EFFECT OF MANAGEMENT INNOVATION, TRANSFORMATIONAL LEADERSHIP, AND KNOWLEDGE SHARING ON MARKET PERFORMANCE OF INDONESIAN CONSUMER GOODS COMPANY

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Abstract: Transformational leadership greatly influences the management innovation and market performance of consumer good companies enterprises. According to the survey data about 244 employees of consumer goods companies, an empirical study was conducted on the relationship between transformational leadership, management innovation, knowledge sharing, market performance of consumer good companies enterprises, and analysis was made on the mediating effect of management innovation and knowledge sharing. The results showed that knowledge sharing has no significant effect on the market performance of consumer goods companies. Management innovation has not a significant effect on the market performance of consumer goods companies. Transformational leadership has no significant effect on the knowledge sharing of consumer goods companies. Transformational leadership has a significant effect on management innovation of consumer goods. Transformational leadership has no significant positive effect on the market performance of consumer goods companies.

Keywords: Transformational Leadership, Management Innovation, Knowledge Sharing, Market Performance, Consumer Good Companies

Cite this article as: Purwanto, A., J. T. Purba, I. Bernarto, and R. Sijabat. 2021. Effect of Management Innovation, Transformational leadership and knowledge sharing on Market Performance of Indonesian Consumer Goods Company. Jurnal Aplikasi Manajemen, Volume 19, Number 2, Pages 424–434. Malang: Universitas Brawijaya. http://dx.doi.org/10.21776/ub.jam.2021.019.02.18.

Putra et al. (2021); Praditya (2020) stated that transformational leadership had attracted great attention from the management circle at the end of the 1970s. It is another classic leadership type following trait theory of leadership, leader behavior theory, and contingency theory of leadership. According to Purwanto et al. (2020); Suryani et al. (2020), transformational leadership emphasizes that it has an important value for improving the market performance of consumer goods companies enterprises to influence employees by utilizing values, behaviors, and individual characteristics to make them get more involved in work. The
change of leadership style will often result in a change of management mode. In contrast, management innovation is the reform for procedures like organization structure and management system, so transformational leadership is closely related to management innovation. According to Hartono and Maksum (2020); Asbari et al. (2020); Rokhani (2020), the continuous deepening of supply-side structural reform, Indonesia’s economy has already been transformed from rapid growth into high-quality development, the consumer good companies market segment has accelerated shuffling, and the “pain” of cost and profit mismatching has been aggravated. Therefore, this is bound to require Chinese consumer good companies enterprises to optimize the internal management, carry out transformational leadership and improve the market performance.

According to Sihite et al. (2020); Supratman et al. (2021); Suprapti et al. (2020), transformational leadership has a significant positive effect on knowledge sharing, and some studies find that homogeneous and heterogeneous information knowledge will act on market performance, but will transformational leadership of consumer goods companies enterprises promote knowledge sharing and then promote the market performance of enterprises? Besides, related studies on influence mechanisms are also absent. Purwanto et al. (2020); Suryani et al. (2020), some consumer goods companies have already started to apply platform technology to strengthen knowledge exchange and sharing, to effectively reduce the operating cost, to open up the product market rapidly, and to realize the increase of enterprise performance. As for the situation where producing activities run ahead of theories, an analysis must be made on the practice to improve related theories and guide practical activities. Therefore, an empirical study was conducted on the relationship between transformational leadership, management innovation, knowledge sharing, and market performance of consumer good companies’ enterprises.

The present study contributes to existing knowledge in three ways. This study has revealed the “black box” of consumer goods companies’ transformational leadership and market performance. Additionally, it has provided a theoretical foundation for improving enterprise performance with transformational leadership through management innovation and knowledge sharing. First, a new research perspective is provided for the action mechanism of transformational leadership on enterprise performance. The empirical analysis was made on how transformational leadership acts upon consumer goods companies’ market performance through management innovation and knowledge sharing. Second, management innovation is treated as the mediating factor. The acting path of transformational leadership on market performance of consumer goods company’s enterprises is introduced. Thus all of these can enrich research in the field of corporate management innovation. Third, related studies of knowledge sharing are extended. The mediating effect of knowledge sharing in the influence path of transformational leadership on enterprise performance is verified through empirical analysis, and a broader perspective is provided from the angle of organizations.

The novelty of this research is a relationship model of transformational leadership, market performance, management innovation, knowledge sharing of consumer goods companies. This study aimed to analyze the relationship between Transformational leadership on the market performance of consumer goods companies. Transformational leadership on management innovation of consumer goods companies, Management innovation on the market performance of consumer goods companies, Management innovation plays a mediating role in the effect of transformational leadership on the market performance of consumer goods companies, transformational leadership on knowledge sharing of consumer goods companies, knowledge sharing on the market performance of consumer goods companies, knowledge sharing plays a mediating role in the effect of transformational leadership on the market performance of consumer goods companies.

**HYPOTHESIS DEVELOPMENT**

Transformational leadership and Market performance of consumer goods companies enterprises
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According to Putra et al. (2021); Praditya (2020) gave a clearer definition to the concept of transformational leadership: leaders make the subordinates realize the important value of their duties from four dimensions, including virtue, personal charisma, vision incentive, and personalized care, and stimulate them to pursue high enterprise performance at a higher level. First, it comes to virtue, which means that the organization leader has relatively high morality and influences and motivates employees to realize the enterprise objective through abiding by social norms, guaranteeing integrity, and caring for the subordinates. According to Suprapti et al. (2020); Supratman et al. (2021); Sihite et al. (2020), leaders have a comparatively strong awareness of social welfare, the enterprise will assume more social responsibilities, and they often play a positive role in promoting social progress. Second, personal charisma will be discussed. It means that the leaders have strong personal characteristics in disposition, temperament, and capacity. They are warm and kind to others while strict with themselves. They are good at controlling emotions, resolute and firm. With strong attraction in the organization, they can enhance the cohesion between departments and employees. Third, vision incentive is involved. Specifically speaking, leaders will depict a development blueprint for their subordinates to motivate their enthusiasm for work by answering three questions: What is our enterprise? How about the future? What is the objective? Fourth, it is personalized care. Leaders emphasize employees’ strengths in work, help solve employees’ family difficulties in life, and provide development proposals and lifting schemes for them through frequent communication with employees.

According to Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), the influence and action mode of transformational leadership on enterprise performance in a Chinese context becomes the research hotspot studied performance and creativity. Discovered that transformational leadership deepened the leader’s sense of identity among subordinates, possibly motivating employees’ creativity and increase market performance. The upper echelon theory further discovered that transformational leadership could promote failure learning under innovation failure and promote experience summarization and reflection to increase enterprise performance. According to Sihite et al. (2020); Supratman et al. (2021); Suprapti et al. (2020), transformational leadership can release employee pressure and increase creative ability, especially promoting the improvement of failing enterprises, realizing the increase of enterprise performance, and helping enterprises occupy market initiative and acquire speaking right. As a great power of global consumer goods companies, Indonesia’s consumer goods companies market is highly open, and numerous multinational consumer goods companies, including DHL and FedEx, have been attracted to enter the Chinese market. Besides, domestic consumer good company’s enterprises are also changing positively and pursuing transformation and upgrading. According to Hartono and Maksum (2020); Rokhani (2020), the development environment of consumer goods company’s enterprises have become increasingly open, diversified, and changing, internal enterprise management is more complex, and transformational leadership can also promote the market performance increase of consumer goods company’s enterprises. Based on the above, the following hypothesis is proposed.

Hypothesis 1: Transformational leadership has a significant positive effect on the market performance of consumer goods companies.

Mediating Effect of Management Innovation of Consumer Goods Companies Enterprises

According to Suprapti et al. (2020); Sihite et al. (2020); Supratman et al. (2021), stated that the event for enterprises to conduct optimal configuration on resource factors through planning, organizing, commanding, coordination, control, and feedback, and to realize the organizational objectives. When the managers prefer transformational leadership, the enterprise management mode will often be more flexible and efficient, and innovation can be easier. Transformational leadership positively affects behavior integration and could enhance employees’ decisions, open communication, and team cooperation, and promote management innovation. When
transformational leadership was strong, the enterprise was more inclined to adopt management innovation strategies and conduct transformation and upgrading. According to Kotamena et al. (2020); Novitasari et al. (2021), under an uncertain environment, consumer goods company’s enterprises can efficiently provide customers with customized consumer goods company’s solutions via management innovation through the style of transformational leadership. From the aspect of spatial dimension, the perfection and upgrading of transportation infrastructures and transport machines have broken the geographical limitation and realized close connection among remote, coastal, and inland areas and more frequent regional consumer goods companies and regional consumer goods companies activities. Purwanto et al. (2020); Suryani et al. (2020) stated that consumer goods companies enterprises must establish a quick response mechanism to identify and acquire customer demands and complete corresponding services timely. Hence, the organization is required to have high flexibility and motility. Transformational leadership will help carry out flexible management, eliminate rigid organizational forms, and encourage company management innovation according to customer demands and market changes.

Management innovation can promote the increase of enterprise performance. For example, established a two-stage model of “management innovation adopting – management innovation implementation” based on the theory of reasoned action, which indicated that the improvement of leadership skills could promote the formation of management innovation and increase enterprise performance. According to Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), studied manufacturing enterprises in the Yangtze River Delta by applying the grey relational analysis method and put forward that innovation in consumer good companies management technology, supply chain cost management, and consumer good companies management talent cultivation could increase the enterprise competitiveness and supply quality. Indonesia has many small and medium-sized consumer good company’s enterprises that lack systematic and standardized management, resulting in low service efficiency and quality. As a result, in the market, they are faced with huge competition pressure. The management innovation model can solve the problem from the root. Therefore, the enterprise can improve its serviceability, effectively integrate various channels, exploit the advantages to the full, and increase the market performance. Based on the above, the following hypotheses are proposed.

Hypothesis 2: Transformational leadership has a significant positive effect on management innovation of consumer goods companies
Hypothesis 3: Management innovation has a significant positive effect on the market performance of consumer goods companies
Hypothesis 4: Management innovation plays a mediating role in the effect of transformational leadership on the market performance of consumer goods companies

Mediating Effect of Knowledge Sharing of Consumer Goods Companies Enterprises

Purwanto et al. (2020); Suryani et al. (2020), knowledge sharing is a process: the knowledge provider conveys knowledge to the outside through narration and writing, and the knowledge receiver absorbs knowledge through listening and reading. They were considered that the knowledge sharing level in the organization depended on the relational degree of the individual and group. At the same time, transformational leadership paid more attention to internal equity and orderliness of the organization, so it could reduce bad competition caused by appropriation or improper sharing of new knowledge and then deepen the association between leaders and subordinates, and employees. They were considered that transformational leadership could stimulate employees to produce, further share and apply new knowledge, and create a performance for the organization. According to Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), services, including punctual service and unmanned distribution, are like a raging fire, and transformational leadership will provide convenience for the internal learning and exchange of new knowledge covering big data, cloud computing, and blockchain in the or-
organization via its foresight and sagacity. Hence, the above will be transformed into new service products, and market advantages can be gained. In practice, the cultural and organizational flow of most enterprises is closely related to the supreme leader. In a sense, only by establishing sharing culture and perfect knowledge flow network through transformational leadership can they promote knowledge sharing and transform it into organizational resources. That is the key factor for enterprises to acquire a competitive edge.

According to Putra et al. (2021); Praditya (2020), knowledge sharing plays an important role in increasing enterprise performance. For instance, conducted empirical analysis on 169 project teams’ data and proved that transformational leadership could enhance the knowledge sharing degree between organization members and positively promote innovation performance. Sharing knowledge with one other will help to increase the teamwork spirit, communication, and sense of trust between members. Hence, it can deepen and reasonably utilize the breadth and depth of knowledge sharing, thus improving enterprise performance. The current labor division of the consumer goods companies industry is deepened and professionalized gradually, and a knowledge capital intensive consumer good companies market is formed. According to Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), the rapid emergence of new consumer good companies services like value-added services and professional transportation mediating services, consumer goods companies enterprises are required to understand the characteristics and demands of service objects comprehensively. Hence a higher requirement is raised for the information knowledge reserve of enterprises. According to Purwanto et al. (2020); Suryani et al. (2020), promoting the integration and interaction of various consumer good companies links and driving the flow of knowledge in the organization can effectively increase the operation efficiency of consumer goods companies activity, then help the enterprise surpass other competitors on the market in service level, and increase the market performance. Based on the above, the following hypotheses are proposed.

Hypothesis 5: Transformational leadership has a significant positive effect on knowledge sharing of consumer goods companies

According to hypotheses H1–H5, the research hypothesis model in Fig. 1 is formed.

Figure 1. Research hypothesis model

METHOD

Samples and Data

This research method is quantitative and the time of completion of this study is six months. The samples were collected in 3 steps. First, related consumer good companies personnel were invited to answer questions and attend the interview to modify the questionnaire. Then the author distributed and collected the questionnaires at the consumer good companies summit conducted data pre-analysis via the questionnaires collected, and modify the consistency and effectiveness of questionnaires again. Finally, questionnaires were distributed and collected online via Google form. In this study, 400 questionnaires were distributed, and 244 valid questionnaires were gained after filtering.

Questionnaire on Market Performance of consumer goods companies has 21 questions, and the variables include transformational leadership, management innovation, knowledge sharing, and market performance. Likert 7-point Scale was adopted, and the respondents needed to give a score from 1 to 7 according to the practical situations: 1 means “strongly disagree”, and seven means “strongly
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agree”. According to document research, field investigation, pre-analysis data, and completed through modification several times, various questions were designed. As for the independent variable, based on the high sensitivity of consumer goods companies enterprises for market objectives, the transformational leadership scale was adapted from the research scale of Bass and Avolio.

RESULTS

Table 1. Sample Description

| Criteria                              | Total | %  |
|---------------------------------------|-------|----|
| Age (as of March 2020)                |       |    |
| <30 years                             | 57    | 7% |
| 30 - 40 years                         | 130   | 79%|
| > 40 years                            | 47    | 14%|
| The tenure as an Employee             |       |    |
| <5 years                              | 115   | 64%|
| 5-10 years                            | 78    | 28%|
| > 10 years                            | 41    | 8% |
| Education                             |       |    |
| S2                                    | 183   | 82%|
| S3                                    | 51    | 18%|

Source: Data Processed (2021)

The Validity and Reliability of Research Indicators

The testing phase of the measurement model includes testing for convergent validity, discriminant validity, and composite reliability. The results of the PLS analysis can be used to test the research hypothesis if all indicators in the PLS model have met the requirements of convergent validity, discriminant validity, and reliability testing.

Convergent Validity Test

A convergent validity test is done by looking at the loading factor value of each indicator against the construct. A factor weight of 0.5 or more is considered to have sufficiently strong validation to explain latent constructs (Chin, 1998; Ghozali, 2014; Hair et al., 2010). In this study, the minimum acceptable loading factor is 0.5, provided that the AVE value of each construct is> 0.5 (Ghozali, 2014).

Figure 2. Valid model
Based on the estimation results of the PLS model in the picture above, all indicators have a loading factor value above 0.5 so that the model has met the convergent validity requirements. Apart from looking at the loading factor value of each indicator, convergent validity was also assessed from the AVE value of each construct. The AVE value for each construct of this study is above 0.5. So the convergent validity of this research model has met the requirements. The value of loadings, Cronbach’s alpha, composite reliability, and AVE for each complete construct can be seen in Table 2 below:

Table 2. Items Loadings, Cronbach’s Alpha, Composite Reliability, and Average Variance Extracted (AVE)

|   | KS | M1  | MP  | TL  |
|---|----|-----|-----|-----|
| X11|    |     |     |     | 0.915 |
| X12|    |     |     |     | 0.909 |
| X13|    |     |     |     | 0.923 |
| X14|    |     |     |     | 0.844 |
| X15|    |     |     |     | 0.848 |
| X21|    | 0.992 |     |     |     |
| X22|    | 0.999 |     |     |     |
| X23|    | 0.989 |     |     |     |
| X24|    | 0.991 |     |     |     |
| X31| 0.993 |     |     |     |     |
| X32| 0.992 |     |     |     |     |
| Y11|    |     |     |     | 0.730 |
| Y12|    |     |     |     | 0.767 |
| Y13|    |     |     |     | 0.956 |
| Y14|    |     |     |     | 0.962 |
| Y15|    |     |     |     | 0.947 |

Source: Data Processed SmartPLS 3.0 (2021)

Discriminant Validity Test

Discriminant validity is done to ensure that each concept of each latent variable is different from other latent variables. The model has good discriminant validity if the AVE squared value of each exogenous construct (the value on the diagonal) exceeds the correlation between this construct and other constructs (values below the diagonal) (Ghozali, 2014). The results of discriminant validity testing using the AVE square value, namely by looking at the Fornell-Larcker Criterion Value, are obtained as referred to in Table 3.

The results of the discriminant validity test in Table 3 above show that all constructs have a square root value of AVE above the correlation value with other latent constructs (through Fornell-Larcker criteria) so that it can be concluded that the model has met discriminant validity.

Construct Reliability Test

The construct reliability can be assessed from the Cronbach’s alpha value and the composite reliability of each construct. The recommended com-
composite reliability and Cronbach’s alpha values are more than 0.7. (Ghozali, 2014). The reliability test results in table 2 above show that all constructs have composite reliability and Cronbach’s alpha values greater than 0.7 (> 0.7). In conclusion, all constructs have met the required reliability.

**Hypothesis Test**

Hypothesis testing in PLS is also called the inner model test. This test includes a significance test for direct and indirect effects and the magnitude of the influence of exogenous variables on endogenous variables. To determine the effect of transactional leadership and transformational leadership on lecturers’ innovation capability, a direct and indirect effect test is needed. The effect test was carried out using the t-statistic test in the partial least squared (PLS) analysis model using the SmartPLS 3.0 software. With the bootstrapping technique, the R Square value and the significance test value were obtained as shown in Table 4 below:

**Table 3. Discriminant Validity**

|   | Cronbach’s Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|---|------------------|-------|-----------------------|---------------------------------|
| KS | 0.984            | 0.989 | 0.992                 | 0.984                           |
| MI | 0.995            | 0.996 | 0.996                 | 0.985                           |
| MP | 0.926            | 0.963 | 0.943                 | 0.771                           |
| TL | 0.933            | 0.933 | 0.949                 | 0.789                           |

Source: Data Processed SmartPLS 3.0 (2021)

Table 3 above shows the composite reliability and Cronbach’s alpha values. The reliability test results show that all constructs have values greater than 0.7 (> 0.7). In conclusion, all constructs have met the required reliability.

**Table 4. Value of R Square**

|                                           | R Square | R Square Adjusted |
|-------------------------------------------|----------|-------------------|
| Management Innovation                     | 0.523    | 0.643             |
| Knowledge sharing                         | 0.785    | 0.768             |
| Marketing Performance                     | 0.787    | 0.781             |

Source: Data Processed SmartPLS 3.0 (2021)

**Table 5. Hypotheses Testing**

| Original Sample (O) | Sample Mean (M) | (STDEV) | T Statistics | P Values |
|---------------------|-----------------|---------|--------------|----------|
| KS → MP             | 0.276           | 0.253   | 0.199        | 1.386    | 0.166    |
| MI → MP             | -0.231          | -0.278  | 0.166        | 1.388    | 0.166    |
| TL → KS             | 0.576           | 0.583   | 0.113        | 5.098    | 0.000    |
| TL → MI             | 0.723           | 0.727   | 0.061        | 11.803   | 0.000    |
| TL → MP             | -0.043          | 0.023   | 0.237        | 0.183    | 0.855    |

Source: Data Processed SmartPLS 3.0 (2021)

Based on Table 4 above, the value of R Square management innovation is 0.649, which means that the management innovation can be explained by the transactional leadership variables of 52.39%, while the remaining 47.7% is explained by other variables not discussed in this study.

**DISCUSSION**

Hypothesis 1: Knowledge Sharing has a significant positive effect on the market performance of consumer goods companies.

The t-statistics value of 1.386 is lower than 1.96 and the p-value of 0.166 is greater than 0.05. In
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conclusion, hypothesis H1 is not accepted. So it can be concluded that Knowledge sharing has not a significant effect on the market performance of consumer goods companies. This result is not in line with research conducted by Praditya (2020); Kotamena et al. (2020; Suryani et al. (2020); Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), stated that knowledge sharing has a significant effect on the market performance of consumer goods companies.

Hypothesis 2: Management innovation has a significant positive effect on the market performance of consumer goods companies.

The t-statistics value of 1.388 is lower than 1.96 and the p-value of 0.166 is greater than 0.05. In conclusion, the hypothesis H2 is not accepted. So it can be concluded that management innovation has not a significant effect on the market performance of consumer goods companies. This result is not in line with research conducted by Praditya (2020); Kotamena et al. (2020; Suryani et al. (2020); Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), stated that management innovation has a significant effect on the market performance of consumer goods companies.

Hypothesis 3: Transformational leadership has a significant positive effect on knowledge sharing of consumer goods companies.

The t-statistics value of 5.098 is greater than 1.96 and the p-value of 0.000 is smaller than 0.05. In conclusion, hypothesis H3 is accepted. So it can be concluded that transformational leadership has no significant effect on the knowledge sharing of consumer goods companies. This result is in line with research conducted by Sihite et al. (2020); Supratman et al. (2021); Suprapti et al. (2020); Purwanto et al. (2020); Suryani et al. (2020); Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), stated that transformational leadership has a significant effect on the knowledge sharing of consumer goods companies.

Hypothesis 4: Transformational leadership Leadership has a significant positive effect on management innovation of consumer goods companies.

The t-statistics value of 11.803 is greater than 1.96 and the p-value of 0.00 is lower than 0.05. In conclusion, hypothesis H4 is accepted. So it can be concluded that Transformational leadership has a significant effect on management innovation of consumer goods companies. These results are in line with research conducted by Suprapti et al. (2020); Purwanto et al. (2020); Suryani et al. (2020); Asbari et al. (2020); Hartono and Maksum (2020); Rokhani (2020), stated that Transformational leadership has a significant effect on management innovation of consumer goods companies.

Hypothesis 5: Transformational leadership has a significant positive effect on the market performance of consumer goods companies.

The t-statistics value of 0.183 is smaller than 1.96 and the p-value of 0.183 is greater than 0.05. In conclusion, hypothesis H5 is not accepted. So it can be concluded that Transformational leadership has not a significant positive effect on the market performance of consumer goods companies. This result is not in line with research conducted by Novitasari et al. (2021); Sihite et al. (2020); Supratman et al. (2021); Suprapti et al. (2020); Purwanto et al. (2020); Suryani et al. (2020); Asbari et al. (2020), stated that Transformational leadership has a significant effect on the market performance of consumer goods companies.

CONCLUSIONS

Knowledge sharing has not a significant effect on the market performance of consumer goods companies. Management innovation has not a significant effect on the market performance of consumer goods companies. Transformational leadership has no significant effect on the knowledge sharing of consumer goods companies. Transformational leadership has a significant effect on the management innovation of consumer goods companies. Transformational leadership has not a significant positive effect on the market performance of consumer goods companies.
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IMPLICATIONS

This study implies that consumer goods companies should intensify the shaping of transformational leadership and the management innovation vitality should be improved through the optimization of organizational structure and team management. At last, consumer good company’s enterprises should pay attention to the increase of knowledge sharing efficiency and effectiveness. Indonesia has 250 million people in the middle-income group, and the consumer goods companies market has a huge potential. Transformational leadership can promote knowledge sharing and management innovation of an organization, solve the problems of low efficiency, high cost, and numerous links, improve the market performance, establish an efficient modern consumer goods companies enterprise, and create a new pattern for the development of consumer goods companies industry.

LIMITATIONS

No study is free from limitations, nor is this study. Regarding the limitations of this study, the most obvious one is that it does not explore the consequences. Other variables such as costs, for costs, can be further investigated to determine the effect on market performance and variable costs, which opens up wide attractive opportunities for further research.

RECOMMENDATIONS

The consumer good company’s enterprises should pay attention to the increase of knowledge sharing efficiency and effectiveness. Indonesia has 250 million people in the middle-income group, and the consumer goods companies market has a huge potential. Transformational leadership can knowledge sharing of organization and promote management innovation, solve the problems of low efficiency, high cost, and numerous links, improve the market performance, establish an efficient modern consumer goods companies enterprise, and create a new pattern for the development of consumer goods companies.

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