

The Impact of ODI Coaching on Transformational Leadership and Employees' Perception of Supply Chain Integration and Organizational Performance

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Abstract

Organization Development Intervention (ODI) is the key to make changes in the organization. Leaders are the backbone of the organization. Transformational leadership style enables a leader to bring a change in the organization. ODI on Transformational Leadership coaching is expected to improve the effectiveness of transformational leadership styles that bring positive change towards employees' perception on Supply Chain Integration and Organizational Performance. ODI on transformational leadership coaching has been conducted at Konco Bakery in Surabaya that involved eleven (11) leaders and thirty (30) employees. The OD researcher has taken four (4) roles in conducting the coaching, which are as an Expert Advisor, a Mentor, a Counselor, and a Facilitator, in an interactive seminar, observation, and discussion. The coaching was conducted by explaining the characteristics of Transformational Leadership in the eight (8) leaders' roles, e.g. Trend Watcher and Role Model, Mentor, Parent Figure, Change Agent, Innovator, Achiever, and Motivator. Coaching also used The Whole Brain Literacy which synergizes the three thinking skills required in running the eight (8) leaders' role. Leaders who only use Precision Thinking will give the result of becoming administrator which dominate the leadership style before intervention. Three abilities to think which are Open Ended Thinking, Feeling Power Thinking, and Aim Thinking are indispensable in applying the eight (8) the role of transformational leadership. The result of Paired Sample t- Test showed that coaching on Transformational Leadership is significant in enhancing and improving Transformational Leadership and results in a significant increase on employees' perception of Supply Chain Integration and its effect on Organizational Performance.

Keywords : transformational leadership, supply chain integration, organizational performance

Introduction

Bread is a baked product which is much consumed by customers. The sale of bread dominates all bakery product sales. Euromonitor International notes that the total value of the sale of bread product retailers in the world reached US\$ 220 billion in year 2011 (BBM Magazine). USA dominates the world consumption of bread. USA takes 21.26% of world bread sale, followed by Japan 9.94%, United Kingdom 2.35%, and Indonesia 0.1%. Bread consumption in Indonesia is relatively small compared to other countries in the world. Bread

is a new kind of food for Indonesians. Indonesia is the most densely populated country in South East Asia. The dense population forms a large market for business performers in bakery industry. The great number of home based entrepreneurs who sell baked products on the streets in the mornings reflect the change in the consumption pattern of Indonesian people at breakfast. Formerly they eat nasi pecel (boiled rice eaten with cooked vegetables and nut sauce), now they eat bread or cake. Indonesian people eat more bread than any other baked product.

The Indonesian Bakery Association (IBA) was viewed as a place for welcoming the increasing medium and small businesses and home industry in baked products. It is hoped that IBA can empower medium and small businesses and home industries in baked products to improve their performance and competitive power. The optimism of business performers in bakery industry is consistent with the statement of the Chairman of the Traditional Food Standing Committee of the Indonesia Chamber of Commerce in Jakarta. The growth of bread and cake industry increased by 12% in year 2014 and was expected to reach Rp. 20 trillion (US\$ 200 million) -- an increase of 15% in 2015. The increase in the growth of bread consumption is probably the result of the increase in the welfare of the population and of economic and political stability. The average increase of Indonesian bakery industry is double digit each year. Businesses in that industry should be prepared to face the challenges that lie behind this level of growth.

There are seven popular bakery formats which can be selected when buying bakery products, as follows: Industrial bakeries, Retail Bakery Chains, Café Chains, In Store Bakeries, Bake-off shops, In-House Bake Shops, and Small Bakeries with Home-Based Concepts (Business Opportunities Study in Thai Bakery Sector, 2013). In addition, the products offered in the bakery industry are quite varied. This variety in bakery products suggests that effective business performers in the bakery industry need to be increasingly creative in order to be selected by customers.

The Indonesia bakery industry still has to face the problems of the increase of electric cost and fuel, and the dependence on imported raw ingredient. The exchange rate fluctuations also contribute to the increase of the electric cost, fuel, and imported wheat price. This has led to an increase on the production cost of approximately 4% and an increase on the sale price of approximately 10%-15%. But, the sale price which is around IDR. 1,000 per unit (or US\$0.075) is a very competitive price in the eyes of the lower socio-economic classes customers.

Consequently, bakery businesses are advised to reduce or change wheat into cassava or pumpkin as the raw ingredient for making bread and cake (Investor Daily, Thursday 23/10/2014). Efficiency is a key to success. Although the selling price cannot be increased, efficiency can increase the profit margin. Profit margin is financial performance which should be supported by Non-Financial Performance; such as, Sales Return, Spoilage Bread, and Employee turnover.

The Bakery Company must be able to synergize its Financial Performance as well as Non-Financial Performance as the organizational performance that has to be achieved by the

company. The Balance Scorecard which was introduced by Kaplan & Norton (1996) suggested a company should synergize both Financial & Non-Financial Performances in improving the organizational performance. Achievement of financial performance is the result of the achievement of nonfinancial performance. The Balance Scorecard helps companies map out strategies for promoting organizational performance.

In addition, globalization requires that companies should establish partnerships with stakeholders to improve the Organizational Performance. Supplier and Customer are the main stakeholders that should be prioritized by companies to be invited to integrate. Employees as internal stakeholders must also be empowered in the process of integration to improve Organizational Performance. External integration with suppliers and customers with internal integration among employees who are called Supply Chain Integration is a source of competitive advantage to increase the Organizational Performance (Dyer, 2000).

The leader is the key to the organizational success. Although there are many leadership styles to be chosen by leaders, many researchers have agreed that Transformational Leadership Style is the leadership style that can improve organizational performance, (Xenikou & Simosi, 2006; Ussahawanitchakit & Sriboonlue, 2011; Sahaya, 2012, Samad, 2012; Al-Abrow 2014).

Transformational Leadership which is oriented on employee empowerment will enable the company to implement internal integration (Blau, 1964). Employee empowerment is believed to be able to reduce employee turnover. External Integration is also easier to be conducted when leaders use Transformational Leadership Style (Goldsmith, Greenberg, Robertson & Hu-Chan, 2003). Transformational Leadership will give priority to partnerships with external parties in encouraging employees to develop themselves and also involves suppliers and customers in solving various problems of Organizational Performance, such as how to involve suppliers and customers in reducing spoilage of bread and sales return.

Statement of the Problem

Based on the results of discussions researcher can identify the problems associated with efforts to improve the Organizational Performance. Transformational Leadership Style is believed to be the root of the problem of sub-optimal Organizational Performance. Transformational leaders enable internal integration and external integration with supplier and customer in order to have a positive impact on Organizational Performance.

Research Questions

There are three questions answered by this research study :

1. Whether coaching on transformational leadership style can enhance the effectiveness of Transformational Leadership Style
2. Whether coaching on Transformational leadership style can enhance the effectiveness of Supply Chain Integration.
3. Whether coaching on Transformational Leadership style can enhance the Organizational Performance

Research Objectives

The three goals achieved after coaching on Transformational Leadership Style are the following :

1. Coaching on Transformational Leadership Style can enhance the effectiveness of Transformational Leadership Style
2. Coaching on Transformational Leadership Style can enhance the effectiveness of Supply Chain Integration
3. Coaching on Transformational Leadership Style can enhance the effectiveness of Organizational Performance

Research Hypotheses

H1. There is an increase in the effectiveness of Transformational Leadership style after coaching on Transformational Leadership Style

H2. There is an increase in the effectiveness of Supply Chain Integration after coaching on Transformational Leadership Style

H3. There is an increase in the effectiveness of Organizational Performance after coaching on Transformational Leadership Style

Literature Review

This Action research uses three research variable, namely Transformational Leadership, Supply Chain Integration, and Organizational Performance. Transformational Leadership is the research variable that was subject to intervention through coaching in the present study.

Organizational Performance

Many researchers acknowledge that the Transformational Leader is determinant of Financial Performance (Matzler et al, 2008., Sahaya, 2012., Loshali dan Krishnan, 2013). Whoever owns an organization must use profitability as the main indicators in evaluate its performance. Profit Margin is a Single Bottom line reporting. Profitability is often used to

evaluating the Organizational Performance (Jarad, Yusof, & Nikbin, 2010) and the main indicator to measure whether the organization has applied the business in a proper way or not (Kaplan & Norton, 2001). Organizational Performance is not only Financial Performance as what Griffin (2003) said that the performance depends on the need of stakeholder. Kaplan & Norton (1996) have introduced the Balance Scorecard as the tools to measure the Non-Financial Performance as well as the Financial Performance in the organization. Balance Scorecard also shows the mapping of performance that is needed to understand the relevance of performance in each perspective. Firstly, the organization needs to develop its basic in Learning and Growth in order to experience the transformation in three perspectives, Internal Business Process, Customers, and Financial (Kaplan & Norton, 1996). Financial Performance is a short-term performance while Non-Financial Performance is the performance of the long-term. The sustainability of the company is determined by the quality of the relationship between Financial Performance and Non-Financial Performance.

Supply Chain Integration

There are two components of integration on Supply Chain Integration, namely Internal Integration and External Integration (Tracey & Tan, 2001) Integration in the supply chain has a goal to optimize the supply chain activities by collaboration between the companies internally and externally through its supplier and customer (Vickery, Jayaram, Droge, & Calantone, 2003). Supply Chain Integration as strategic way to be involving supplier and customer in the company (Flynn, Huo & Zhao, 2010). Many companies have taken advantage of Supply Chain Integration to improve organization performance (Dyer, 2000). Internal Integration is a main of Supply Chain Integration. The interaction within a company can only occur if the company is doing job enrichment. Job enrichment means involving employees in a higher management function (Saleem S, Shaheen, & Saleem R, 2012). Job enrichment is an attempt to build Internal Integration. Internal Integration is done by developing the structure of the company and organization strategy, practices, and processes (Flynn, Huo & Zhao, 2010; Zhao, Huo, Sun & Xiande Zhao, 2013). External Integration include Customer Integration and Supplier Integration. Customer Integration is defined as the direct involvement of the customer in the stage of new product development (Brown & Eisenhardt, 1995). Supplier Integration is defined as the direct involvement of the supplier during the product development processes (Ragatz, Handfield & Scannell, 1997), joint product design (Fliess & Becker, 2006), product innovation (Grant, 1996).

Transformational Leadership

Transformational Leadership is expected to improve higher quality of relationship in the level of morality and motivation (Yukl, 1989). Transformational leadership can make easier the leader by encouraging the followers to change the motivation, trusts, values, and ability so that the individual interest and aim from the followers can be in line with the organization's vision and mission (Goodwin, Wofford, & Whittington, 2001). Transformational Leadership is asking for some fundamental changes, purpose, and

aspiration for the followers who need them in order to do their job consistently with the existing values and not because the employers want to be respected (MacKenzie, Podsakoff, & Rich, 2001). There are four characteristics of Transformational Leadership that were developed by Bass (1998), namely Idealized Influence, Inspirational Motivation, Individual Consideration, and Intellectual Stimulation.

The characteristic Idealized Influence will simplify leaders to run the dual role of leadership, that are Trends Watched and role models. Trend Watcher makes it easy for leaders to have a vision which is the solution for the future anticipation. Trend Watcher is a manifestation of the ideal picture of the ideal characteristics influence – Attribute. Trend Watcher will inspire employees to prepare for the future. Role models needed as an inspiration for employees through the characteristic idealized Influence-Behaviors. Leaders must be able to become an example for employees in term of work achievement and life. Leading by example is more effective to encourage employees. Respect to the leader who serves as a role model can cause a sense of trust. Intellectual Stimulation characteristics will encourage the employee to be willing to learn continuously from anyone and whenever and appreciate differences in the way of thinking. Transformational Leader with Intellectual Stimulation characteristics is a Change Agent and Innovator because they encourage creativity, actively solicit new ideas, and change. Transformational Leader with Inspirational Motivation is a motivator and an achiever because they show enthusiasm and optimism, providing both meaning and challenge to the work at hand, and build dynamic team. They motivate people through goal commitment. The combination of Achiever and Motivator will generate self and external motivation, as well as individual synergy and organization aim. Transformational leaders with Individual Consideration characteristics act as Mentors and Parent Figure because they always recognize Individual need and empower people to improve.

Transformational Leadership and Organizational Performance

The greater the Transformational Leadership style, the greater Organization Performance (Farrell, Souchon, & Dueden 2009). Several researches support these hypotheses in which the Transformational Leadership has positive influences on the achievement of Organizational Performance (Xenikou & Simosi, 2006; Ussahawanitchakit & Sriboonlue, 2011; Sahaya, 2012, Samad, 2012; Al-Abrow 2014). Some researches are likely to use intervening variable to proof the relationship of Transformational Leadership to organization performance, such as Supply Chain Integration. Xenikou & Simosi (2006) implies that Inspirational Motivation on Transformational Leadership style will be able to drive the working behavior and environment to have positive orientation on achieving Organizational Performance. Idealized Influence character on Transformational Leadership will enable the leader to create vision and manage the well communication process in organization to increase Organization Performance (Loshali & Krishnan, 2013; Bass, Avolio, Jung, & Berson, 2003). Intellectual Stimulation will enable leaders to boost employees to learn and change in order to increase Organization Performance (Bycio, Hackett, & Allen, 1995; Yildirim & Birinci, 2013). Individual Consideration will increase employees'

participation on teamwork to achieve a higher standard of Organizational Performance (Bass, 1990; Bass, Avolio, Jung, & Berson, 2003; Pierce & Newstrom, 2006).

Transformational Leadership and Supply Chain Integration

The characteristics of the leadership is to build partnerships and alliances (Goldsmith, Greenberg, Robertson & Hu-Chan, 2003) with external parties, namely supplier and customer. Transformational as one of Leadership styles will motivate employee to improve service related behaviors towards customers (Blau, 1964). Bonaccorsi & Lipparini (1994) said that supplier collaboration could support leader to search solution through the expertise and different perspectives of a supplier. Transformational leadership demands some skills; such as, communication as well as the ability to empower the staff in the organization to do interaction between supplier and customer. (Birasnav, 2014). The achievement in gaining the improved quality was driven by the unity of all departments on obeying the standard and it is also supported by the ability to develop harmonious relationship with suppliers and customers (Al-Saa'da, et al., 2013).

Supply Chain Integration and Organization Performance

A lot of researchers put Supply chain as the main key role in an organization (Anaeri & Rezaei, 2013; Li, Bhanu Ragu-Nathan, T. S. Ragu Nathan, & Rao, 2006). Organization that practices Supply Chain Integration tends to be more efficient and the Organization Performance is better than the competitors (Anaeri & Rezaei, 2013; Li, Bhanu Ragu- Nathan, T. S. Ragu Nathan, & Rao, 2006). Internal integration will help the organization to focus on the business activity which increases added value and decreases activity that doesn't give the added value so that it will improve its efficiency and working productivity (Kim, 2009; Vickery, Jayaram, Droge, & Calantone, 2003; Feng, Sun, & Zhang, 2010). After conducting an Internal Integration, organizations must involve suppliers in the process of designing and developing products, resulting in efficient use of materials (Ragatz, Handfield & Scannell, 1997), Customer Integration is also required in designing and developing products that improve customer satisfaction and reduce the risk of the product is not acceptable by market (Brown & Eisenhardt, 1995). Xenikou & Simosi (2006) emphasized the importance of Internal Integration in creating the value to suppliers and customers, and as well to create the synergy for the organization. Ragatz, Handfield & Scannell (1997) even implied that the success of Internal Integration was the ability to increase the efficiency of materials used since it would facilitate organization to involve the suppliers in organization process. While Brown & Eisenhardt (1995) focused on customer integration in order to increase customer satisfaction and limit the risk of defect product in the market.

Coaching as an Intervention

The action research at Konco Bakery is carried out by doing an intervention on transformational leadership and its influence of employees' perception on Supply Chain Integration and Organizational Performance. Redding (1996) argues that company must find the solution from its problem by its own self. Based on the literature review, OD researcher will do the intervention to leadership style. The OD Researcher picked Transformational Leadership style as the determined factor in Supply Chain Integration and that can affect the improvement of Organizational Performance. The OD Researcher hope that the CEO of Konco Bakery, who has owned and implemented the Transformation Leadership, can strengthen Internal Integration, develop a harmony relationship with suppliers and customers.

As a whole, the intervention can increase the Organizational Performance. Intervention will be done by coaching. There are four roles OD Researcher does in the coaching process. Those are as a Counselor to help uncover barriers; as an Expert Advisor in behavioral and organizational change, as a Facilitator of the decision-making process, and as a Mentor of someone with a new role or responsibility (Rider, 2002). Coaching will be done in 3 months. The OD Researcher used the Transformational Leadership in playing the roles as Counselor, Expert Adviser, Facilitator, and Mentor. OD Researcher believes that coaching will be more meaningful rather than Transformational Leadership training. Besides, the OD Researcher used the whole brain to do coaching. Every person is given a unique thinking ability. Life becomes colorful because of people's various thinking abilities. The best way to understand a person is to understand his/her thinking ability. "I am what I think. What I think determines who I am". The four thinking abilities formulated by Dudley Lynch – Brain Technology Corporation (2008), "Open Ended Thinking, Precision Thinking, Aim/Act Thinking, and Feeling Power Thinking" will help Konco Bakery in optimizing their thinking abilities. Transformational Leadership emphasize on Open Ended Thinking, Aim/Act Thinking, and Feeling Power Thinking.

Whole Brain Literacy (WBL) suggests that the three thinking abilities are optimized simultaneously so that they improve Transformational Leadership. WBL is a new philosophy of education that leverages leaders to be learners. WBL is also the most appropriate thinking tools to effect a major leap to greater achievement of the leaders as learners. WBL is the education of the whole brain person - tapping into the whole brain functioning (Tayko., P.R.M & Talmo., M.L.R (2010).

The left Brain has Precision Thinking and Aim/Act Thinking. In leadership role, leaders with Precision Thinking tend to formulate regulations, standards (criteria), procedures, and plans that are needed by the organization. The people will perceive leaders as a manager or administrator. Leaders with Aim Thinking wish to motivate everyone to achieve the organization's goals and to win competitions. Inspirational motivation characteristic can make by optimizing Aim/Act Thinking ability. If leaders can optimize Aim/act thinking ability, they can as an Achiever and Motivator that is needed to build inspirational motivation characteristics.

The Right Brain has Feeling Power Thinking and Open Ended Thinking. Leaders with Feeling Power Thinking wish to motivate everyone to cooperate, to practice ethics in competitions, and to be useful and beneficial. Feeling Power Thinking ability can make leaders have Idealized Influence characteristic that is needed to act as Roles Model. Individual Consideration can be made by optimizing Feeling Power Thinking ability. If leaders can optimize the Feeling Power Thinking ability, they can act as a Parent Figure roles and at the same time as Mentor Roles. Leaders with Open Ended Thinking will inspire employee to change and be creative. Open Ended Thinking also build Intellectual Stimulation characteristic. Intellectual Stimulation can make leaders roles as a Change Agent and Innovator.

When leaders have optimized their three thinking abilities, their leadership role will also encourage Job Enrichment. Job Enrichment means involving employees in higher management functions (Saleem et al, 2012). Job Enrichment requires employee involvement in solving the various problems faced by the company. Each employee should actively interact with other employees in his department and with other employees from other departments. Job Enrichment is expected to improve the intensity of interactions within the company. Good interactions among employees will improve Internal Integration through harmony in thought and work process. Harmony in thought will lessen conflict in work, and also increase job satisfaction. Harmony in work process will greatly aid company's problem solving and improve of the Organization Performance. Internal Integration will also aid employees to interact and create integration with external stakeholders which include Supplier Integration and Customer Integration. Supply Chain Integration which includes Internal Integration, Supplier Integration, and Customer Integration is expected to support the coordination in solving the company's problems such as Employee Turnover, Product Spoilage, Sales Return, and in improving Profit Margin. Job enrichment turns the company's problems into common problems of every personnel within the company.

Action Research Model

The OD researcher used Behavioral Strategy as an approach in performing OD intervention, as shown in Figure 1. Behavioral strategy focuses on the change of the leaders' mindset which then will change their leadership style. The OD researcher introduced eight roles of Transformational Leadership combined with the whole brain approach. The OD researcher expected that after the leaders obtain the new leadership role, they will better understand the need of job enrichment. Job enrichment is expected to improve internal integration and external integration which include supplier integration and customer integration. The combination of the new leadership style and job enrichment is expected to have impacts on the improvement of Organizational Performance.

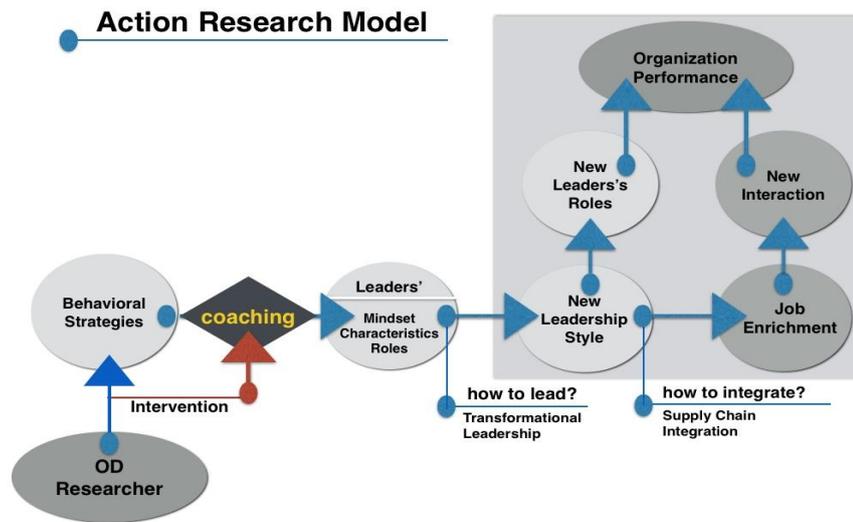


Figure 1. Action Research Framework

Research Methodology

Sampling Method

This action research involves the leaders and employees of Konco Bakery. After the CEO sent the list of the leaders and employees, the OD researcher determined the personnel that will be involved in this action research. The company leaders included eleven managers who were directly involved in this research. The leaders were distributed into several levels and departments, namely, Factory Manager, Sales Coordinator, Production Coordinator, Logistic Coordinator, Finance and Administration Coordinator, and six Production Team Leaders. All these leaders (except the CEO) were working in the Wonoayu factory of Konco Bakery, The OD researcher coached the eleven leaders and involved 30 employees in the measurement of the outcome variables.

The research used purposive sampling in which the respondents aware directly involved in the research variables: six (6) employees in the sale department and six (6) employees in the logistic department, while eighteen (18) employees were selected by the CEO as potential agents of change in the company. The OD researcher asks eleven leaders (except the CEO) to select 18 employees in his department who have the potential to be agents of change in the company. Those selected as respondents consist of eighteen (18) employees selected by the leaders, plus six employees who interact directly with customers, and six employees who interact directly with suppliers.

The 30 employees answered the questionnaires for measuring the three research variables, namely Organizational Performance, Supply Chain Integration, and

Transformational Leadership. 30 employees answered the questionnaire for measuring Transformational Leadership, Organizational Performance, and Internal Integration (one of the component of Supply Chain Integration). The six employees who interact with customers also responded to the questionnaire for measuring Customer Integration (one of the component of Supply Chain Integration), and the six employees who interact with suppliers (one of the component of Supply Chain Integration) also responded to the questionnaire for measuring Supplier Integration.

Definition of Action Research Variables

This study used three latent variables, namely Transformational Leadership, Supply Chain Integration, and Organizational Performance. The measurement of the three research variables is based on the employees' perception. This research study compared the Employees' perception of each variable before and after coaching on Transformational Leadership Style. Transformational Leadership was measured through employees' perception which is adopted from eight indicators of the components of Transformational Leadership, as proposed by Bass (1998). Characteristics of Intellectual Stimulation embodied in the role of change Agent and Innovator. Characteristics of Idealized Influence embodied in the role of Trend Watcher and Role Model. Characteristics of Individual Consideration embodied in the role of Parent Figure and Mentor. While, characteristics of Inspirational Motivation embodied in the role of Achiever and Motivator. Supply Chain Integration was measured through employees' perception adopted from six indicators proposed by Tracey & Tan (2001) which covers internal integration, supplier integration, and customer integration. Organizational Performance was measured through employees' perception adopted from four perspectives of the balance scorecard which divides the four perspectives of performance covering financial perspective - profit margin, customer perspective - sales return, internal business process perspective - spoilage bread, learning and growth perspective - employee turnover (Kaplan and Norton, 1996).

Research Instruments

The data collecting used primary and secondary data for quantitative data collection while qualitative method used primary data. For quantitative method, the OD researcher collected primary data using the questionnaires distributed to company employees. The questionnaires given to the company employees measured Transformational Leadership, internal, Supplier and Customer Integration, and Organizational Performance. The PLS model and t test was used in this action research. Qualitative method used the primary data obtained by documenting the results of observations, interviews, and discussions. Documentation of those results confirmed the analyses made in the quantitative method. In several cases, the qualitative method even obtained findings which cannot be revealed by quantitative method, such as how the reaction is and how the situation is.

Data Analysis and Statistic tools

The data analysis performed in this study is divided into two parts according to the characteristics of quantitative research and qualitative research. The data analysis in quantitative research is performed through PLS Model and paired sample t test, while in qualitative research the data analysis is performed through Fish Bone Analysis and 5 Whys in the form of observations or interviews or discussions.

Validity and Reliability of Indicator Research Variable

The validity and reliability tests for the items in the questionnaire were performed by selecting seven employees and five leaders. From the answers of the 12 respondents, the researcher confirmed that each indicator in the variables Transformational Leadership, Supply Chain Integration, and organizational Performance fulfilled the convergent validity requirement in which the value of the outer loading > 0.5. The indicator with the highest outer loading value was Intellectual Stimulation (0.875), in the Transformational Leadership variable. The Internal Integration indicator had the highest outer loading value (0.809), in the Supply Chain Integration variable. The Organizational Performance had similar outer loading value in each indicator. The data in the table also shows that the cross loading value of an indicator to its variable is greatest compared to the other variables. Based on the outer loading and cross loading OD Researcher can conclude that each indicator in the variables Transformational Leadership, Supply Chain Integration, and Organizational Performance has sufficient discriminant validity, so each indicator can be used as a credible measure for the respective research variables, as presented in Table 1.

Table 1
Outer and Cross Loading

research variable		Transformational Leadership	Supply Chain Integration	Organizational Performance
Transformational Leadership	Idealized Influenced	0.685	0.651	0.237
	Inspirational Motivation	0.758	0.474	0.55
	Intellectual Stimulation	0.875	0.611	0.448
	Individual Consideration	0.822	0.351	0.49
Supply Chain Integration	Supplier Integration	0.47	0.682	0.212
	Internal Integration	0.6	0.809	0.474
	Customer Integration	0.286	0.713	0.029
Organizational Performance	profit margin	0.276	0.239	0.621
	sales return	0.241	0.144	0.694
	spoilage bread	0.39	0.144	0.659
	employee turnover	0.462	0.464	0.684

The results of the reliability test show that the three variables of this research, namely Transformational Leadership, Supply Chain Integration, and Organizational Performance have fulfilled the reliability requirement because it has Cronbach's alpha value > 0.6 and composite reliability value > 0.6 as presented in table 2. Based on the Cronbach's alpha and composite reliability OD Researcher can conclude that the questionnaires can be used to consistently measure Transformational Leadership, Supply Chain Integration, and Organizational Performance.

Table 2.

Cronbach's Alpha and Composite Reliability

Research Variable	Cronbach's Alpha	Composite Reliability
Transformational Leadership	0.793	0.867
Supply Chain Integration	0.629	0.780
Organization Performance	0.601	0.76

3.6. Preliminary Research

The researcher conducted preliminary research to test the relationship between research variables. Transformational Leadership as an independent variable, Supply Chain Integration as an intervening variable, and Organization Performance as a dependent variable.

The population of this preliminary research is general manufacturing companies located in Surabaya. The number of companies participating in this research is 60 companies. The sample of this research is permanent staff who have worked for the industries. Each of the companies is represented by 9-10 employees who become respondents of this research. Employee as a sample of this study is selected based on convenient sampling techniques basis. Sample of the study are 589 randomly selected employee comprising of both male and female. In this study, the data is obtained by distributing questionnaires on Transformational Leadership Style (TL), Supply Chain Integration (SCI), and Organization Performance (OP) in the general manufacturing companies in Surabaya. The researchers distributed the questionnaires to 60 general manufacturing companies. The number of people who responded to the questionnaires was 589 respondents and 13 questionnaires were invalid.

The model of preliminary research is the impact of Transformational Leadership on Supply Chain Integration and Organization Performance. Based on the result, the structural model of this preliminary research is considered to have goodness of fit because $Q^2 = 0.7281$. It means that 72.81% of data variance of the research is described by the research structural model; while 27.19% is described by other variables outside the model. The value of coefficient path of influence of Supply Chain Integration variable on Organization Performance is also 0.42 and the t calculation is 3.432 which is greater than t table value of 1.96. It means that there is a positive and significant influence of Supply Chain Integration on Organization Performance in general manufacturing companies in Surabaya. The value of coefficient path of influence of Transformational Leadership variable on Organization

Performance is 0.438 and the t calculation is 3.488 which is greater than t table value of 1.96. It means that there is a positive and significant influence of Transformational Leadership on Organization Performance in general manufacturing companies in Surabaya.

Action Research Design

Action research is designed in three stages, namely Pre Organization Development Intervention (Pre ODI), Organization Development Intervention (ODI), and Post Organization Development Intervention (Post ODI), as shown in Figure 2.

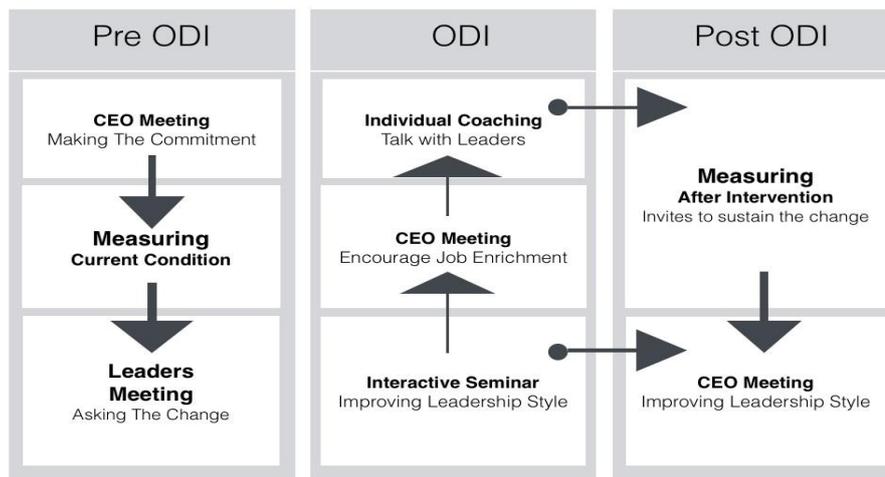


Figure 2 Action Research Design

In the Pre ODI, OD Researcher conducted three activities; they were, CEO meeting, measuring current condition, and leaders' meeting. CEO meeting was held in advance to obtain a commitment from the CEO at every stage of doing intervention. The CEO recommended leaders and employees involved in the study. The Researcher measured the current condition by distributing questioners to employees recommended by the CEO. The Researcher measures employees' perception of Transformational Leadership, Supply Chain Integration and Organizational Performance before the intervention. After measuring the current condition, the researcher conducted a leader meeting to invite employees to make changes based on the results the employees' measurement. The measurement results were accompanied by observations and discussions with company leaders in order to corroborate

support for the current condition. Capturing the current condition was expected to help motivate the company leaders to change their leadership style.

In the ODI, the researcher conducted interventions in three activities: interactive seminar, CEO Meeting, and individual coaching. The researcher undertook four roles in coaching: Expert Advisor, Counselor, Facilitator, and Mentor (Rider, 2002). OD Researcher also used Whole Brain Literacy (WBL). WBL is for everyone and most especially for those in leadership and management (Tayko & Talmo, 2010). The four roles in coaching would be presented whenever the OD researcher performs intervention, which could be in the form of interactive seminars, discussions, and individual coaching. Coaching in an Interactive seminar was done to improve Transformational Leadership style. The CEO meeting was help in order to get the support from the leaders to do job enrichment. The purpose of job enrichment is to improve both internal and external interaction. Individual coaching was conducted to improve transformational leadership style based on the characteristic and individual problem of the leaders.

In the Post ODI, OD the researcher did hypotheses testing to compare the three variables before and after the coaching intervention and measured the effect on Transformational Leadership. Paired Sample t Tests were used to evaluate the differences among 3 research variables before and after intervention. Paired Sample t Test is a test to find the difference on the employees' perception towards the 3 research variables which are the same: Transformational Leadership, Supply Chain Integration, and Organizational Performance, before and after the intervention. CEO meeting was conducted to increase the CEO's commitment in supporting and maintaining the appropriate changes according to the measurement results after the intervention.

Results and Discussions

Hypotheses Testing

This action research has three hypotheses that compare three variables before and after carrying out the coaching intervention. The Paired Sample Statistic tested the difference of the average perception of employees about Transformational Leadership, Supply Chain Integration, and Organizational Performance - before and after the coaching intervention.

Hypotheses 1 is the hypotheses that tests whether there is an increase in the effectiveness of Transformational Leadership style after coaching on Transformational Leadership Style. Based on the Pair Sample t Test, H1 is accepted because all of the scores are significant (2 tailed) in every role (<0.05) as shown in Table 3. The coaching on Transformational Leadership was shown to enhance the role of the Transformational Leadership. The intervention appears to have improved the effectiveness of leadership at Konco Bakery.

Table 3

Paired Sample Test : Transformational Leadership

Transformational Leadership		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
idealized influence	Role Model	0.600	1.354	0.247	0.094	1.106	2.426	29.0	0.022
	Trend Watcher	0.567	1.104	0.202	0.154	0.979	2.811	29.0	0.009
intellectual stimulation	Change Agent	0.833	1.147	0.209	0.405	1.262	3.979	29.0	-
	Innovator	0.867	1.008	0.184	0.490	1.243	4.709	29.0	-
individual consideration	Parent Figure	0.800	0.925	0.169	0.455	1.145	4.738	29.0	-
	Mentor	0.733	1.081	0.197	0.330	1.137	3.717	29.0	0.001
inspirational motivation	Motivator	0.667	1.295	0.237	0.183	1.150	2.819	29.0	0.009
	Achiever	0.467	0.900	0.164	0.131	0.803	2.841	29.0	0.008

Hypotheses 2 is the hypotheses that tests whether there is an increase in the effectiveness of Supply Chain Integration after coaching on Transformational Leadership Style. Based on Pair Sample t Test, H1 is accepted because all scores are significant. (2 tailed) for the variables of internal integration, Customer Integration, and Supplier integration <0.05, as shown on table 4. The coaching on Transformational Leadership appears to enhance Supply Chain Integration.

Employees’ perception is that the external and internal interaction improved after the intervention. The interaction among employees, interaction among departments, interaction among leaders and employees, interaction among leaders, interaction among suppliers, and interaction with customers appear to be more effective after the leaders engage in the eight new roles of Transformational Leadership.

Table 4

Paired Sample Test: Supply Chain Integration

Supply Chain Integration		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
internal integration	Participative Decision Making	0.500	0.938	0.171	0.150	0.850	2.921	29.000	0.007
	Team Work	0.567	0.858	0.157	0.246	0.887	3.616	29.000	0.001
customer integration	Product Development	1.333	0.817	0.333	0.476	2.190	4.000	5.000	0.010
	Continious Improvement	1.000	0.632	0.258	0.336	1.664	3.873	5.000	0.012
supplier integration	Product Development	1.167	0.408	0.167	0.738	1.595	7.000	5.000	0.001
	Continious Improvement	1.333	0.516	0.211	0.791	1.875	6.325	5.000	0.001

Hypothesis 3 is a hypothesis that tests whether there is an increase in the effectiveness of Organizational Performance after coaching on Transformational Leadership Style. Based on Paired Sample t Test, H1 is accepted because all scores are significant. (2 tailed) for every indicator of Organizational Performance (<0.05), as shown on table 5. The coaching on Transformational Leadership appears to improve Organizational Performance.

Table 5

Paired Sample Test : Organizational Performance

Organizational Performance		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Financial Perspective	Profit Margin	0.5667	0.7279	0.1329	0.2949	0.8385	4.2640	29.0000	0.0000
Customer Perspective	Sales Return	0.4667	1.0080	0.1840	0.0903	0.8431	2.5360	29.0000	0.0170
Internal Business Process Perspective	Spoilage Bread	0.4000	0.9685	0.1768	0.0384	0.7616	2.2620	29.0000	0.0310
Learning and Growth Perspective	Employee Turnover	0.6333	1.0334	0.1887	0.2475	1.0192	3.3570	29.0000	0.0020

Managerial Implications

Managerial observation before and after coaching at Konco Bakery identified six managerial improvement areas, as follows: from supervision to empowerment, from subordinate to team member, from silo to cross function, from administration to strategic, from suspicion to trust, and from keeping distance to getting involved, as reflected in the table 6.

Table 6

Managerial Implication Observation

Before Intervention	Improving Area	After Intervention
Supervision	How to treat the employees?	Empowerment
Subordinate		Member of Team
Silo	How to do Internal Interaction?	Cross Function
Administrative		Strategic
Suspicious	How to do External interaction?	Trust
Keep The Distance		Involvement

Before the intervention, the leadership style was too demanding for work completion and meeting targets, too focus in applying the organization's rules, and make sure employees implement SOP which results the lack of human interaction space. Before the intervention, the relationship between the leaders and the employees was only a relationship between a

superior and a subordinate in the organizational structure -- as memorialized in the job description. But after the intervention, the leaders were able to balance their focus on finishing the job and also having good employee relations. Empowerment was used more often than traditional supervision, in completing a job, after the intervention. Leaders wanted employees to have a more meaningful life, along with improving Organizational Performance. Leaders began spending more time interacting with their employees.

Before the intervention, employees were reluctant to interact with their leaders. They tended to accept assignments without asking any questions. Employees were seldom involved in making decisions. They seemed oblivious to the problems of Spoilage Bread, Sales Returns, and other waste. Conflicts were common. The relationship between employees and suppliers, and also between employees and customers was limited to the administrative function, based on the job description. Employees had difficulty accepting new work methods and instead tended to silently protest any change. They reluctantly accepted change but resisted implementation. After the intervention, leaders were apparently able to change the employees' attitudes and perceptions. Employees dared to offer opinions and discuss things with the leaders. They started to question assignment to gain clarity. Employees became more concerned about problems in Organizational Performance, such as Spoilage Bread, Sales Returns, industry waste, etc. They became more willing to interact with colleagues from different departments. Job Enrichment encouraged the employees to start asking their suppliers about the quality of the material that was provided.

They asked customers why they were returning the bread. Job Enrichment appeared to be successful. Administrative interaction expanded and shifted positively into strategic interaction. The interaction among employees, the interaction among departments, the interaction among leaders, and the interaction with external parties all manifested improvement, as did the interaction between employees and suppliers. employees also became more engaged with suppliers in developing new products and improving Organizational Performance. These improvements were attributed to the impact of the leaders' new roles and behavior. After the intervention, employees also focused on decreasing product returns by engaging the customers to find solutions.

Summary of Findings

This action research aims to find out the impact of the Transformational Leadership coaching on the effectiveness of Transformational Leadership style, Supply Chain Integration, and Organizational Performance. The first finding is that there is a difference in Transformational Leadership after the intervention. It is proven that the coaching of Transformational Leadership is able to improve the effectiveness of Transformational Leadership style. The second finding is that there is a difference in Supply Chain Integration after the intervention. It is proven that the coaching of Transformational Leadership is able to improve Supply Chain Integration. The third finding is that here is a difference in Organizational Performance after the intervention. It is proven that the coaching of Transformational Leadership is able to improve Organizational Performance

Recommendations

There are four recommendation based on action research. First is the passion of the leaders in improving Transformational Leadership must always be maintained by the CEO. The improvement of eight roles of the Transformational Leadership is a momentum that must be maintained and more improved. If the CEO fails in maintaining this momentum, then it is apprehended that the leader will return to the previous leadership style, which is administrator. The authority of the leaders must immediately be improved, so all the leaders will have self-confidence in implementing the Transformational Leadership. Second is the positive perception of the employees about the rule of Transformational Leadership must be maintained and it should motivate the employees to work more creatively. CEO is suggested to touch the employees personally in maintaining this changing momentum. Training, Motivating, and developing the employees should actually be implemented in accepting the Transformational Leadership style. Third is supplier Integration must be maintained by abandoning tender strategy and accepting alliance strategy as a way to get material supply that is in accordance to the specification, decreasing the spoilage bread, and developing new product which are needed in competing against competitors. Fourth is customer Integration must be maintained by accommodating the customers' wants to get the type of bread which suits the characteristics of customers, and making the customers become the embassies of the company in understanding what the market wants, and seeking for an opportunity in a very tight business rivalry.

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