

# Effects of Entrepreneurial Leadership and Innovation Capacity on Employee Productivity and its Implication on Business Performance (Survey at some Supermarket at Cirebon City)

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## ABSTRACT

*This paper's objectives are to know the influence of entrepreneurial leadership and innovation capacity on employee productivity and its implication on business performance. The method used is quantitative research implemented as a survey on several Supermarket. The data is analyzed using path analysis and mediation process. Research findings: First, entrepreneurial leadership and innovation capacity affect significantly employee productivity simultaneously. Second, entrepreneurial leadership affects employee productivity significantly. Third, innovation capacity affects employee productivity significantly. Fourth, employee productivity affects business performance significantly. Fifth, entrepreneurial leadership affects significantly on business performance as mediated by employee productivity. Sixth, Innovation Capacity affects significantly on business performance as mediated by employee productivity*

**Keywords:** entrepreneurial leadership, innovation capacity, employee productivity and business performance

## ABSTRAK

*Tujuan dari penelitian ini adalah untuk mengetahui pengaruh kepemimpinan wirausaha dan kapasitas inovasi terhadap produktivitas karyawan serta implikasinya terhadap kinerja bisnis. Metode yang digunakan adalah penelitian kuantitatif yang diimplementasikan dalam bentuk survei pada beberapa supermarket. Data dianalisis dengan menggunakan analisis jalur dan proses mediasi. Temuan penelitian: Pertama, kepemimpinan kewirausahaan dan kapasitas inovasi berpengaruh signifikan terhadap produktivitas karyawan secara simultan. Kedua, kepemimpinan kewirausahaan berpengaruh signifikan terhadap produktivitas karyawan. Ketiga, kapasitas inovasi berpengaruh signifikan terhadap produktivitas karyawan. Keempat, produktivitas karyawan mempengaruhi kinerja bisnis secara signifikan. Kelima, kepemimpinan kewirausahaan berpengaruh signifikan terhadap kinerja bisnis yang dimediasi oleh produktivitas karyawan. Keenam, Kapasitas Inovasi berpengaruh signifikan terhadap kinerja bisnis yang dimediasi oleh produktivitas karyawan.*

**Kata kunci:** kepemimpinan kewirausahaan, kapasitas inovasi, produktivitas karyawan, dan kinerja bisnis

## I. INTRODUCTION

Leadership is very important in every business organization. That is why every business man should know and at the same time possess capability of leadership. Leadership functions as a means to lead the organization run smoothly in accordance with the goals of the organization that has been set up in advance. This, let alone, is important because in this era of disruption, disruptive events has struck many business organizations in Indonesia. Accordingly, strategic leadership should be able to show the sense of business and the sense of change with the following characteristics: first, being creative and innovative; second, the ability of being entrepreneur; third, the ability of making collaboration (Safuan, 2019).

In relation to the entrepreneurship, the entrepreneur leadership is not much different with concept of leadership in management. Leadership is the art of motivating a group of people to act towards a common goal. In a business environment, this can mean directing workers and colleagues with strategies to meet company needs (Ward, Susan. 2020). Leadership captures the essence of being able and ready to inspire others to make innovation. A good business leader can drive each member of his organization to be able to enhance their productivity which finally results in business performance in accordance with the applicable business process management. When this is realized, consequently the business runs well and result in long term business sustainability.

From such background, the present writer put forward the following research questions: 1) Do entrepreneurial leadership and innovation capacity affect on employee productivity simultaneously? 2) Does entrepreneurial leadership affect on business employee productivity partially? 3) Does innovation capacity affect on employee productivity partially? 4) Does employee productivity affect on business performance significantly? 5) Does Entrepreneurial Leadership affect Business Performance as mediated by employee productivity? 7) Does Innovation Capacity affect Business Performance as mediated by employee productivity? Starting from those questions, the writer conduct a research entitled: " Effects of Entrepreneurial Leadership, Innovation Capacity on Employee Productivity and its Implication Business Performance (Survey at Supermarket at Cirebon City)"

## II. THEORETICAL FRAMEWORK

Leadership according to Hoy, Wayne, K & Miskel, Cecil, (2008) is a process of social influence that has rational, emotional and social elements. The main task of the leader is to provide demands when changes occur and increase organizational effectiveness and become a source of strength in the organization. Therefore the existence of a leader in an organization is important and central. A leader's work shows similar patterns across different countries and organizational backgrounds. Meanwhile, according to Robin, S.P & Judge, T.A (2015) leadership is an ability to influence a group with the aim that the vision and goals of an organization that have been set can be achieved. In an organization this source of influence is obtained

formally. For example the influence of managers on their subordinates. However, not all leaders are managers; conversely, not all leaders are managers.

Furthermore, according to Griffin, R.W. & Moorhead, G (2014) the definition of leadership in terms of process and nature. As a process, leadership is the use of non-coercive influence to direct and coordinate the activities of a group of members to achieve a goal. As an ownership trait, leadership is a set of characteristics attributed to those who are deemed successful in exercising that influence. In general, these two perspectives contain the ability to influence the perceptions, beliefs, attitudes, motivations, and/or behavior of others. From an organizational point of view, leadership is very important because it has a very strong influence on individual and group behavior. In addition, the direction towards which the group is directed is often the desired goal of the leader himself, which sometimes does not match the goals of the organization

While entrepreneurial leadership as defined by Gupta, MacMillan & Surie (2004) is that entrepreneurial leadership not as a collection of traits merely, such as who the individual is, but it is as a set of behaviors, such as what the individual does. Accordingly, it then is suggested that the entrepreneurial leader is the person who realizes the challenges of communicating a vision and influencing others, in this case members of the organization, to assist them reach it. Moreover, entrepreneurial leadership is also defined as any leadership that creates a climate of entrepreneurial behavior in the organization the individual leads (Cohen, 2004).

What is innovation capacity? The innovation capacity is defined as a continuous improvement of capabilities and resources that a business organization possesses in order to explore and develop opportunities to create new products in order to meet the need of the market (Szeto, 2012). Moreover, Amit & Schoemaker (1993) differentiate resources from capabilities by saying that resources are available stocks possessed and controlled by the business organization. While capabilities refer to the capacity to make used the resources of the business organization.

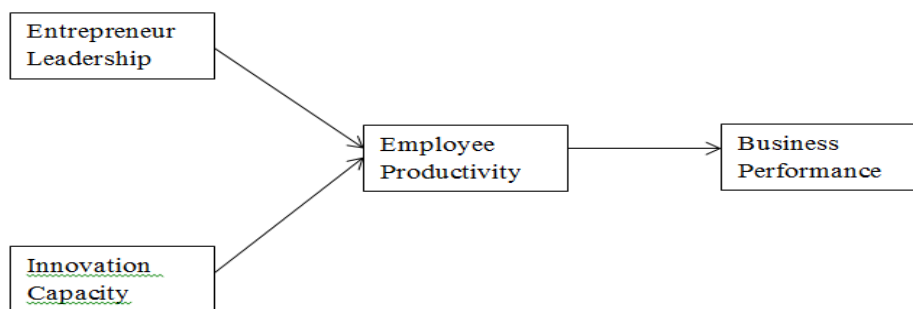
Furthermore, Lawson & Samson (2001) define innovation capability as the ability to continuously change knowledge and ideas into new products, processes and systems for the benefit of the business organizations and their stakeholders. Accordingly, innovation capacity is very important to small businesses whose objectives are to compete with their existing competitors. Furthermore, the empirical evidence on the innovation capacity in small business organizational context has become into two different important matters, namely the first one studies the determinant factors of innovation capacity, and the second one studies the innovation capability's consequences. That is why, small business innovation is considered as the process and as an outcome. Another experts Crossan & Apaydin (2010) employ a general approach in explaining what the organizational innovation is. They relate it with the leadership concept, namely, innovation is a process and at the same time as an outcome. In addition, West & Bogers (2014) more focus on specific innovation type, namely an open innovation.

Employee productivity is defined as the time used actively by the employees on jobs that need execution and production (Singh, Shivangi, et.al., 2022). According to

Naeem and Ozuem (2021) employee productivity shows the extent to which the technology adoption decreases the time spent and efforts that must be needed to finish specific works. Thus employee productivity is one of the main determinant factor of business performance (Valau & Massu, 2020 in Singh, Shivangi, et.al., 2022).

Business performance as defined by While Wheelen & Hunger (2012) is as the end result of each previous activity which includes environmental understanding, strategy formulation and implementation, evaluation and control, which includes the real results of the strategic management process. Furthermore, performance is the achievement of certain individuals or groups that aim to earn profits or not within a certain period of time.

From the theoretical review above, the relationship model of the variables under study is as follows



Based on the variable relationship above, the hypotheses of this research are:  
First: Entrepreneurial Leadership, Innovation Capacity affect significantly Employee Productivity simultaneously

Second: Entrepreneurial Leadership affects significantly Employee Productivity partially

Third: Innovation Capacity affects significantly Employee Productivity partially

Fourth: Employee Productivity affects Business Performance significantly

Fifth: Entrepreneurial Leadership affects significantly on Business Performance as mediated by Employee Productivity

Sixth, Innovation Capacity affects significantly on Business Performance as mediated by Employee Productivity

### III. METHODOLOGY

In this paper, the writer employs a quantitative method. The data as much as 30 respondents are taken from some supermarket in Cirebon City. Data is analyzed using path analysis with the assistance of SPSS and mediation Process Andrew F Hayes software. Path analysis is a statistical analysis technique that can calculate the direct and indirect effect in sequential relationship model of variables under study (Narimawati, Umi & Sarwono, Jonathan, 2022).

#### IV. RESULT AND DISCUSSION

##### The First R Square Value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 <sup>a</sup>	.998	.998	.228

The value of R square is 0.998 meaning that the effect of Entrepreneurial Leadership and Innovation Capacity on Employee Productivity is as much as 0.998 (99.8%)

##### Hypothesis Testing

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	418.120	2	209.060	4036.671	.000 <sup>b</sup>
	Residual	.880	17	.052		
	Total	419.000	19			

##### Simultaneous Hypothesis Testing

Relationship between Variables of Entrepreneurial Leadership, Innovation Capacity, and Employee Productivity Variable.

H<sub>0</sub> = Variables of Entrepreneurial Leadership, Innovation Capacity do not affect significantly Employee Productivity Variable simultaneously

H<sub>1</sub> = Variables of Entrepreneurial Leadership, Innovation Capacity affect significantly Employee Productivity Variable simultaneously

##### Criteria for hypothesis testing

Reject H<sub>0</sub> when the value of significance level < 0.05

Accept H<sub>0</sub> when the value of significance level > 0.05

The value of significance level from the ANOVA output is as much as 0.000 < 0.05. It means that the H<sub>0</sub> is rejected accordingly H<sub>1</sub> is accepted. That is why, variables of Entrepreneurial Leadership, Innovation Capacity affect significantly Employee Productivity Variable simultaneously

## Partial Hypothesis Testing

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.236	.169		1.394	.181
	Entrepreneurial Leadership	.991	.045	.592	21.968	.000
	Innovation Capacity	.003	.042	.54	2.079	.038

First, Relationship between Variables of Entrepreneurial Leadership and Employee Productivity Variable.

H0: Entrepreneurial Leadership does not affect significantly Employee Productivity Variable partially

H1: Entrepreneurial Leadership affects significantly Employee Productivity Variable partially

The value of significance level from the ANOVA output is as much as  $0.000 < 0.05$ . It means that the H0 is rejected accordingly H1 is accepted. Accordingly variable of Entrepreneurial Leadership affects significantly Employee Productivity variable partially. The amount of effect is 0.59 meaning that when the value of Entrepreneurial Leadership increases one unit, the value of Employee Productivity increases as much as 0.59.

Second, Relationship between Variables of Innovation Capacity and Employee Productivity Variable.

H0: Innovation Capacity does not affect significantly Employee Productivity Variable partially

H1: Innovation Capacity affects significantly Employee Productivity Variable partially

The value of significance level from the ANOVA output is as much as  $0.038 < 0.05$ . It means that the H0 is rejected accordingly H1 is accepted. Accordingly Innovation Capacity affects significantly Employee Productivity Variable partially. The amount of effect is 0.54 meaning that when the value of Innovation Capacity increases one unit, the value of Employee Productivity increases as much as 0.54

## The Second R Square Value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 <sup>a</sup>	.915	.910	1.380

The value of R square is 0.915 meaning that the effect of Employee Productivity on Business Performance is as much as 0.915 (91.5%)

## Hypothesis

Relationship between Employee Productivity and Business Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	366.740	1	366.740	192.682	.000 <sup>b</sup>
	Residual	34.260	18	1.903		
	Total	401.000	19			

## Hypothesis Testing

H0: Employee Productivity does not affect Business Performance significantly

H1: Employee Productivity affects Business Performance significantly

The value of significance level at ANOVA output is  $0.000 < 0.05$ . That is why reject H0 and accept H1. This decision means that Employee Productivity affects Business Performance. The amount of effect is 0.956 meaning that when the value of Employee Productivity increases one unit, the value of Business Performance increases as much as 0.956.

Unstandardized Coefficients		Standardized Coefficients			
B	Std. Error	Beta	t	Sig.	
1.934	1.025		1.888	.075	
.936	.067	.956	13.881	.000	

## Mediation Hypothesis Testing

First: Relationship between Effects of Entrepreneurial Leadership and Financial Governance as mediated by Employee Productivity

Model Summary							
	R	R-sq	MSE	F	df1	df2	P
	.9570	.9158	2.1098	58.0225	3.0000	16.0000	.0000
Model							
	coeff	se	t	p	LLCI	ULCI	
constant	.4491	3.6927	.1216	.9047	-7.3798	8.2779	
leadersh	.4409	1.5534	.2838	.0200	-2.8525	3.7342	
performa	.7360	1.5737	.4677	.6463	-2.6003	4.0723	
Int_1	-.0086	.0196	-.4411	.6651	-.0501	.0329	

H0: Entrepreneurial Leadership does not affect significantly on Business Performance as mediated by Employee Productivity

H1: Entrepreneurial Leadership does not affect significantly on Business Performance as mediated by Employee Productivity

The value of probability is as much as  $0.0000 < 0.05$ ; thus reject H0 and accept H1. This means Entrepreneurial Leadership affects significantly on Business Performance as mediated by Employee Productivity. The amount of effect is 0.4409. This means when the value of Entrepreneurial Leadership increases in one unit, the value of Business Performance as mediated by Employee Productivity increases as much as 0.4409.

Second: Relationship between Innovation Capacity and Business Performance as mediated by Employee Productivity

Model Summary							
	R	R-sq	MSE	F	df1	df2	p
	.9698	.9404	1.4927	84.2106	3.0000	16.0000	.0000

Model							
	coeff	se	t	p	LLCI	ULCI	
constant	.0504	3.2993	.0153	.9880	-6.9445	7.0452	
innovati	.7082	.3502	2.0221	.0402	-.0343	1.4506	
performa	.4349	.3115	1.3960	.1818	-.2256	1.0953	
Int_1	-.0081	.0160	-.5100	.6170	-.0420	.0257	

H0: Innovation Capacity does not affect significantly on Business Performance as mediated by Employee Productivity

H1: Innovation Capacity affects significantly on Business Performance as mediated by Employee Productivity

The value of probability is as much as  $0.0000 < 0.05$ ; thus reject H0 and accept H1. This means Innovation Capacity affects significantly on Business Performance as mediated by Employee Productivity. The amount of effect is 0.7082. This means when the valued of Innovation Capacity increases in one unit, the value of Business Performance as mediated by Employee Productivity increases as much as 0.7082.

## DISCUSSION

From the result of hypothesis testing, it proves that Entrepreneurial Leadership and Innovation Capacity affect significantly Employee Productivity simultaneously and partially. This means that first, entrepreneurial leadership affects Employee Productivity significantly. This research finding is similar with the study conducted by Kautsar, A, et.al (2020) stating that the role of entrepreneurial leadership influences the employee productivity. Moreover this also relates to the research finding that has been conducted by Aishah, H.N. et.al (2020) stating that entrepreneurial leadership affects the economic (business) performance and sustainability of the SME. Based on the research done by Sawaeen, F.A.A et.al, (2020) among the entrepreneurial business organizations show the determinant factors of the business organizational performance are entrepreneurial leadership and innovation capacity.



Innovation capacity affects employee productivity significantly. This finding is supported by the study showing that innovation can increase the employee productivity behavior in facing the global competition (Novitasari, D. et.al, 2021). Furthermore, innovation also can improve the business organization performance (Szeto, E, 2012). Innovation relating to technology used in the business organizations can enhance the employee productivity that leads to business performance effectively (Tahir, A & Looy, A.V., 2020).

Employee productivity variable affects business performance variable significantly. This means that enhanced employee productivity that has been done based on effective entrepreneurial leadership and innovation capacity will result in maximal business performance. This is supported by the research that has been conducted by Fiador, VO (2012) stating that organization age, characteristics, budgeting monitoring, internal control contributes to enhance the business performance. Another research finding discloses that corporate governance in the context of policy and process of business in SMEs' organizations contributes profitability which is one of the most important indicators of the business performance (Hakimah, Y., et.al., dkk, 2019). In relation to the last research finding example, a study proves that employee productivity contributes highly to business performance (Atmaja. D.S. et.al., 2022).

Entrepreneurial Leadership affects significantly on business performance as mediated by employee productivity. Leadership is important in deciding the business performance in business organization as a guidance to reach the vision, mission and goals of the organization. Leadership contributes an important role in the business performance among the SME organization (Simic, Marijana, et.al., 2020). Moreover leadership has significant role in determining the success of the business organization. The success of the business organization is measured by its performance. (Amiri, N.A., et.al., 2020).

Innovation capacity affects significantly on business performance as mediated by employee productivity. One of the ways to obtain sustainability in business organization is to develop innovation of their products. It has been proved in the study on the international business organization that the role of innovation is critical in enhancing the performance of the organization concerned (Donbesuur, F. et.al., 2020).

## **V. CONCLUSION**

From the discussion above the present writer makes the following conclusions: First, entrepreneurial leadership and innovation capacity affect significantly employee productivity simultaneously. Second, entrepreneurial leadership affects employee productivity significantly. Third, innovation capacity affects employee productivity significantly. Fourth, employee productivity affects business performance significantly. Fifth, entrepreneurial leadership affects significantly on business performance as mediated by employee productivity. Sixth, innovation capacity

affects significantly on business performance as mediated by employee productivity

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