the community who understand the technicalities to convey their opinions. And he does not criticize back if there is a difference of opinion.

4.4. Individualized consideration

In this case, individual attention is in the form of attention from leaders to their subordinates to develop existing potential. The VOE head always provides his support and encourages the enthusiasm of his subordinates in working so that his employees are more effective and efficient in working and producing superior etawa milk products. The VOE head also always listens to complaints in the form of personal complaints from subordinates and the community as well as regarding problems at the Etawa Milk Factory. These problems include prices that cannot be increased because they have not been registered with BPOM, BPOM registration is also still experiencing problems, fulfilment of raw materials is also constrained and shipping out of the area cannot be done even though there is a lot of demand for raw milk. The problems above, not only the VOE head who carries out and finds solutions alone. But it also involves subordinates and the community to find solutions to develop the potential in their subordinates.

If the findings of this study are compared to previous research, they indicate consistent positive outcomes. This study reveals that the Head of the Etawa Milk Factory in Trenggalek Regency exhibits transformational leadership qualities, which contribute to the successful development of the Voluntary Organization of Entrepreneurship (VOE), consequently enhancing the welfare of the village community. This aligns with earlier research suggesting that transformational leadership practices have led to enhanced performance and welfare within village communities, while also fostering innovation.

5. Conclusion

Based on the results of the discussion described above, it can be concluded that transformational leadership in the management of VOE Etawa Milk Factory, Trenggalek Regency carried out by the VOE head has run optimally. This can be seen from the VOE head who has become a role model because he always sets a good example to his subordinates. The VOE head is always ready and remains enthusiastic in overcoming the challenges faced and is consistent in his actions. The VOE head has provided inspirational motivation aimed at implementing development that can improve the economy in the village. In providing intellectual stimulation in transformational leadership, the VOE head has provided opportunities for employees to develop their creativity, and included them in the decision-making process. In providing individual attention, the VOE head encourages the enthusiasm of his subordinates in working to be more effective and

efficient in working and producing superior etawa milk products. However, there are still obstacles from transformational leadership at VOE Etawa Milk Factory, Trenggalek Regency on the indicator of inspirational motivation, namely the absence of a clear vision and mission in writing.

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