

Conference Paper

Transformational Leadership Roles in Improving Employees' Creativity in E-Commerce-Based Firms in Indonesia

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Abstract

This paper analyzes the transformational leadership roles in improving employees' creativity in e-commerce-based firms in Indonesia. Data from the Ministry of Communication and Information showed that the growth of internet retail in Indonesia is relatively high at 36% from 2010 to 2013. The growth rate is doubled that of the Phillipine and Malaysia, even 3.5 times compared to the growth rate in Singapore. Industries in Indonesia are compelled to adopt e-commerce strategies to stay above the competition. Hence, the importance of transformational leadership to increase productivity through creative and innovative methods. This paper argues that employees' creativity could be optimized by implementing principles of transformational leadership dimension: ideal influence, intellectual stimulation, inspirational stimulation, and individual consideration.

Keywords: creativity, e-commerce, transformational leadership

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1. Background

According to Drucker ([13]: 39) "a leader is an individual who is able to make something as it is". A leader transforms an organization into a real organization. There is a tight relationship between leader and leadership in which "a leader is the individual while leadership is the attitude adhered to the individual as a leader" ([13]: 40). The roles of a leader also influence the firm's progress including the e-commerce-based firms. The e-commerce-based firms definitely prioritize creativity and innovation in order to win the competition in the digital market and have competitive advantages compared to other firms. Wang, Jinsong Huang and Barney Tan [15] explained that in an e-commerce industry, there is a more often and rapid expansion due to the rapid changes of market condition. Therefore, the firms must be able to adapt in order to survive.

The e-commerce-based firms experience a rapid growth in Indonesia. Data from the Ministry of Communication and Information show that since 2013, e-commerce industry in Indonesia has continued to grow by the total average number of e-commerce

transaction proportional to the total value of retail sales of 9% per year. There is also a very good opportunity since it can be seen also that the growth of internet retail in Indonesia is relatively high by 36% from 2010 to 2013. This number of growth is doubled over the Phillipines and Malaysia, even 3.5 times compared with the growth rate occurring in Singapore. Besides, the opportunities owned by e-commerce firms can also be seen from the market potential in Indonesia with as much as 250 million, internet users in 2014 are 83.6 millions, the growth of internet penetration is 33%, smartphones users in Indonesia are 71 millions and digital sales advertising are US\$ 1.2 billions (Ministry of Communication and Information).

Thus, creativity and innovation become the key in winning the competition of digital market in Indonesia. In addition, it depends on the roles of a leader in each firm. Chung, et al. [7] also stated that the transformational leadership is able to inspire your employees to go beyond their abilities in providing services or better ways in completing their tasks. Meanwhile, Illias O & Panus [11] explained that the difference between conventional industry and e-commerce based industry is the motivation of consumers' spending.

In terms of e-commerce-based industry, consumers tend to see the best price, product promotion, convenience of online shopping, stimulation of interaction with sites, personal service, quality of service received, perceived value, and provided information as the key aspects in purchasing. This encourages e-commerce-based firms to always create innovation and creativity in all aspects. Thus, the roles of a leader become an essential point in giving instruction, supervision, and evaluation to innovation and creativity by employees.

This paper examines the relationship between the transformational leadership styles and improvement of employees' creativity, and explains the roles of transformational leadership in improving the employees' creativity in e-commerce-based firms in Indonesia. In the discussion, the researcher applies the theory of transformational leadership by Bass to examine the conditions of e-commerce-based firms.

1.1. Transformational Leadership

The style of transformational leaderships is believed by many parties as an effective leadership style in motivating subordinates to behave as required. According to Bass [3], in order to motivate employees, for a leader implementing the transformational leadership style, there are three ways as the following: encouraging employees to be more conscious of the importance of efforts' outcomes, encouraging employees to prioritize the groups' interest, and improving higher employees' needs such as self-pride and self-actualization [4].

In their journal, Aga & Vallejo B [1] explained that in transformational leadership, there are four forming dimensions, namely: ideal influence, intellectual stimulation, inspirational motivation, and individual consideration. This is supported by Cetin & F. Sehkar Fayda Kinik [6] verifying that this dimension of transformational leadership functions, particularly, in the process of transformation. The ideal influence emphasizes on credibility, values, and ethics while inspirational motivation means a leader provides meaning and challenges for the employees' works and inspires employees to raise emotion. Meanwhile, intellectual stimulation challenges old assumption, credibility, and tradition also encourages need, skill, and objective of the followers in providing instruction and supervision. As aforementioned, it has been stated that transformational leadership is a style of a leader having a good vision in improving his subordinates' inspiration and the level of expectation of the followers through approaches based on the awareness and the sense of belonging, also able to give encouragement, motivation, and creation in order to improve his subordinates' potentials. By applying the method, therefore, a leader who is able to build a solid team in conducting his tasks is a leader with a transformational character.

The roles of a transformational leader give a very big influence in formulating strategies which are going to be conducted by the firms. This is similar to Hyväri [10] stating a strategic formulation involves formulation and implementation of the main objective and initiative taken by the top management of a firm on behalf of the owner, based on the resources and assessment from the internal and external environment where the organization competes. In e-commerce-based firms, a strategy becomes the key success. This is similar to Jing, Shan L. Pan & Tao Hua Ouyang [12] stating that the formulation of a strategy is very important to e-commerce-based firms because it gives a frame work for operational implementation, improves the effectiveness of an organization, and explains the aim of an organization so that it will help the organization to get long-term advantages.

1.2. The Employees' Creativity and Transformational Leadership Relation

The employees' creativity is one of the key successes of an organization either to achieve goals or to survive and to win a competition, creativity will help an organization to analyze the strength and abilities belonging to the organization. Creative ideas are able to give significant benefits towards the performance of an organization [2]. Carmeli, Gelbard & Reiter [2] in their journals explained "Creativity must not only be owned by Resources & Development staffs but also by all employees of all levels having any positions." Meanwhile, according to Xiao-Hua (Frank) Wang, Tae-Yeol Kim, Deog-Ro Lee [17], creativity is the foundation of innovation as a strategy to face

Expert	Characteristic
Bass & Riggio Ronald [1]	Ideal Influence Intellectual Stimulation Inspirational Motivation and Individual Consideration
Buntara [4]	Encouraging Employees to be More Aware of the Important Meaning of Outcomes, Encouraging Employees to Prioritize the Groups' Interest and to Improve Higher Needs of Employees such as Self-pride and Self-Actualization
Cetin & F. Sehkar Fayda Kinik [6].	Emphasizing Credibility, Values and Ethics, Giving Meaning and Challenges towards Employees' Works, Inspiring Employees to Raise Emotion. Challenging Old Assumption Belief, Tradition Encouraging a New Way of Thinking, Considering Needs, Abilities, and Objectives of the Followers in Giving Instruction and Supervision

TABLE 1: Transformational leadership criteria.

business competition and to achieve the firms' competitive advantages, and therefore, creativity must be improved. Williams & O'Reilly [16] explained about "The theory of values in diversity." A cognitive diversity can cause a difference in a team's creativity due to a different perspective or a different way of thinking can encourage the team's members to create innovative ideas. Besides, a theory of information and decision-making (De Dreu & Weingart Laurie [8] showed that a cognitive diversity or a diversity in thinking brings various knowledge, skill, ability, and ideas which are different to become not excessive. For example, various knowledge and skills can produce more new choices, plans, and products. Moreover, the members having different styles from the idea and system, nowadays, can apply different perspective to analyze information about environment and process in helping the team to analyze problems by using various perspectives by considering some possible alternatives [9].

The roles of a leader can maximize the organization's potential in order to achieve the goals in making transformational leadership as an alternative and new breakthrough for the development of e-commerce-based firms in Indonesia. This is in accordance with the research conducted by Nguyen, Lokman Mia, and Lanita Winata [14] in their journals stating that a transformational leader can raise the goals and moral of their followers, so that the leader can inspire the followers to reach the highest level in achievement and to orient to the group's goals. However, Chung, Jen Wang, Huei-Ting Tsai, Ming-Tien Tsai [7] stated that an organization having creative employees can create an extra value and maintain a competitive superiority in a dynamic business environment.

2. Conclusion

Transformational leadership can be implemented in order to improve employees' creativity of an organization including the organization of e-commerce-based firms since the transformational leadership implementation prioritizes inspirational principles and supports towards the development of their human resources. The transformational leadership is also suitable to be applied in an organization having a dynamic organization climate which needs higher level of creation and innovation. This can be achieved when the implementation of leadership prioritizes the efforts to encourage employees to be more aware of the important meaning of the outcomes of groups' interest and to improve higher employees' needs such as self-pride and self-actualization also to give meanings and challenges towards employees' works and to inspire employees in raising emotion and to encourage a new way of thinking. Besides, a leader must also consider needs, abilities, and objectives of the followers in giving instruction and supervision.

Leaders can utilize the highly innovative-ICT development in implementing transformational leadership, so that this can endorse the employees' creativity in endorsing e-commerce-based company's productivity.

3. Recommendation

This article discusses transformational leadership in encountering technological development in E-commerce-based company organizations. Future similar researches about transformational leadership implementation are necessarily conducted at government institutions in responding ICT development, so that it can improve public service quality. Thus, the effectiveness of transformational leadership at private and government organizations in encountering dynamic organizational changes as the result of ICT utilization can be seen.

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