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Unpacking the Black Box Between Entrepreneurial Leadership and Innovation Performance: The Role of Digital Orientation

Susanti Dwi Ilhami[1*], Damayanti[2]
[1] Universitas YPPI Rembang
Tireman Timur, Tireman, Rembang, Rembang Regency, Central Java, susantidwiilhami@gmail.com
[2] Universitas YPPI Rembang
Tireman Timur, Tireman, Rembang, Rembang Regency, Central Java, damayanti_rahmania@yahoo.co.id

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** korespondensi : susantidwiilhami@gmail.com*
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ABSTRACT

The purpose of this study is to explore the role of digital orientation as a moderation in the influence of entrepreneurial leadership and innovation performance on culinary UMKM in Rembang Regency. The research that has been conducted uses the concept of explanatory research as a reference in accordance with the objectives of the study. The sampling technique used is the purposive sampling technique with 82 business owners. The data analysis method implements SEM-PLS. The results of the study revealed that entrepreneurial leadership has no significant influence on innovation performance. In addition, further findings indicate that digital orientation is unable to moderate the influence of entrepreneurial leadership on innovation performance. Research has contributed widely to the understanding of business owners behavior in an effort to improve innovation performance with entrepreneurial leadership and strengthened by digital orientation.

Abstrak

Tujuan penelitian ini yakni melakukan eksplorasi peran digital orientation sebagai moderasi pada pengaruh entrepreneurial leadership dan innovation performance pada UMKM Kuliner Kabupaten Rembang. Penelitian yang telah dilakukan menggunakan konsep eksplanatory research sebagai acuan sesuai dengan tujuan penelitian. Teknik sampling yang dilakukan yakni dengan Teknik purposive sampling sejumlah 82 pelaku usaha. Metode analisis data mengimplementasikan SEM-PLS. Hasil penelitian mengungkapkan bahwa entrepreneurial leadership tidak berpengaruh signifikan terhadap innovation performance. Selain itu, temuan lebih lanjut mengindikasikan bahwa digital orientation tidak mampu memoderasi pengaruh entrepreneurial leadership terhadap innovation performance. Penelitian telah berkontribusi secara luas dalam pemahaman terkait perilaku pelaku usaha dalam upaya meningkatkan innovation performance dengan entrepreneurial leadership dan diperkuat oleh digital orientation.

Kata Kunci: bisnis kuliner, kinerja, wirausahawan

1. INTRODUCTION

The increasing number of SMEs in Indonesia has led to new challenges for business owners, especially those in the culinary sector. Challenges related to innovation are one of the main challenges that must be

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faced by business actors [1]. Business owners who are able to act and think innovatively through new breakthroughs will find it easier to survive and compete with other business owners [2]. Such behavior is the key to the success of the business being built.

Along with the high demands for innovative behavior, many business actors change and develop strategies that have been carried out. The purpose of the change and development is to facilitate and support the innovative behavior carried out [3]. Innovative behavior is realized through the process of implementing innovation in business so that it leads to increased innovation performance. Innovation pressure intensifies business owners to continue to strive for the renewal they have [4].

Business owners who have made changes and developed strategies must consider many things in the business process [5]. This will cause new problems if not done carefully. Therefore, in implementing innovation, good leadership skills are needed to manage the business. Entrepreneurial leadership is one concept that can help business owners to increase innovation [6]. By using entrepreneurial leadership, the process of identifying opportunities to innovate will be easier.

The results of the study indicate that entrepreneurial leadership is able to encourage the creation of innovation performance in business [6], [7]. This indicates that through the application of the concept of entrepreneurial leadership, it can improve the innovation process in business. In contrast, previous studies that have been conducted reveal different results between entrepreneurial leadership and innovation performance. The results of the study indicate that there is no significant influence between entrepreneurial leadership and innovation performance [8]. This shows that there is a small influence in increasing innovation performance when business actors apply entrepreneurial leadership.

Previous research related to innovation performance was conducted in other sectors such as manufacturing, tourism, health and hospitality [9]–[11]. However, this research develops deeper exploration in the culinary sector, especially in MSMEs. This will enrich the knowledge that has been developed previously. The culinary SMEs of Rembang Regency has a very significant number. The existing development encourages the emergence of innovative behavior of business owners. However, many business actors are reluctant to innovate in the business process therefore the business that is built is stagnant. This causes the business not to develop and the income obtained tends to remain the same. Therefore, a new concept is needed in the business that has been built. The research conducted aims to explore the role of digital orientation in moderating the influence of entrepreneurial leadership on innovation performance. The research enriches the existing literature studies in the culinary context, especially in Rembang district.

2. LITERATURE REVIEW

2.1. Entrepreneurial leadership

Entrepreneurial leadership is believed to be a form of leadership that is a combination of entrepreneurial skills and leadership skills in dealing with problems in business [12]. A leader who implements entrepreneurial leadership is more responsive to the situation that occurs and is able to act creatively in behavior [13].

The entrepreneurial leadership style implemented by entrepreneurs is not limited to one sector but all sectors can implement the leadership style. Through the process of implementing the leadership style, it is easier to create an entrepreneurial mindset for employees who work [14]. Entrepreneurial leadership is the basis of leadership that can foster creativity [3].

2.2. Innovation Performance

The definition of innovation has evolved rapidly over time. At the beginning, innovation focused on creating new products in the market, but now it has developed not only limited to products but something that is done by external business devotion [4]. In addition, the innovation model also continues to develop. Inspiration for innovative behavior does not only rely on internal but must also pay attention to external. The results of the innovation processes that have been carried out previously produce innovation performance [15].

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2.3. Digital Orientation

The use of digital technology has led to the emergence of digital transformation in a business process [16]. However, if a business only relies on digital technology, it is not enough, but a comprehensive view is needed regarding digital adoption. Digital orientation is believed to be a guiding principle for pursuing business opportunities by utilizing digital technology to achieve competitiveness [17]. A business that has implemented digital orientation will be better prepared to obtain benefits, convenience, and openness from digital technology itself.

2.3.1 Hypothesis Development

There are two hypothesis for these research as shown in Figure 1

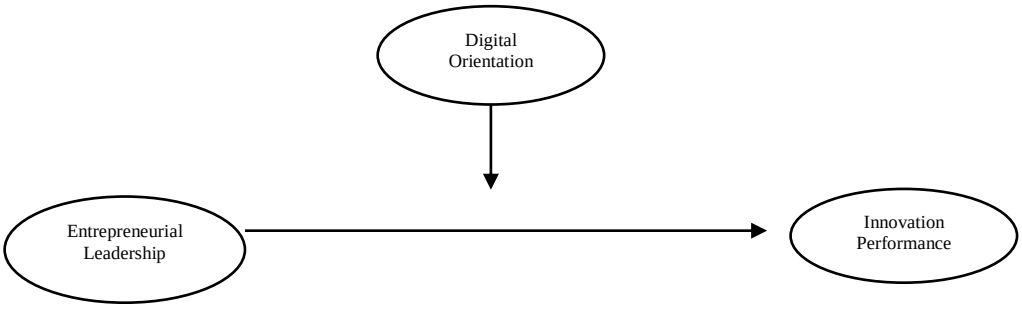


Figure 1. Research Model

2.3.2 Entrepreneurial Leadership and Innovation Performance

Leaders' openness to new opportunities that arise indicates the implementation of entrepreneurial leadership. Leaders' responses to the emergence of new opportunities through the creation of unique and innovative creations for the business processes being run [18]. Innovation is always carried out together with the creation of new ideas and breakthroughs based on opportunities that have been previously analyzed. The results of this openness will encourage the creation of high innovation performance for businesses [19]. Previous research results have shown a significant correlation between entrepreneurial leadership and innovation performance [20]. This indicates that the application of a combination of leadership and entrepreneurship will produce innovation processes in businesses that will ultimately achieve innovation performance. Based on this explanation H1:

H1: Entrepreneurial leadership has a significant effect on innovation performance

2.3.3 The Role of Digital Orientation in Moderating Entrepreneurial Leadership on Innovation Performance

A business will grow if it continuously innovates. The innovation process requires a basis before innovation is formed and processed [21]. Entrepreneurial leadership is a strategy that can be used to create innovation through opportunities in business. The creation of innovation in the business process will produce innovation performance [22].

Digital orientation based on the use of technology [23]. By using digital technology, it facilitates the process of finding opportunities from the existing external environment [24]. This use is able to strengthen opportunities in order to create new breakthroughs that are utilized in business. Based on this explanation

H2: Digital Orientation Moderates the Effect of Entrepreneurial Leadership on Innovation Performance

3. METHOD

The type of research conducted is explanatory research based on a quantitative approach. This type of research was chosen because the research conducted aims to explore the relationship between a variable and other variables proposed in the research model through the process of testing the research hypothesis [25]. The data collection method used a questionnaire distributed both offline and online via Google Form. This study uses a population involving all culinary SMEs entrepreneurs in Rembang Regency namely 454 SMEs. The purposive sampling method has been implemented in the sampling method considering that in

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sampling there are special characteristics that must be possessed by respondents such as a minimum business that has been running has been operating for 1 year, has a minimum of 3 employees, and uses digital technology in running a business. Based on the results of the sample calculation that has been done previously using the Slovin formula which resulted in a sample size of 82 respondents.

SEM-PLS (SEM with a variance based SEM or PLS approach) was used in this study as an analysis technique. The analysis technique used was processed using SmartPLS 4.0 software. The construct of the entrepreneurial leadership variable consists of 5 indicators, namely risk taking, able to motivate, visionary, achievement oriented, and persistence [26], [27]. Innovation performance consists of product innovation, process innovation, and marketing innovation [28]. Digital Orientation adopts 4 indicators, namely digital technology scope, digital capabilities, digital ecosystem coordination, digital architecture configuration [23], [29]. This study uses a Likert scale in measuring 1-5.

4. RESULTS AND DISCUSSION

4.1 Results

The results of the data processing that has been done previously show the convergent validity of a construct in the research model. The criteria that a construct is declared valid refers to the value generated from the Average Variance Extracted (AVE) where the value must be greater than 0.5. Furthermore, to determine the validity of each item can be seen from the magnitude of the loading factor value that has been obtained from the previous processing that has been done. If the magnitude of the loading factor value is more than 0.6 then the question item that has been used can be declared valid.

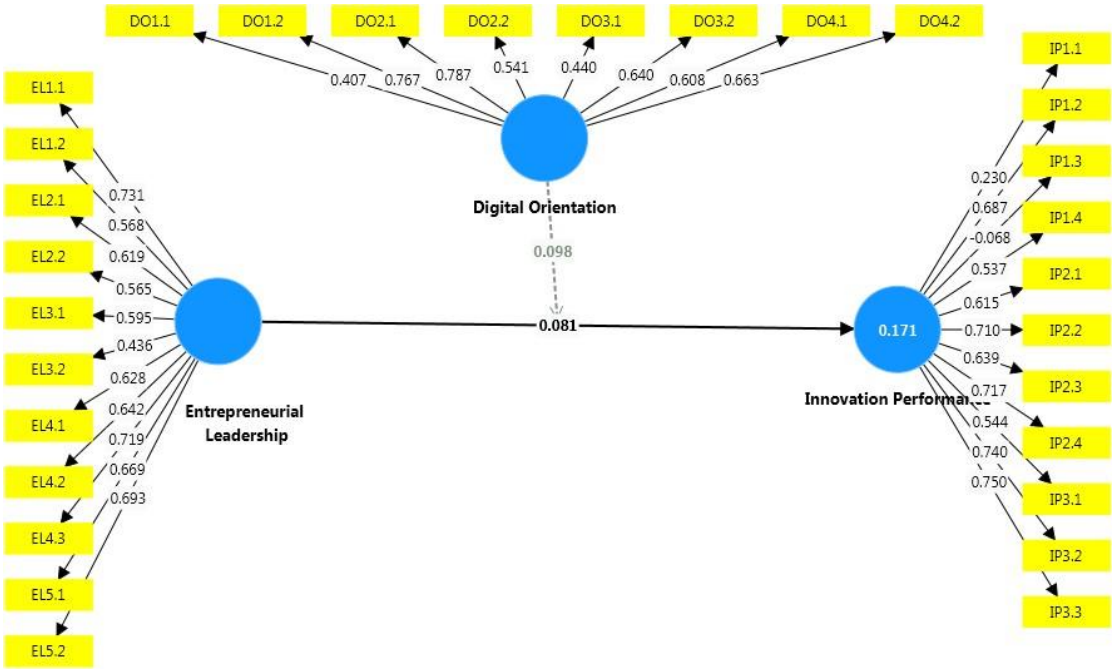


Figure 2. Loading Factor Before Deletion of Inappropriate Items

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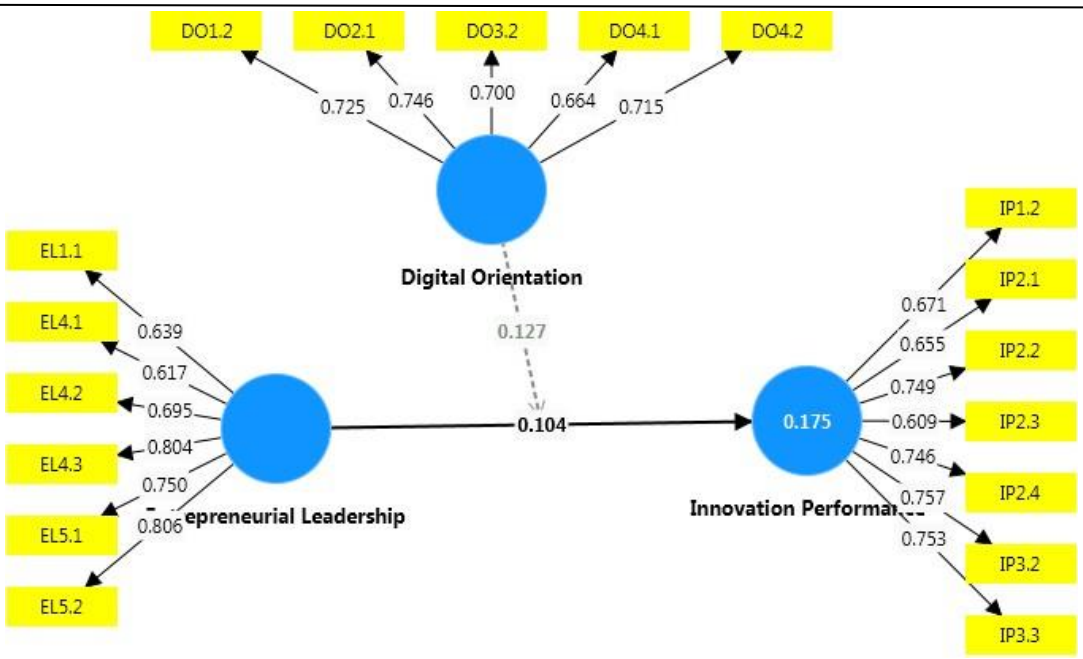


Figure 2. Loading Factor After Deletion of Inappropriate Items

Table 1. Data Processing Results for Validity and Reliability

Constructs	Items	Outer Loadings	Cronbach Alpha	Composite Reliability	AVE
Digital Orientation	DO1.2	0.725	0.755	0.763	0.505
	DO2.1	0.746			
	DO3.2	0.700			
	DO4.1	0.664			
	DO4.2	0.715			
Entrepreneurial Leadership	EL1.1	0.639	0.833	0.811	0.522
	EL4.1	0.617			
	EL4.2	0.695			
	EL4.3	0.804			
	EL5.1	0.750			
	EL5.2	0.806			
Innovation Performance	IP1.2	0.671	0.837	0.875	0.501
	IP2.1	0.655			
	IP2.2	0.749			
	IP2.3	0.609			
	IP2.4	0.746			
	IP3.2	0.757			
	IP3.3	0.753			

Based on Table 1 above shows the magnitude of the outer loading value generated for each research item. In this study, there were several items that were deleted because they had a loading value that did not meet the criteria as in Figure 2. In the table above, only items that met the criteria were entered and reprocessed after being deleted. All items have been declared valid because they have a loading factor value >0.6 as in Figure 2.

Cronchbach Alpha and Composite Reliability are used in research to see the reliability of a research construct. The criteria for a construct to be declared reliable if it has a Cronchbach Alpha and Composite Reliability value of more than 0.7. Table 1 indicates that the Cronchbach alpha and composite values are more than 0.7 so it can be concluded that all constructs are reliable.

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Table 2 Results of T-Statistics and P-Value

Relationship	Coefficient	T-Statistic	P-Value	Decision
Entrepreneurial Leadership → Innovation Performance (H1)	0.104	0.642	0.521	Unsupported
Digital Orientation x Entrepreneurial Leadership → Innovation (H2	0.127	0.919	0.358	Unsupported
Digital Orientation → Innovation Performance * new finding	0.377	3.299	0.001	Supported

The research hypothesis can be accepted if it has met the applicable provisions, namely the results of the t-statistic value> 1.96 and the value of the p-value <0.05. Referring to these provisions, it can be explained that all hypotheses are rejected because the magnitude of the t-statistic value <1.96 and the p-value> 0.05 so that it can be explained that entrepreneurial leadership does not have a significant effect on innovation performance. In addition, digital orientation is unable to moderate the influence of entrepreneurial leadership on innovation performance. Findings outside the research model show that digital orientation has a significant effect on innovation performance because it has a t-statistic value> 1.96 and a p-value <0.05.

4.2 Discussion

4.2.1 Entrepreneurial Leadership and Innovation Performance

The results of the study revealed that by implementing entrepreneurial leadership, business actors did not have a significant effect on innovation performance. This finding indicates that the influence between entrepreneurial leadership and innovation performance is very small. This result is not in line with previous research conducted by [20] which stated that there is a significant influence between entrepreneurial leadership and innovation performance. Difficulty in identifying and creating opportunities causes errors in policy making [30]. The wrong policy is because it only relies on opportunities without a correct information base [31]. The concept of entrepreneurial leadership is less than perfect in realizing desires in business development [32]. This has led to the emergence of a special strategy as an effort to improve innovation performance.

4.2.2 The Role of Digital Orientation in Moderating the Influence of Entrepreneurial Leadership on Innovation Performance

The research findings reveal that digital orientation is unable to moderate the influence of entrepreneurial leadership on innovation performance. The digital maturation process that takes a long time encourages reluctance for business actors [33]. Lack of implementation of the use of digital technology in identifying and creating opportunities causes businesses to under-develop [34]. This causes digital orientation to be unable to strengthen the relationship. However, outside the proposed research model, it was found that when the application of digital orientation is maximized, it will encourage increased innovation performance. This means that digital orientation can act as an independent variable in improving innovation performance.

5. CONCLUSION

The research findings indicate that entrepreneurial leadership does not have a significant effect on innovation performance. This shows that the implementation of the entrepreneurial leadership concept is lacking, causing the innovations initiated to not be maximized. In addition, the results of further research show that digital orientation is unable to moderate the influence of entrepreneurial leadership on innovation performance. This reveals that the use of digital technology in business processes, especially to create and identify opportunities, is in fact a less than optimal entrepreneurial leadership behavior. The limitation of

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this study is that there is a small sampling so that the results cannot be generalized to conditions in different locations. Furthermore, for future research, other variables that can improve innovation performance can be considered, such as innovation capacity and trust.

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