

TRANSFORMATIONAL LEADERSHIP IN MIDDLE MANAGEMENT: ITS IMPACT ON ENTREPRENEURIAL ORIENTATION AND SOCIAL NETWORK IN PERFORMANCE AT A BANKING INDUSTRY COMPANY

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Abstract

The sector of banking plays a strategic role in driving the economy of the country. The growth of this sector can help the economy but also increases the intense competition in Indonesia. To improve performance, banking companies need to maintain good relationships with external parties. The role of branch offices, which interact directly with customers and stakeholders, is considered important to understand market conditions and customer needs. Branch offices have the responsibility to interact directly with customers to understand their needs, where the branch head holds a crucial role in executing this responsibility. This study explores the influence of transformational leadership possessed by the branch head on entrepreneurial orientation, social network, and performance at a branch office of a banking industry company. This study uses a quantitative method, where data collection was done through a survey. The unit of analysis is a branch office with a total of 49 branch heads. The results of the study show that transformational leadership has a significant influence on entrepreneurial orientation and social network. Most respondents, alumni of Management Trainee programs placed in various branch offices, thus having extensive knowledge about the company and high adaptability skills. The branch head, as middle management, plays a crucial role in creating a work environment that supports innovation and collaboration. It was found that the ability of branch offices to interact well internally and externally can increase the financial and customer performance of the branch office.

Keywords: Transformational Leadership, Entrepreneurial Orientation, Social Network, Performance, Bank

Abstrak

Sektor perbankan memegang peranan strategis dalam menggerakkan perekonomian negara. Pertumbuhan sektor ini dapat membantu perekonomian namun juga meningkatkan persaingan yang ketat di Indonesia. Untuk meningkatkan kinerja, perusahaan perbankan perlu menjaga hubungan baik dengan pihak eksternal. Peran kantor cabang yang berinteraksi langsung dengan nasabah dan pemangku kepentingan dianggap penting untuk memahami kondisi pasar dan kebutuhan nasabah. Kantor cabang memiliki tanggung jawab untuk berinteraksi langsung dengan nasabah guna memahami kebutuhan nasabah, dimana kepala cabang memegang peranan krusial dalam menjalankan tanggung jawab tersebut. Penelitian ini mengkaji pengaruh kepemimpinan transformasional yang dimiliki kepala cabang terhadap orientasi kewirausahaan, jaringan sosial, dan kinerja pada kantor cabang perusahaan industri perbankan. Penelitian ini menggunakan metode kuantitatif, dimana pengumpulan data dilakukan melalui survei. Unit analisis adalah kantor cabang dengan jumlah kepala cabang sebanyak 49 orang. Hasil penelitian menunjukkan bahwa kepemimpinan transformasional memiliki pengaruh yang signifikan terhadap orientasi kewirausahaan dan jaringan sosial. Sebagian besar responden merupakan alumni program Management Trainee yang ditempatkan di berbagai kantor cabang, sehingga memiliki pengetahuan yang luas tentang perusahaan dan kemampuan adaptasi yang tinggi. Kepala cabang, sebagai manajemen tingkat menengah, memegang peranan penting dalam menciptakan lingkungan kerja yang mendukung inovasi dan kolaborasi. Ditemukan bahwa kemampuan kantor cabang untuk berinteraksi dengan baik secara internal dan eksternal dapat meningkatkan kinerja keuangan dan pelanggan kantor cabang.

Kata kunci: Kepemimpinan Transformasional, Orientasi Kewirausahaan, Jejaring Sosial, Kinerja, Bank.



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INTRODUCTION

The banking industry frequently plays a significant role in driving Indonesia's economic growth. The business world is viewed as one of the industries that can quickly influence the direction of economic progress. The banking sector has a strategic role that is very important in driving the country's economy. The growth of the banking sector can certainly help the country's economy, but one of the impacts of this growth is the increasing competition in the banking sector in Indonesia. There are 4 general state-owned banks, 68 national private banks, and 27 regional development banks in Indonesia, according to the Financial Services Authority website.

With a significant number of competitors, companies in the banking industry need to set strategies to achieve Sustainable Competitive Advantage (SCA). Companies in the banking industry do not only compete with other companies, but also need to adapt to changes occurring in their business environment. To improve performance, companies in the banking industry need to maintain good relationships between the bank and customers, as well as other stakeholders. In maintaining good relationships with external parties, the role of branch offices is very important for companies. It is because branch offices directly interact with customers to build trust and long-term relationships for the success of banking companies.¹

Branch Offices are the frontline of direct communication between the bank and its customers, including providing direct and comprehensive services. The presence of branch offices can increase trust and create security for customers. In addition to being a bridge between the bank and customers, branch offices can also understand market conditions and the needs of each customer in different areas. Branch Offices, which are physical entities that directly serve customers and understand market conditions, have a very important responsibility where the Branch Manager plays a crucial role in executing this responsibility. As a leader at the branch office, the Branch Manager has a significant responsibility, managing all operational and administrative aspects of the branch office.² The role of the individual is an important role of a leader or commonly referred to as strategic leadership.

¹ D. Kuswandi et al., "The Development of the Banking Industry in the Digital Era in Indonesia," *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)* 6 (2022): 878–90, <https://doi.org/10.31955/mea.v6i3.2502>.

² W. Theodore et al., "The Effects of Task Environment and Organizational Agility on Perceived Managerial Discretion and Strategy Implementation in a Pharmaceutical Company," *International Journal of Pharmaceutical and Healthcare Marketing* 16, no. 2 (2022): 204–21, <https://doi.org/10.1108/IJPHM-11-2021-0116>.

Strategic Leadership is the ability of an individual to demonstrate leadership qualities that are responsible for the organization they lead. This includes the actions they take (what they do), how they act (how they do it), and the impact they have on the organization's outcomes (how they affect the organizational outcomes). The subject of strategic leadership is individuals, groups, or specific entities such as boards of directors.

A leader needs to be able to explore opportunities to develop competitive advantages. The ability to explore new opportunities is also known as Entrepreneurial Orientation. Entrepreneurial Orientation is one of the concepts from entrepreneurship literature that refers to "the practices used by organizations/businesses to identify and launch new initiatives".³ Entrepreneurial Orientation has three main dimensions: Innovativeness, Risk Taking, and Proactiveness.⁴ The concept of Entrepreneurial Orientation is a construct of the company level and focuses on performance outcomes.

However, Covin & Miller conceptualized Entrepreneurial Orientation as a construct of the individual level, stating that company leaders are the main reason why an organization can behave entrepreneurially.⁵ Leaders are not just CEOs or Directors but also include Middle Managers. Middle Managers not only can stimulate interest in entrepreneurial behavior but also can influence the commitment of their subordinates when entrepreneurial activities are performed. This commitment is required by the company to benefit from entrepreneurial activities.⁶ Literature has recommended three roles that middle management should play in entrepreneurial activities: identifying opportunities, developing initiatives, and updating organizational capabilities.⁷

Additionally, Frese revealed that individuals with high entrepreneurial orientation tend to take steps related to developing relevant and beneficial social networks.⁸ Therefore, these actions

³ G.T. Lumpkin and G.G. Dess, "Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance," *Academy of Management Review* 21, no. 1 (1996): 135–72, <https://doi.org/10.5465/amr.1996.9602161568>.

⁴ L. Wang, W. Jiang, and X. Ma, "The Effect of CEO Entrepreneurial Orientation on Firm Strategic Change: The Moderating Roles of Managerial Discretion," *Journal of Engineering and Technology Management* 59 (2021): 101616, <https://doi.org/10.1016/j.jengtecman.2021.101616>.

⁵ J.G. Covin and D. Miller, "International Entrepreneurial Orientation: Conceptual Considerations, Research Themes, Measurement Issues, and Future Research Directions," *Entrepreneurship Theory and Practice* 38, no. 1 (2014): 11–44, <https://doi.org/10.1111/etap.12027>.

⁶ J.S. Hornsby, D.F. Kuratko, and S.A. Zahra, "Middle Managers' Perception of the Internal Environment for Corporate Entrepreneurship: Assessing a Measurement Scale," *Journal of Business Venturing* 17, no. 3 (2002): 253–73, [https://doi.org/10.1016/S0883-9026\(00\)00059-8](https://doi.org/10.1016/S0883-9026(00)00059-8).

⁷ B. Wooldridge, T. Schmid, and S.W. Floyd, "The Middle Management Perspective on Strategy Process: Contributions, Synthesis, and Future Research," *Journal of Management* 34, no. 6 (2008): 1190–1221, <https://doi.org/10.1177/0149206308324326>.

⁸ M. Frese, "Towards a Psychology of Entrepreneurship: An Action Theory Perspective," *Foundations and Trends® in Entrepreneurship* 5, no. 6 (2009): 437–96, <https://doi.org/10.1561/03000000028>.

support individuals with entrepreneurial orientation to perform better compared to those without entrepreneurial orientation, and at the same time fail to utilize social network strategies.⁹

A good social network is considered a valuable resource for a company.¹⁰ According to Ogunnaike & Kehinde, social networks are nodes of individuals, groups, organizations, and systems connected by one or more types of interdependence, including shared values, vision, and ideas, social contacts, kinship, conflict, finance, exchange, trade, membership in organizations, and group participation in events.¹¹ This is sufficient to unite people with homogeneous attributes to pursue a shared agenda.

Based on previous research, this study will modify the research model used previously. The variables to be used are Transformational Leadership, Entrepreneurial Orientation, Social Network, and Performance. This study aims to analyze the influence of transformational leadership on entrepreneurial orientation and social network, as well as the influence of entrepreneurial orientation and social network on performance at PT. XYZ Branch Office.

RESEARCH METHODS

This study uses a quantitative method, where data collection was conducted using a survey. The survey was chosen because it is suitable for this research, which uses fixed response questions to reduce variations in answers, and was distributed through Google Docs for efficiency in time and cost. The measurement scale used is the Likert scale 1-6 to avoid neutral responses that can affect the research results.

The unit of analysis is the Main Branch Office of PT. XYZ, with 49 respondents. This study uses the PLS-SEM method, which is suitable for the number of subjects between 30 and 100.¹² The research respondents are one Branch Manager per unit of analysis. The Branch Manager is considered to have better knowledge than other workers because they act as a liaison between the Main Branch Office and the Regional Office.

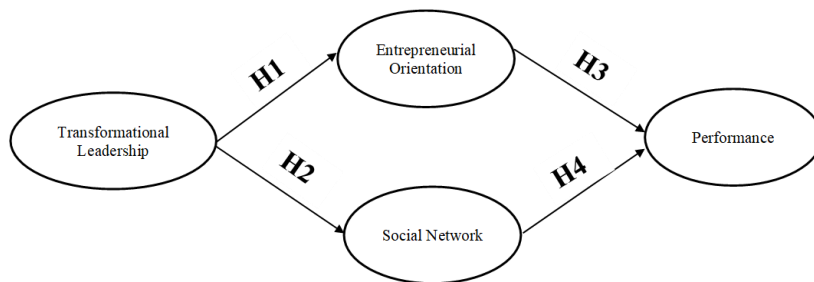
⁹ S. Sigmund, T. Semrau, and D. Wegner, "Networking Ability and the Financial Performance of New Ventures: Moderating Effects of Venture Size, Institutional Environment, and Their Interaction," *Journal of Small Business Management* 53, no. 1 (2015): 266–83.

¹⁰ M.J. Zafar, G. Yasin, and M. Ijaz, "Social Networking: A Source for Developing Entrepreneurial Intentions Among Entrepreneurs," *Asian Economic and Financial Review* 2, no. 8 (2012): 1072.

¹¹ O.O. Ogunnaike and O.J. Kehinde, "Social Networking and Business Performance: The Case of Selected Entrepreneurs in Ota, Nigeria," *Journal of Business and Management Sciences Research* 2, no. 5 (2013): 116–22.

¹² J.F. Hair Jr. et al., "Partial Least Squares Structural Equation Modeling (PLS-SEM)," *European Business Review* 26, no. 2 (2014): 106–21, <https://doi.org/10.1108/EBR-10-2013-0128>.

Data analysis was conducted using SEM with the PLS method, which involves two stages: analysis of the measurement model (outer model) and analysis of the structural model (inner model).¹³



Picture 1. Research Concept Model

Research Hypothesis

Transformational Leadership and Entrepreneurial Orientation

The concepts of Leadership and Entrepreneurship share similarities and are interconnected.¹⁴ Leaders are a crucial source for obtaining resources, change strategies, and motivating employees to engage in entrepreneurial activities.¹⁵ Charismatic leaders, such as Transformational Leaders, create an entrepreneurial environment motivated by innovation and creativity.¹⁶ They always seek new ways to work effectively and find opportunities amidst risks.¹⁷ Research at commercial banks in Jordan shows that transformational leadership affects entrepreneurial orientation through the dimensions of inspirational motivation and intellectual stimulation.¹⁸ Therefore, the first hypothesis can be drawn as follows:

¹³ I. Ghazali and H. Latan, *Partial Least Squares: Konsep, Teknik, dan Aplikasi Menggunakan Program Smart PLS 3.0 untuk Penelitian Empiris (Edisi 2)* (Semarang: Badan Penerbit Universitas Diponegoro, 2015).

¹⁴ C. Felix, S. Aparicio, and D. Urbano, "Leadership as a Driver of Entrepreneurship: An International Exploratory Study," *Journal of Small Business and Enterprise Development* 26, no. 3 (2018): 397–420, <https://doi.org/10.1108/JSBED-03-2018-0106>.

¹⁵ M.A. Demircioglu and F. Chowdhury, "Entrepreneurship in Public Organizations: The Role of Leadership Behavior," *Small Business Economics* 57, no. 3 (2021): 1107–23, <https://doi.org/10.1007/s11187-020-00328-w>.

¹⁶ B.M. Bass and R. Bass, *The Bass Handbook of Leadership: Theory, Research, and Managerial Applications* (London: Simon and Schuster, 2009).

¹⁷ S. Khorshid et al., "Modeling the Effect of Transformational Leadership on Entrepreneurial Orientation in Academic Departments: The Mediating Role of Faculty Members' Speaking Up," *Economic Research-Ekonomska Istraživanja* 36, no. 2 (2023), <https://doi.org/10.1080/1331677X.2023.2167731>.

¹⁸ D.B.Y. Obeidat, R. Nofal, and R. Masa'deh, "The Effect of Transformational Leadership on Entrepreneurial Orientation: The Mediating Role of Organizational Learning Capability," *Modern Applied Science* 12, no. 11 (2018).

Transformational Leadership has an impact on Entrepreneurial Orientation.

This hypothesis is based on the idea that transformational leaders inspire and motivate their followers to engage in entrepreneurial activities by providing a supportive environment that fosters innovation and creativity. This environment encourages employees to take calculated risks and explore new opportunities, which ultimately contributes to the development of entrepreneurial orientation within the organization.

Transformational Leadership and Social Network

The theory of social networks involves relationships between individuals where they exchange resources such as information, guidance, social support, and friendships.¹⁹ Transformational leadership is related to the social network capabilities of middle managers. A transformational leader inspires and motivates colleagues with optimism and enthusiasm about the organization's goals and vision.²⁰ They also promote high ethical and moral standards, and are able to communicate ideas optimistically, so that colleagues can trust and follow their guidance. Based on the above explanation, the second hypothesis can be drawn as follows:

Transformational Leadership has an impact on Social Network.

This hypothesis is based on the idea that transformational leaders foster a strong social network within the organization by inspiring and motivating colleagues to work together effectively. This social network enables the exchange of resources, information, and support, which ultimately contributes to the development of a cohesive and productive work environment.

Entrepreneurial Orientation and Performance

Entrepreneurial Orientation plays a significant role in enhancing organizational performance.²¹ This motivates companies to continuously innovate in creating new products and services.²² Organizations that focus on entrepreneurial orientation can create, learn, and combine new resources, as well as find new ways to develop and market products and services.²³ For the banking industry, which is characterized by rapid changes, entrepreneurial orientation is an

¹⁹ R.S. Burt, M. Kilduff, and S. Tasselli, "Social Network Analysis: Foundations and Frontiers on Advantage," *Annual Review of Psychology* 64 (2013): 527–47, <https://doi.org/10.1146/annurev-psych-113011-143828>.

²⁰ B.M. Bass and M. Bernard, *Leadership and Performance Beyond Expectations*, 1985.

²¹ K. Lurtz and K. Kreutzer, "Entrepreneurial Orientation and Social Venture Creation in Nonprofit Organizations: The Pivotal Role of Social Risk-Taking and Collaboration," *Nonprofit and Voluntary Sector Quarterly* 46, no. 1 (2016): 92–115, <https://doi.org/10.1177/0899764016654221>.

²² B.S. Anderson et al., "Reconceptualizing Entrepreneurial Orientation," *Strategic Management Journal* 36, no. 10 (2015): 1579–96, <https://doi.org/10.1002/smj.2298>.

²³ R.D. Ireland and J.W. Webb, "A Cross-Disciplinary Exploration of Entrepreneurship Research," *Journal of Management* 33, no. 6 (2007): 891–927, <https://doi.org/10.1177/0149206307307643>.

effective strategy that teaches companies to be proactive and innovative, enabling them to make decisions in implementing new ideas to enhance performance.²⁴ Therefore, the third hypothesis is drawn as follows:

Entrepreneurial Orientation has an impact on Performance.

This hypothesis is based on the idea that entrepreneurial orientation fosters innovation and creativity within the organization, leading to the development of new products and services that enhance performance.

Social Network and Performance

The theory of social capital states that social networks provide access to greater resources (Naphiet & Ghosal, 1998). Stam and Elfring (2008) revealed that differences in social networks can affect the fulfillment of resource needs. Research by Chen, Chang, & Chang showed that the involvement of middle managers in three types of social networks (internal bonding, external bridging, and upper management) has a positive impact on their performance.²⁵ Middle managers play a crucial role in communication to enhance performance. Their social network can increase productivity by ensuring workers understand their roles and responsibilities and obtain the necessary information and resources.²⁶ Effective communication among workers increases collaboration and their ability to make decisions and solve problems.²⁷ Based on the above explanation, the fourth hypothesis is:

Social Network has an impact on Performance.

This hypothesis is based on the idea that social networks facilitate communication and collaboration among workers, leading to increased productivity and better decision-making.

²⁴ M. Priya, S.D. Sivakumar, and S. Hemalatha, "A Study on Entrepreneurial Competency of Entrepreneurs in Micro and Small Agribusiness Enterprises," *International Journal of Farm Sciences* 9, no. 4 (2019): 11–14, <https://doi.org/10.5958/2250-0499.2019.00086.7>.

²⁵ M.-H. Chen, Y.-Y. Chang, and Y.-C. Chang, "Entrepreneurial Orientation, Social Networks, and Creative Performance: Middle Managers as Corporate Entrepreneurs," *Creativity and Innovation Management* 24, no. 3 (2015): 493–507, <https://doi.org/10.1111/caim.12108>.

²⁶ A. Grant, "The Importance of Effective Communication in Finance Teams," *oneAdvanced*, 2022, <https://www.oneadvanced.com/news-and-opinion/the-importance-of-effective-communication-in-finance-teams/>.

²⁷ M.M. Musheke and J. Phiri, "The Effects of Effective Communication on Organizational Performance Based on the Systems Theory," *Open Journal of Business and Management* 9, no. 2 (2021): 659–71, <https://doi.org/10.4236/ojbm.2021.92034>.

RESULTS & DISCUSSION

Structural Model Analysis (Inner model)

Coefficient of Determination (R^2)

Coefficient of Determination is used to measure the predictive accuracy of the model. Predictive accuracy can be seen from the strength of a particular variable in influencing another variable.

Table 1.
Coefficient of Determination

	R Square	R Square (Adjusted)
Entrepreneurial Orientation	0.221	0.205
Performance	0.146	0.109
Social Network	0.192	0.175

Based on Table 1, it is known that the R-Square value of Social Network is 0.192, which means that Transformational Leadership is able to explain or influence Social Network by 19.2%. Then, the R-Square value of Entrepreneurial Orientation is 0.221, which means that Transformational Leadership is able to explain or influence Entrepreneurial Orientation by 22.1%. It is also found that the R-Square value of Performance is 0.146, which means that Social Network and Entrepreneurial Orientation are able to explain or influence Performance by 14.6%.

F-Square Test (Effect Size)

The F-Square Test (Effect Size) is used to show how big the influence is from one variable to another. According to Henseler (2009), it is as follows:

- $0.02 \leq f \leq 0.15$ = small effect
- $0.15 \leq f \leq 0.35$ = medium effect
- $f \geq 0.35$ = large effect

Table 2.
F-Square Test

	f Square	Notes
Transformational Leadership -> Entrepreneurial Orientation	0.284	Medium
Transformational Leadership -> Social Network	0.238	Medium

	f	Notes
	Square	
Entrepreneurial Orientation -> Performance	0.013	No Effect
Social Network -> Performance	0.108	Little

Based on Table 2, it is known that the f-square value from Transformational Leadership to Entrepreneurial Orientation is 0.284, which falls within the range of $0.15 \leq \text{f-square} \leq 0.35$, meaning it has a "Medium" effect. Then, the f-Square value from Transformational Leadership to Social Network is 0.238, which also falls within the range of $0.15 \leq \text{f-square} \leq 0.35$, meaning it has a "Medium" effect. Next, the f-square value from Entrepreneurial Orientation to Performance is 0.013, which is less than 0.02, indicating that Entrepreneurial Orientation does not have an effect on Performance. Finally, the f-square value from Social Network to Performance is 0.108, which falls within the range of $0.02 \leq \text{f-square} \leq 0.15$, meaning it has a "Small" effect.

Path Coefficient Test & Significance of Influence

Path Coefficient Test is conducted to see the significance of the relationship between variables or constructs by evaluating the coefficient parameter and the T Statistic significance value.

Table 3.
Path Coefficient Test

		Original Sample (O)	Sample Mean (M)	Standard Deviation (STD EV)	T Statistic (O/S TDE V)	P Values
Transformational Leadership	->	0.450	0.469	0.115	4.088	0,000
Entrepreneurial Orientation	->	0.115	0.117	0.127	0.903	0,340
Transformational Leadership	->	0.438	0.427	0.148	2.969	0,006
Social Network	->	0.326	0.323	0.167	2.102	0,036
Entrepreneurial Orientation	->	0.115	0.117	0.127	0.903	0,340
Social Network	->	0.326	0.323	0.167	2.102	0,036

Table 3 contains the coefficient values and significance levels between variables. In statistical testing, if the value of the T Statistics is greater than 1.96, it can be said that the indicators present in the variable are able to explain the variable they represent well.

Hypothesis Test

Table 4.
Hypothesis Test

Hipotesis	T Statistics	P Values	Kesimpulan
H1 Transformational Leadership -> Entrepreneurial Orientation	4.088	0,000	Hypothesis Accepted, Supported by Data
H2 Transformational Leadership -> Social Network	2.969	0,006	Hypothesis Denied, Not Supported by Data
H3 Entrepreneurial Orientation-> Performance	0.903	0,340	Hypothesis Accepted, Supported by Data
H4 Social Network -> Performance	2.102	0,036	Hypothesis Accepted, Supported by Data

Based on the results of the Hypothesis Test in Table 5, it was found that there is an influence from Transformational Leadership on Entrepreneurial Orientation. With a T Statistics value of 4.088, which is greater than 1.96, it can be concluded that the indicators Individual Consideration, Intellectual Stimulation, Inspirational Motivation, and Idealized Influence are able to explain the variable Transformational Leadership. Dimension with the highest outer loading value is Inspirational Motivation, where it was found that the Branch Manager is able to help their colleagues to increase their motivation to achieve results beyond the target set. This is consistent with the indicator Idealized Influence, which has the second-highest outer loading value. The Branch Manager is considered to have authority to be a role model and provide guidance to their colleagues.

With a P Value of 0.000, which is less than 0.05, Transformational Leadership is considered to have very strong evidence of influencing Entrepreneurial Orientation. In a previous study conducted at a commercial bank in Jordan, it was also found that transformational leadership has an influence on entrepreneurial orientation due to two dimensions of transformational leadership, namely inspirational motivation and intellectual stimulation, which contribute significantly to entrepreneurial orientation present in the bank.²⁸

²⁸ Obeidat, Nofal, and Masa'deh, "The Effect of Transformational Leadership on Entrepreneurial Orientation: The Mediating Role of Organizational Learning Capability."

The indicator with the highest average is IS2, with the question "I never criticize my team in front of other colleagues or in general." Middle Management or Branch Manager mostly never criticize their team in front of other colleagues or in general. This can affect the Entrepreneurial Orientation possessed by the Main Branch Office, as a non-criticizing environment can indirectly affect the entrepreneurial spirits of each worker. This is consistent with the results of the Entrepreneurial Orientation indicator present in the question "Our Branch Office has a higher tendency to take risks." The Branch Office has a higher tendency to make decisions and take risks, supported by the presence of a Branch Manager who does not criticize if their team makes a mistake in front of the public. This is proven by Table 1, which shows that the R-Square value of Entrepreneurial Orientation is 0.192, which means that Transformational Leadership is able to explain or influence Entrepreneurial Orientation by 19.2%. Then, in Table 4, it is known that the coefficient value (Original Sample) = 0.450, and significant, with a P Value = $0.000 < 0.05$, so it can be concluded that the first hypothesis is accepted and supported by the data.

Next, it was found that there is an influence from Transformational Leadership on Social Network. With a T Statistics value of 2.969, which is greater than 1.96, it can be concluded that the indicators Individual Consideration, Intellectual Stimulation, Inspirational Motivation, and Idealized Influence are able to explain the variable Transformational Leadership. The indicator with the highest outer loading value is Inspirational Motivation, where it was found that the Branch Manager is able to help their colleagues to increase their motivation to achieve results beyond the target set. With a P Value of 0.003, which is less than 0.05, Transformational Leadership is considered to have very strong evidence of influencing Social Network.

There is an emotional component of transformational leadership, including optimism and enthusiasm about the goals and vision for the organization or company.²⁹ Transformational leaders also promote high ethical and moral standards from the Company. They are able to communicate ideas optimistically and enthusiastically, so that colleagues will be able to trust and follow their guidance. This is seen from the many respondents who followed Management Trainee and were placed in various other Branch Offices. Respondents who became Branch Managers certainly have good leadership foundations, so that there is a good relationship between individuals where workers can exchange resources such as information, guidance, and support.

The highest average of the Indicator is found in the question "I never criticize my team in front of other colleagues or in general." This can be consistent with the results of the descriptive analysis, where it is known that the indicator with the highest average is IB2 with the question "Our Branch Office interacts with other teams and learns from each other" and EB1 with the question "Our Branch Office is skilled in obtaining information about the market and opinions from outside

²⁹ Bass and Bernard, *Leadership and Performance Beyond Expectations*.

the Company." Workers at the Branch Office have a good social connection among themselves and understand the market conditions and opinions outside the Company. The Branch Manager with a leadership spirit can certainly interact well both internally and externally from the Branch Office. Consistent with the data in Table 2, it is known that the R-Square value of Social Network is 0.225, which means that Transformational Leadership is able to explain or influence Social Network by 22.5%. Then, in Table 4, it is known that the coefficient value (Original Sample) = 2.969, and significant, with a P Value = $0.003 < 0.05$, so it can be concluded that the second hypothesis is accepted and supported by the data.

It was found that there is no influence from Entrepreneurial Orientation on Performance. With a T Statistics value of 0.903, which is greater than 1.96, it can be concluded that the indicators Risk Taking, Proactiveness, and Innovativeness are unable to explain the variable Entrepreneurial Orientation. Additionally, based on the P Values, Entrepreneurial Orientation is considered not to influence the Performance of the Branch Office.

The outer loading values of the Entrepreneurial Orientation indicators have high values between 0.800 - 0.900, while the outer loading values of Performance are only between 0.600 - 0.700. Based on this evaluation, it can be concluded that the Branch Office with high Entrepreneurial Orientation does not become the reason for its increased Performance. If further explored regarding Performance, one of the questions from Financial is "The growth of credit in the Branch Office always increases every year" and from Customer is "The value of Branch Service Quality tends to increase." This can also be a finding, whether the value of Credit or Branch Service Quality does not increase because it is stagnant at certain numbers but exceeds the expectations of the Regional Office or Central Office.

The banking industry is one of the industries whose environment can change quickly. Entrepreneurial orientation teaches organizations or companies to find more efficient and effective ways to be proactive and innovative, so they can make decisions in implementing new ideas to enhance the performance of the organization or company.³⁰

The highest average of the Indicator is found in the question "Our Branch Office has a higher tendency to take risks." The Branch Office has a higher tendency to make decisions and take risks. However, it turns out that this does not affect the Performance of the Branch Office. Consistent with Table 2, it is known that the R-Square value of Performance is 0.146, which means that Entrepreneurial Orientation and Social Network are able to explain or influence Performance only 14.6%. Then, in Table 5, it is known that the coefficient value (Original Sample) = 0.415, and

³⁰ Priya, Sivakumar, and Hemalatha, "A Study on Entrepreneurial Competency of Entrepreneurs in Micro and Small Agribusiness Enterprises."

significant, with a P Value = $0.340 > 0.05$, so it can be concluded that the third hypothesis is rejected and not supported by the data.

Last, It was found that there is an influence from Social Network on Performance. With a T Statistics value of 2.102, which is greater than 1.96, it can be concluded that the indicators Internal Bonding, External Bridging, and Upper Management are able to explain the variable Social Network. The indicator with the highest outer loading value is External Bridging. The ability of the Branch Office to interact with external parties was found to influence Performance. The Branch Office is able to find information related to the market and also interact with stakeholders and shareholders, thereby increasing Performance both in terms of Customer Engagement and Financial by inviting customers to buy products marketed.

Chen, Chang, & Chang studied that the involvement of middle managers in three types of social networks (internal bonding, external bridging, and upper management) has a positive impact on their performance.³¹ Middle managers have a very important role in being able to communicate effectively to enhance performance. The social network owned by Middle Manager can increase productivity because they directly interact with their subordinates to ensure that workers understand their roles and responsibilities and obtain the necessary information or resources to make their work more effective.³²

The indicator with the highest average is IB2 with the question "Our Branch Office interacts with other teams and learns from each other" and EB1 with the question "Our Branch Office is skilled in obtaining information about the market and opinions from outside the Company." Workers at the Branch Office have a good social connection among themselves and understand the market conditions and opinions outside the Company. The results of the descriptive statistical analysis of the Performance variable show that most respondents gave ratings of "Somewhat Agree" to "Agree" for the Financial (FIN) and Customer (CUS) indicators. The indicator with the highest average is CUS2 with the question "The value of Branch Service Quality (BSQ) tends to increase." The value of Branch Service Quality (BSQ) obtained from the regular customer evaluation of the Branch Office is rated as tending to increase every year.

Consistent with Table 2, it is known that the R-Square value of Performance is 0.146, which means that Entrepreneurial Orientation and Social Network are able to explain or influence Performance only 14.6%. Then, in Table 5, it is known that the coefficient value (Original Sample) = 0.326, and significant, with a P Value = $0.036 < 0.05$. Therefore, it can be concluded that the fourth hypothesis is accepted and supported by the data.

³¹ Chen, Chang, and Chang, "Entrepreneurial Orientation, Social Networks, and Creative Performance: Middle Managers as Corporate Entrepreneurs."

³² Grant, "The Importance of Effective Communication in Finance Teams."

CONCLUSION

This study found that transformational leadership has a significant influence on entrepreneurial orientation and social network at the Main Branch Office of PT. XYZ. Transformational leadership explains 19.2% of the variability in social network and 22.1% of the variability in entrepreneurial orientation. Entrepreneurial orientation and social network collectively influence performance by 14.6%. Most respondents, who are alumni of Management Trainee and have been placed in various branch offices, show extensive knowledge about the company and the ability to adapt to various situations. The Branch Manager, as middle management, plays a crucial role in forming a work environment that supports innovation and collaboration, which in turn enhances branch performance.

This study shows that leadership is important not only at the top level but also at the middle management level. Therefore, banking companies need to provide leadership training to Branch Managers. Transformational leadership, through inspirational motivation and intellectual stimulation, can increase entrepreneurial orientation. Additionally, a strong social network at the middle management level increases productivity by ensuring clear understanding of roles and responsibilities and providing necessary information and resources. The Branch Manager also needs to filter information to contribute effectively to entrepreneurship.

However, this study has some limitations. The unit of analysis only applies to one banking industry company, so the results cannot be generalized to the entire banking industry or other companies.

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