

The Role of Innovation Capability in Mediating the Influence of Transformational Leadership and Employee Competence on Human Resource Performance at BPR Marunting Sejahtera

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Abstract. *The global business landscape has experienced significant disruption due to the acceleration of technology, increasing intensity of market competition, and evolving workforce expectations. This fundamental transformation requires every organization, both private and public sectors, to not only survive but also proactively adapt and thrive by strengthening adaptive and innovative human resources (HR). Referring to the context of the phenomena and problems described in the background, this research is a field study using a quantitative approach. "Quantitative is a research method based on concrete data, research data in the form of numbers or numeric that will be measured using statistics as a calculation test tool, related to the problem being studied to produce a conclusion". Respondents' responses were measured using variables expressed quantitatively through a 5-point Likert scale, which covers a range from strongly disagree to strongly agree. Thus, the data collected is quantitative data. The variables that are the focus of this study include Transformational Leadership Style, Innovation, Employee Competence, and Human Resource Performance. Overall, this conclusion highlights that at PERUMDA BPR Marunting Sejahtera, Employee Competence is the main pillar that directly supports Human Resource Performance. Meanwhile, the Transformational Leadership Style has succeeded in creating a conducive environment for Innovation Capability, and employee competency also supports this innovation. However, the biggest challenge is how to translate this existing Innovation Capability into a directly measurable and significant improvement in Human Resource Performance. The innovation bridge, both from leadership and competency, is not yet fully solid to facilitate a significant performance impact.*

Keywords: *Employee Competence; Human Resource Performance; Innovation Capability; Transformational Leadership.*

1. Introduction

The last few years have shown that The global business landscape has experienced significant disruption due to the acceleration of technology, increasing intensity of market competition, and evolving workforce expectations. This fundamental transformation requires every organization, both private and public sectors, to not only survive but also proactively adapt and thrive by strengthening adaptive and innovative human resources (HR).(Teece, 2007)In this dynamic context, organizations are faced with the imperative of continually improving productivity and work effectiveness to remain competitive and relevant. This also applies to regional financial institutions like BPR Marunting Sejahtera, which plays a strategic role in the local economy and must be able to compete amidst the increasingly competitive dynamics of the banking industry.

Furthermore, workforce expectations in the banking sector have also undergone significant changes. Employees now desire a more dynamic work environment, opportunities for competency development, and leadership that can inspire and motivate employees to grow. One banking institution that has successfully met these challenges is BPR Marunting Sejahtera. BPR Marunting Sejahtera is a regionally-owned enterprise (BUMD) wholly owned by the regional government. This company operates in the banking industry with the aim of facilitating funding for micro, small, and medium enterprises (MSMEs) efficiently and effectively. Furthermore, BPR Marunting also aims to be a source of Regional Original Income (PAD) and provide benefits to all related parties, especially in West Kotawaringin, Central Kalimantan. Human resource performance directly contributes to the overall success of the organization.(Idrus et al., 2023).

Human resource performance refers to the results and achievements achieved in a job. "Performance refers to adherence to plans while aiming to achieve specific results, although performance evaluation is at the heart of performance management."(Cardy, 2004). "HR performance refers to the financial or non-financial results of HR that are directly related to the performance and success of the organization"(Jagannathan, 2014)To maintain these achievements, the organization requires optimal and credible human resources, in line with the company's vision, namely to realize employee performance excellence at BPR Marunting Sejahtera Pangkalan Bun.

At BPR MARUNTING SEJAHTERA Pangkalan Bun, good human resource performance is directly felt by the community who uses its services, as seen in the achievement of targets, the services provided, and the agility in resolving problems faced by the community. Based on previous research, several variables can contribute to improving human resource (HR) performance.

The overall success of an organization is inseparable from the crucial role of human resources (HR), supported by the development of products that are acceptable to the community. One of BPR Marunting Sejahtera's flagship products is MAS BASIR MSME financing. On October 21, 2023, BPR Marunting Sejahtera launched the Marunting Sejahtera Free from Loan Sharks (MAS BASIR) program to facilitate MSMEs' access to formal capital.

According to Humabetang (2023) This program offers loans with a low interest rate of 0.75% flat per month, aimed at improving the economy and improving public welfare. Furthermore, the program offers unsecured loans of up to IDR 5 million with a low interest rate of IDR 7,500 per IDR 1 million per month, as well as special savings services for MSMEs. This financing product is expected to support the growth of the Micro, Small, and Medium Enterprises (MSMEs) sector and ensure optimal operation.

Innovation capability is a company's ability to continuously introduce and improve products periodically, thereby encouraging employee engagement and performance through motivation, task clarity, and successful implementation of innovation. (Pinem et al., 2021; Sudiyani, 2021). Recent studies show that product innovation and its capabilities, in the form of continuous introduction and implementation of innovative products, have a significant impact on HR performance. (Fatoni et al., 2023; Sudiyani, 2021; Pinem et al., 2021).

In the current context of uncertainty, volatility and rapid change, companies also fundamentally need innovation capabilities as the main driver of change and adaptation. Innovation capability is defined as the ability of an organization and the individuals within it to consistently develop, implement and commercialize new ideas, whether in the form of products, processes, technology or work systems. (Hult et al., 2004; Lawson & Samson, 2001). It's not just about new ideas, but about the organization's systematic capacity to innovate.

In line with this, the role of HR in creating new product innovation capabilities must be supported by a strong understanding of sustainable finance principles. BPR Marunting Sejahtera has conducted training for employees so they can adapt and continue to innovate in accordance with economic policy directions, while minimizing risks that may arise in the future. This training not only aims to maintain the company's performance and capabilities, but also to improve employee competency as a whole. Competence is defined as a combination of knowledge, technical skills, critical thinking abilities, and emotional and social intelligence inherent in an individual, which enables them to carry out their duties effectively. (Spencer & Spencer, 1993). Employees with high competence are not only able to complete routine tasks well, but also contribute to better decision-making, increased work process efficiency, and the ability to adapt to change.

Research by Mukhtar et al. (2021) and Aprilida (2012) confirm that competencies have a significant relationship with improved performance, particularly in the service and financial sectors that demand customer interaction and rapid decision-making. Astuti & Setyorini (2024) shows that innovative work behavior (IWB) acts as a mediating variable between knowledge sharing and organizational learning on employee performance. This finding indicates that employees with high competence, supported by regular company training, have the potential to improve performance through consistently applying innovation capabilities in the work environment. Therefore, this study also includes employee competency as a factor suspected of influencing innovation capabilities and ultimately improving HR performance.

Previous research also shows that innovation is an important bridge between leadership and the achievement of organizational performance output.(Wijaya et al., 2023)The study found that innovation capability acts as a significant mediating variable, bridging the influence of organizational inputs, such as leadership, on strategic outputs in the form of sustainable and competitive organizational performance. Without a creative work environment, led by a leader who can accommodate employee aspirations and support innovation capability, companies will face difficulties in achieving competitive advantage and maintaining long-term business sustainability. Therefore, creating a creative work environment that supports innovation capability is highly dependent on the presence of the right leader, who can foster a culture of innovation and facilitate collaboration between teams.(Amabile, 1997;Eliyana et al., 2019;Khan et al., 2020;Meiryani et al., 2022;(Yukl, 2013).

One leadership style that can support a creative work environment and encourage innovation is transformational leadership. This leadership style is characterized by a leader's ability to inspire and motivate followers to transcend personal interests for the sake of organizational goals, often referred to as the spirit of going the extra mile.(Bass & Avolio, 1994).Transformational leaders drive positive change by instilling a shared vision, providing individual support, and encouraging creativity and innovation in the work environment.(Eisenbeiss et al., 2008)Transformational leaders are considered capable of building a strong shared vision, fostering trust among the team, and providing motivation and intellectual stimulation for employees to work more effectively, productively, and creatively.(Bass & Riggio, 2006).

Jufrisen & Lubis (2020)stated that "transformational leadership has a significant influence on HR performance." This finding is supported by researchManzoor et al. (2019), which concluded that transformational leadership style can improve HR performance by increasing job satisfaction. However, other research byFadilah et al. (2023)showed different results, where they stated that "Based on the results of the study, transformational leadership style does not have a significant effect on the performance of employees of PT. Enseval Putera Megatrading, Tbk Jambi Branch". This study indicates that transformational leadership style may not be effective in improving the performance of employees of PT. Enseval Putera Megatrading, Tbk Jambi Branch.

These differing results indicate a research gap: the lack of a comprehensive understanding of the conditions under which transformational leadership is effective in improving human resource (HR) performance. Therefore, further research is needed that considers mediating variables, such as the organizational context that maintains innovation capabilities, to explain this relationship more comprehensively.

This study aims to explore whether transformational leadership has an influence on HR performance at BPR Marunting Sejahtera, with innovation capability as a mediating variable. The selection of transformational leadership as the main variable is based on the results of interviews conducted by the researcher with the organization's new leader. The president director of BPR Marunting Sejahtera, as the new leader, demonstrates the characteristics of

transformational leadership, namely the ability to inspire the team in pursuing ambitious goals, motivate members to think innovatively, and set high standards in achieving organizational targets.

2. Research Methods

Referring to the context of the phenomena and problems described in the background, this research is a field study using a quantitative approach. "Quantitative is a research method based on concrete data, research data in the form of numbers or numerics that will be measured using statistics as a calculation test tool, related to the problem being studied to produce a conclusion" (Sugiyono, 2018:13). Respondents' responses were measured using variables expressed quantitatively through a 5-point Likert scale, which covers a range from strongly disagree to strongly agree. Thus, the data collected is quantitative data. The variables that are the focus of this study include Transformational Leadership Style, Innovation, Employee Competence, and Human Resource Performance.

3. Results and Discussion

3.1. The Influence of Transformational Leadership on Innovation Capability

Hypothesis 1 which states "Transformational Leadership Style has a positive effect on Innovation Capability" is accepted. The SEM-PLS findings clearly confirm that Transformational Leadership plays a crucial and significant role in shaping and enhancing Innovation Capability at PERUMDA BPR Marunting Sejahtera. Leaders not only provide instructions but also inspire employees to see the big picture, envision new possibilities, and boldly step outside their comfort zones.

When leaders demonstrate exemplary behavior and high integrity, employees can build a solid foundation of trust. Employees feel safe to experiment because they know their leaders hold true values.

Furthermore, transformational leadership actively conveys a clear, inspiring work vision and motivates employees to achieve shared goals. This creates a sense of ownership of the organization's goals, including innovation. Employees work not just for the sake of duty, but because they feel part of a larger mission to continuously grow and create new value.

The strength of transformational leadership also lies in its ability to encourage creative and critical thinking and openness to new ideas and approaches (average score of 3,670). This means leaders are not afraid of change, but rather encourage it. They create a safe space for employees to ask questions, challenge the status quo, and express ideas that might be considered inconsistent with company policy.

Finally, by focusing on personal development and providing support tailored to individual needs, transformational leaders empower employees. Employees understand that innovation often stems from learning and self-development. When employees feel supported to grow and have resources (such as access to information that supports innovative ideas), they are more likely to be bold and motivated to try new things.

In short, these results demonstrate that at PERUMDA BPR Marunting Sejahtera, transformational leaders are key catalysts for innovation. These leaders not only manage but also lead with heart and mind, fostering a culture where new ideas are welcomed, developed, and valued, significantly enhancing the company's overall innovation capabilities.

3.2. The Influence of Transformational Leadership Style on Human Resource Performance

The second hypothesis which states that "Transformational Leadership Style has a positive effect on Human Resource Performance" is rejected. In the analysis results of the Structural Equation Modeling (SEM) path model based on Partial Least Squares (PLS), it was revealed that Transformational Leadership Style (X1) did not have a direct and significant impact on Human Resource Performance (Y) at PERUMDA BPR Marunting Sejahtera.

These findings, while contradicting the initial hypothesis, present an interesting dynamic worthy of further exploration. One strong indicator of transformational leadership is the leader's ability to motivate employees to achieve shared goals and lead by example. Regarding Human Resource Performance, indicators such as the ability to maintain quality standards in work and the ability to work independently without relying on constant direction demonstrate high levels of perception.

However, even though leaders have demonstrated strong transformational attributes and employees perceive their performance to be quite high in these aspects, the direct correlation is not significant. This phenomenon can be explained through several lenses. First, although leaders motivate and serve as role models, the impact of this motivation may be more dominant in stimulating aspects of innovation (as indicated by the significance of X1 on Z) than in directly influencing routine performance metrics. Employees may be inspired to think creatively and critically and try new ideas (management is supportive), but the implementation of these innovative ideas may take time or not yet be fully integrated with existing individual performance measurement systems.

Furthermore, this finding can also be attributed to the demographic structure of the respondents. With the majority of employees aged 31-40 (50%) and having worked for 10-14 years (41.4%), BPR Marunting Sejahtera has a relatively experienced and stable employee base. This group may have achieved optimal performance levels through experience and routine, so the direct impact of a transformational leadership style may be more visible in aspects such as engagement, organizational commitment, or innovation itself, rather than in improving established operational performance. Individual employee performance is more influenced by intrinsic factors or the company's existing internal systems, rather than the direct influence of leadership style alone.

These findings differ from several previous research findings. Jufrisen & Lubis, (2020) and Manzoor et al, (2019) which shows that transformational leadership has a positive and significant impact on HR performance. This difference may indicate a unique context at PERUMDA BPR Marunting Sejahtera, where the role of transformational leadership does increase innovation capabilities but cannot directly improve employee performance. This

provides room for further research to explore more complex mediating mechanisms in this relationship.

2.3. The Influence of Employee Competence on Innovation Capability

The 3rd hypothesis which states "Employee Competence has a positive effect on Innovation Capability" is accepted. In the results of the Structural Equation Modeling (SEM) path model analysis based on Partial Least Squares (PLS), it was revealed that Employee Competence (X2) did not have a positive and significant impact on Innovation Capability (Z) at PERUMDA BPR Marunting Sejahtera.

These findings strongly indicate that employee skills, knowledge, and critical thinking abilities significantly enhance an organization's ability to innovate. This interpretation aligns closely with Resource-Based Theory, which emphasizes that employee competency is a key asset and unique resource for an organization. Employees with in-depth knowledge, relevant skills, and critical thinking abilities have a strong foundation for identifying opportunities, analyzing challenges, and developing innovative solutions. They are not only able to adapt to change but also become agents of change themselves. Therefore, the results of this study empirically prove that at PERUMDA BPR Marunting Sejahtera, investing in employee competency development is an effective strategy for growing and strengthening innovation capabilities.

This result is in line with the findings of several previous studies, Wijaya et al. (2023) and Pradyta & Sumartik (2023) found that innovation capability can act as a significant mediating variable, bridging the influence of organizational inputs (such as leadership and individual competencies) with strategic outputs in the form of sustainable and competitive organizational performance.

2.4. The Influence of Employee Competence on Human Resource Performance

The 4th hypothesis which states "Employee Competence has a positive effect on Human Resource Performance" is accepted. In the analysis of the Structural Equation Modeling (SEM) path model based on Partial Least Squares (PLS), it was revealed that the work competencies possessed by PERUMDA BPR Marunting Sejahtera employees directly affect employee performance. This means that the higher the level of competency possessed by employees, the higher their contribution to achieving organizational performance. Based on the results of descriptive analysis of eight indicators representing work competency variables, with the highest average value being indicator X2.5 with the statement "I can work well in a team", and X2.6 with the statement "I am able to communicate effectively with colleagues and superiors", the high scores on both indicators reflect that employee interpersonal skills, such as teamwork and communication, are the main strengths possessed by HR in this organization. Strong interpersonal competencies are very important in building synergy between teams, improving work coordination, and creating a collaborative and productive work environment. This is also an important driver in achieving organizational performance in a sustainable manner.

Simply put, competency is the combination of knowledge, skills, and abilities required to complete a job effectively. Therefore, the higher an employee's competency level, the better their work results, reflected in the quality, quantity, and effectiveness of their individual performance. For example, a competent credit analyst employee possesses a deep understanding of financial ratios, risk management, and collateral valuation procedures, resulting in a high level of analytical accuracy and a low risk of non-performing loans (NPLs).

The results of this study are in line with the findings of Jufrisen & Lubis (2020) which states that employee competence has a significant influence on improving human resource performance. In addition, Sheet et al, (2019) also shows that high work competence will encourage work effectiveness, which ultimately has a positive impact on individual and organizational performance. Other research by Han, (2024) also strengthens the fact that technical competence and employee behavior are crucial factors that influence the achievement of work targets and HR productivity.

2.5. The Influence of Innovation Capabilities on Human Resource Performance

The 5th hypothesis which states "Innovation Capability has a positive effect on Human Resource Performance" is rejected. In the results of the Structural Equation Modeling (SEM) path model analysis based on Partial Least Squares (PLS), it was revealed that Innovation Capability (Z) did not have a direct and significant impact on Human Resource Performance (Y) at PERUMDA BPR Marunting Sejahtera.

The rejection of Hypothesis 5 presents a phenomenon that requires in-depth analysis at PERUMDA BPR Marunting Sejahtera. On the one hand, the company's Innovation Capability is perceived as quite high, with indicators showing that innovation is considered important in daily work processes, employees have the ability to create new solutions, and the company is open to change and renewal. However, on the other hand, although this Innovation Capability has been established, its direct impact on Human Resource Performance, which includes aspects such as high accuracy and precision as well as the ability to maintain quality standards, has not shown a statistically significant relationship.

There are several reasons for these results. First, it can be assumed that there is a lag effect between the increase in innovation capability and its actual manifestation in individual performance. Innovation is often a gradual process, from idea, development, implementation, and finally having a measurable impact on performance. Although employees may be capable of creating new solutions and the company is open to these ideas (management is supportive), the process of implementing and internalizing innovation into daily work procedures, which then impacts individual performance metrics, takes time. HR performance may still be closely tied to routine operational targets (such as completing work volumes on target), while the results of new innovations may not yet be fully integrated or directly measured as part of individual performance evaluations.

Second, it is possible that Innovation Capability at PERUMDA BPR Marunting Sejahtera functions more as an environmental enabler than as a direct performance driver. This

means that an innovative environment does exist, supported by superiors who encourage a culture of innovation and the availability of access to information that supports innovative ideas, as well as the resources (time, tools) for innovation. However, for this innovation to truly impact individual performance, other mechanisms or mediating variables not yet captured in this model may be needed, or a clearer reward system for innovation outcomes that directly improve performance may be needed. Employees may be innovative, but those innovation outcomes have not yet fully translated into measurable improvements in their daily performance metrics.

Third, it can also be assumed that human resource performance at PERUMDA BPR Marunting Sejahtera is significantly influenced by factors other than innovation capability. Considering that the majority of respondents were employees with 10-14 years of service (41.4%) and aged 31-40 years (50%), their performance may already be relatively stable and optimal due to their extensive experience. Increasing innovation capability may not drastically alter established operational performance, but rather impact non-operational performance aspects, such as job satisfaction, engagement, or adaptability to future changes that are not necessarily directly measurable within the current performance framework.

This finding contrasts with the majority of literature, which generally states a positive and significant relationship between innovation capability and performance. Numerous studies across various sectors have found that organizations with high innovation capabilities tend to have better employee performance because these innovations directly translate into more efficient processes, improved quality, or new products/services that increase productivity. This is evident in research conducted by Hadjri et al. (2019) In their research on the halal industry sector, they found that innovation capability is a key link between dynamic capabilities and performance. The higher the innovative capability of an individual or organization, the greater the opportunity to achieve sustainable performance improvement. Similarly, research by Wijaya et al. (2023) And Pradyta & Sumartik (2023) which states that innovation capability is an important element that significantly improves employee performance.

In the context of PERUMDA BPR Marunting Sejahtera, Innovation Capability may be in the development phase or not yet fully optimized to directly impact HR performance, but rather focuses more on building internal culture and capacity. This provides room for further research to identify mediating or moderating variables that may play a role in explaining this relationship more comprehensively, or to adjust the performance measurement framework to better accommodate innovation outcomes.

2.6. The Influence of Innovation Capability in Mediating the Effect of Transformational Leadership Style on Human Resource Performance

The 6th hypothesis which states "Innovation Capability Mediates the Influence of Transformational Leadership Style on Human Resource Performance" is Rejected. Innovation Capability cannot mediate transformational leadership style with Human Resource Performance. Although intuitively innovation is expected to improve performance,

data shows that this direct relationship has not been achieved statistically. In the strategic context of PERUMDA BPR Marunting Sejahtera, this study attempts to uncover how leadership can influence employee performance through the lens of innovation. Hypothesis 6 specifically tests the role of Innovation Capability (Z) as a bridge connecting Transformational Leadership Style (X1) with Human Resource Performance (Y).

The results of the Structural Equation Modeling (SEM) path model analysis based on Partial Least Squares (PLS) indicate that Innovation Capability (Z) did not significantly mediate the influence of Transformational Leadership Style (X1) on Human Resource Performance (Y).

This is an interesting finding and requires careful interpretation, considering the following facts:

- a. Transformational leadership is indeed successful in fostering innovation capability. Leaders who can motivate employees toward a shared goal and encourage creative thinking have been shown to significantly improve a company's ability to innovate. This is a key success factor in building a foundation. However, neither the direct effect of transformational leadership on human resource performance nor the direct effect of innovation capability on human resource performance is significant.
- b. The narrative behind these results is that "the Innovation Capability bridge is not yet strong or complete enough to effectively channel the drive of transformational leadership into Human Resource Performance." Although leaders have successfully ignited the fire of innovation, and that fire has created the capacity to generate new ideas, the results of that innovation have not been significantly reflected in improvements in employees' daily performance.
- c. Disconnected or Weak Influence Paths so that the mediation results are not significant indicates that Innovation Capability does not function as a strong or primary link in the X1 to Y mechanism. Although there is a tendency for an indirect influence, statistically, the effect is not strong enough. This means that the innovations resulting from transformational leadership may not have been fully integrated or executed in such a way that directly improves existing performance metrics in employees (e.g., accuracy, precision, or the ability to complete work volumes on target).

5.7. The Influence of Innovation Capabilities in Mediating Employee Competence on Human Resource Performance

The 7th hypothesis which states "Innovation Capability Mediates the Influence of Employee Competence on Human Resource Performance" is Rejected. The results of the Structural Equation Modeling (SEM) path model analysis based on Partial Least Squares (PLS) revealed that Innovation Capability (Z) does not significantly mediate the influence of Employee Competence (X2) on Human Resource Performance (Y). Although there is a tendency for an indirect influence through innovation capability, statistically, this mediation effect is not yet significant.

These findings have rich managerial implications, particularly given the strong individual pathways. Employee Competence is a Source of Strength: The data clearly demonstrate that

Employee Competence (X2) has a strong and significant direct effect on Human Resource Performance (Y). This confirms that foundational competencies, such as the ability to work in a team or communicate effectively, are direct drivers of performance. Employees who understand the basic knowledge of the job and are able to complete technical tasks to standards tend to produce work with high accuracy and precision and complete work volumes on target.

These findings suggest a variation from the mediation model common in the human resource management literature. While many studies support that competency drives innovation, which in turn improves performance, the results at BPR Marunting Sejahtera indicate that the direct effect of competency on performance is more pronounced, while the mediating role of innovation remains latent or has not yet been fully realized.

This aligns with research suggesting that not all innovations directly lead to improved individual performance, or that the relationship may be complex and moderated by other factors such as an organizational culture that supports innovation implementation, reward systems, or even the type of innovation itself (incremental vs. radical). For PERUMDA BPR Marunting Sejahtera, this is an important message: continue to improve employee competency because it is a direct investment in performance. At the same time, strategic efforts are needed to ensure that these existing innovation capabilities are not merely "existing," but are actively translated and integrated into operational performance objectives, so that the innovation bridge can function more robustly and channel the full potential of employee competency.

4. Conclusion

Based on data analysis using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) and interpretation of the results in Chapter 4, several key conclusions can be formulated as follows: 1. Hypothesis 1 which states "Transformational Leadership Style has a positive effect on Innovation Capability" is accepted. Transformational Leadership Style (X1) Proven to Increase Innovation Capability (Z): The results of the study convincingly show that the higher the implementation of Transformational Leadership Style, the higher the Innovation Capability at PERUMDA BPR Marunting Sejahtera. Leaders who act as role models (average 3,570), demonstrate high integrity (average 3,680), and are able to motivate employees to achieve common goals (average 3,670) successfully create a work environment that encourages new ideas and openness to change. This finding is consistent with the extensive literature stating that transformational leadership is an important catalyst for innovation in organizations. This result is also in line with several previous studies. Le et al., (2020) & Feranita et al., (2017) who found empirical evidence that transformational leadership has a positive and significant influence on innovation capability across various contexts. They argue that transformational leaders play a key role in creating an environment that encourages learning and the exploration of new ideas. 2. The second hypothesis which states "Transformational Leadership Style has a positive effect on Human Resource Performance" is rejected. Transformational Leadership Style (X1) Has Not Yet Had a Significant Direct Influence on Human Resource Performance (Y): Although transformational

leadership has been successful in fostering innovation, its direct influence on Human Resource Performance has not been statistically significant. This indicates that, in the context of PERUMDA BPR Marunting Sejahtera, inspiration and motivation from transformational leaders have not been directly translated into measurable improvements in individual performance, which may be due to the presence of other, more dominant factors or more complex mechanisms of influence that have not been fully captured by this direct model. This result is in contrast to several previous studies which stated that Transformational Leadership Style has a positive influence on Human Resource Performance (Priyatno, 2016; Fahrian et al., 2022). 3. Hypothesis 3 which states "Employee Competence has a positive effect on Innovation Capability" is Accepted. Employee Competence (X2) Has a Strong and Significant Influence on Human Resource Performance (Y): This study confirms that Employee Competence is a very strong and direct predictor of Human Resource Performance. Employees who understand basic job knowledge (average 3,720), are able to complete technical tasks according to standards (average 3,780), and are able to work together in a team (average 3,800) are directly correlated with work results that have high accuracy and precision (average 3,720) and the ability to maintain quality standards (average 3,780). This finding is in line with previous theories and research. Wishnumulya (2024) and Purwanto et al., (2023) In his study, he stated that employee competency significantly influences the ability to innovate. Competence makes employees more adaptable to technological change, more open to new ideas, and more confident in implementing innovation in the workplace.

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