

The Influence of Entrepreneurial Leadership on Business Performance with Innovative Human Resource Practices Mediation on Creative Economy Entrepreneurs in Malang Raya

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A leader who has an entrepreneurial spirit will have implications for the progress of his business. This study aims to analyse and explain the influence of entrepreneurial leadership on business performance by mediating innovative human resource practices. This research was conducted on the creative economy actors in Malang Raya using a sample of 137 entrepreneurs. The sampling technique used in the study was convenience sampling. The analysis used SEM-PLS analysis. Based on the research results, it was found that entrepreneurial leadership had a positive and significant effect on Business Performance and Innovative Human Resource Practices, but what was interesting was that Innovative Human Resource Practices had an insignificant effect on Business Performance, and Innovative Human Resource Practices did not mediate the influence of Entrepreneurial Leadership on Business Performance.

Keywords: *Entrepreneurial leadership, Innovative Human Resource Practices, Business Performance.*

1. Introduction

Today's entrepreneurship has become a symbol of business resilience and achievement. The sensitivity of an entrepreneur in taking advantage of opportunities, taking risks, innovating and continuing to explore new ideas in business is an advantage in the midst of environmental conditions that are increasingly full of uncertainty. This is in line with Ireland & Webb's (2007)

statement that entrepreneurs are an effort to achieve competitive advantage because an organisation realises that they are constantly redefining the market, restructuring activities, modifying business models and studying their thinking skills. Leadership in the millennial era should understand that entrepreneurial actions at any level in a business form a sustainable competitive advantage as the basis for profitable growth (Frederick et al., 2007).

In the millennial era digitalisation and various applications provide various conveniences in fulfilling needs have an impact on various economic sectors, including the increasing demand for a variety of leisure products that offer not only fulfillment of needs but also experience and lifestyle.

The year 2010 was a time when the per capita income of the Indonesian people passed the \$3,000 mark which is considered as the threshold for a country's class increase from a poor country to a middle-income country, resulting in a shift in 'goods-based consumption' to 'experience-based consumption' which increases people's need for entertainment, hotels, eating at restaurants or hanging out at cafes, watching movies / music concerts, karaoke, gym and wellness (Suarka et al., 2015). Leisure products are more in demand, such as tourist attractions, hotels, culinary delights and transportation.

Leaders who have an entrepreneurial spirit will explore the potential to improve business (Suharyono, 2017). Entrepreneurs increase opportunities to preserve cultural heritage with business potential such as goods that have regional "values", regional culinary delights, and also those with heritage and civilisation (Hani et al. 2012).

In the millennial era, SMEs engaged in the creative industry have the potential to develop and advance in developing countries (Maryunani and Mirzani, 2015). Indonesia is optimistic that it will be able to develop the creative industry because of its strong human resources. In this case, the generation classified as productive age, namely the millennial generation, has a high percentage. Research conducted by Maryunani and Mirzani (2015) show that creative industries in developing countries are advanced and developing, but not all SMEs of creative industries are progressing rapidly where it is possible the cause is the value of local products that are less attractive and technology that is still lacking so that it has a competitive edge. which is still low, such as research conducted by Yulisetiari et al., 2019

Research conducted by Mgeni (2015); Rahim et al. (2015); Mamun et al. (2018); Zainol et al. (2018) show that entrepreneurial leadership has a positive and significant effect on the performance of SMEs. Meanwhile, research conducted by Kansika et al. (2012) shows that entrepreneurial leadership has a negative effect. Based on several previous research results, it has not shown solid results that entrepreneurial leadership has a significant effect on business performance. Empirical evidence from several research results still shows the inconsistency of research results so that it becomes an interesting research gap to reveal, and this study includes the Innovative Human Resource Practices variable in the relationship between Entrepreneurial

Leadership and Business Performance. This is based on several studies that reveal that human resource practices have an effect on effectiveness in organisations. The results of research by Schuster (1986) reported that the greater the number of innovative practices, the more people-oriented management philosophies, the more effective the organisation and the more effective research. Research conducted by Zheng et al. (2009) stated that improving the performance of SMEs can be done through innovation in human resource practices.

This research was conducted on creative economy entrepreneurs who have great potential in economic development in Malang which consists of Malang City, Malang Regency and Batu City. The development of the creative economy in Malang has a lot of potential because it is supported by the completeness of elements such as the education / campus environment, tourism, creative industries, manufacturing and people's lifestyles that support the development of the creative economy. Therefore, based on observations, the rapid development has created many challenges faced by entrepreneurs in maintaining their business performance, so that the role of entrepreneurial leadership and innovative human resource practices is important in improving business performance.

2. Empirical Study

Several studies have examined the relationship between Entrepreneurial Leadership, Innovative Human Resource Practices and Business Performance. Entrepreneurial Leadership has a positive and significant impact on Business Performance (Zainol et al., 2018; Mamunet al., 2018; Mohamad et al., 2011). There is a lot of empirical evidence linking HR practices to various uncertain performance measures (Huselid et al. al., 1997; Venkataratnam, 1997). The initial study of IHRP was carried out by Schuster (1986), who reported that the greater the number of innovative practices, the more people-oriented management philosophies and the more effective the organisation would be. In addition, research conducted by Zheng et al. (2009) shows that innovative human resource practices can improve the performance of SMEs.

The concept of the relationship between entrepreneurial leadership variables, innovative human resource practices and business performance refers to the concept of social cognitive theory (Bandura, 1994) which suggests that social and cognitive factors and behavioural factors play an important role in the learning process in individuals. This theory explains human behaviour in the context of a continuous reciprocal interaction between cognitive, behavioural and environmental influences. Where environmental factors affect behaviour, behaviour affects the environment. Person (cognitive) factors play an important role. The person (cognitive) factor in question is self-efficacy. According to Bandura (1994), individuals who have high self-efficacy will easily face challenges. Individuals do not feel doubt because they have confidence in their abilities. Likewise, leaders who have an entrepreneurial spirit, who are able to take advantage of business opportunities, who dare to take risks and always innovate and find new ideas in business development will find it easier to face challenges so that they have a positive impact on their ability to sustain their business.

2.1. Hypothesis

In this study, 4 research hypotheses were proposed, namely:

H1: Entrepreneurial Leadership has a positive and significant effect on Business Performance

H2: Entrepreneurial Leadership has a positive and significant effect on Innovative Human Resource Practices

H3: Innovative Human Resource Practices have a positive and significant effect on Business Performance

H4: The Role of Innovative Human Resource Practices as a mediator on the Influence of Entrepreneurial Leadership on Business Performance



Figure 1. Research Conceptual Framework

3. Methods

This research is an explanatory research with a quantitative approach. The approach used in this research is a positivist approach characterised by prioritising theory and prior research to develop conceptual frameworks and hypotheses; use quantitative analysis tools and attach importance to research results. This study uses data collection methods with questionnaires distributed online and offline to respondents. This study uses a non-probability sampling method. The sampling technique in this study used convenience sampling. The research was conducted on creative industries in Malang Raya which produce Malang goods such as toys, accessories, clothes, cloth, food etc. A number of 137 creative industry entrepreneurs were taken as research samples. The analysis technique used is SEM-based variance-based SEM (SEM-PLS). Entrepreneurial leadership is measured using 9 indicators based on research by Morris, M. Schindehutte, M & LaForge, R (2004); Renko et al. (2013); Soomro et al. (2018); Bagheri et al. (2017). Innovative Human Resource Practices is measured using 7 indicators

based on research by Hidalgo and Albors (2008); Zheng et al. (2009). Business performance is measured using 7 indicators based on research Lee and Tsang (2001); Zheng et al. (2009).

4. Result

The majority of respondents, 37.2%, were aged 20-29 years, had a college education background (78.8%), were male (53.3%), the majority had work experience (77.4%) and 61.3% were a part of the business community, with more than 50% of respondents having employees with a number of 1-5 employees (58.4%). The majority are engaged in the food and beverage business (42.3%) and the rest are spread across 13 other types of businesses. The average stratified business has been running for 5-10 years. with a net profit per year below IDR 10,000,000 and an average turnover in the food and beverage industry of approximately IDR 50,000,000 per year. The majority of respondents' marketing coverage area is in Java with a percentage of 77.9%.

Table 1. Structural Model

Variable	R Square
Business Performance (Y)	0.301
Innovative Human Resource Practices (Z1)	0,478

Source: SmartPLS output results, 2020

Based on the structural model testing table, it shows that the business performance variable has an influence with the predictive power of the whole model of 0.301 or 30%, while the remaining 70% is influenced by other factors or variables not contained in the equation model. The innovative variable in human resource practices has an influence on the predictive power of the overall model of 0.478 or 48%, while the remaining 52% is influenced by other factors or variables not contained in the equation model. In addition, testing the inner model can also be seen from the predictive relevance evaluation of the stone-geiser Q-Square test for predictive relevance. From the R-Square value it is entered in the following Q-Square equation:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)(1 - R_3^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0,301) * (1 - 0,478)$$

$$Q^2 = 0,635 = 63\%$$

Based on the Q-Square test, it shows that a value is greater than 0 (zero) which means that the model has predictive relevance, while the Q-square value is less than 0 (zero) which indicates that the model has less predictive relevance (Ghozali, 2008). The Q-Square results above show that the model has a predictive relevance, because it has a value of 0.63 or greater than 0 (zero) which means that the model is very good to use.

Table 2. The Direct Effect Path Coefficient

Proposed Hypothesis	Hypothesis	Estimate	P-Value	explanation
Entrepreneurial Leadership → Business Performance X1→Y	H1	0.244	0.000	Received

Proposed Hypothesis	Hypothesis	Estimate	P-Value	explanation
Entrepreneurial Leadership → Innovative HR Practices X1→Z1	H2	0.629	0.040	Received

Proposed Hypothesis	Hypothesis	Estimate	P-Value	explanation
Innovative HR Practices → Business Performance Z1→Y	H3	-0.041	0.797	Rejected

Table 3 Testing the Role of Innovative Human Resource Practices as Mediating the Influence of Entrepreneurial Leadership on Business Performance

Proposed Hypothesis	Hypothesis	Estimate	P-Value	explanation
Entrepreneurial Leadership →Innovative HR Practices→ Business Performance X1→Z1→Y	H4	-0.256	0.797	Rejected

5. Discussion

5.1. The Influence of Entrepreneurial Leadership on Business Performance

The first hypothesis is that Entrepreneurial Leadership affects Business Performance. The first hypothesis is accepted, entrepreneurs who have a leadership spirit can have high business performance. Entrepreneurs who are able to be innovative and persistent are able to create good business performance. Being innovative in creating new products and being persistent in achieving targets can influence employees to improve performance.

The results of this study are consistent with research from Thornberry (2006: 24) which explains that someone with entrepreneurial leadership is more of an entrepreneur who can create change rather than transacting with other companies, because changes will run according to prevailing market trends. In addition, the research findings support the research proposed by

Mgeni (2015); Rahim et al. (2015); Mamun et al. (2018); Zainol et al. (2018) who stated that entrepreneurial leadership has a positive and significant effect on business performance.

5.2. The Influence of Entrepreneurial Leadership on Innovative Human Resource Practices

The second accepted hypothesis is that Entrepreneurial Leadership influences Innovative HR Practices. Entrepreneurs who have a high leadership spirit will have innovations in improving the performance of human resources. Entrepreneurs can implement innovations in their human resources. This hypothesis is in line with the thinking of J. Winardi (2008: p.20) who states that Entrepreneurial Leadership is an innovative entrepreneur, able to experiment aggressively and they are skilled at practicing transformation - transforming possibilities - attractive possibilities.

5.3. The Influence of Innovative Human Resource Practices on Business Performance

The results of the third hypothesis test indicate that Innovative HR Practices do not affect Business Performance. The innovation strategy in human resources is unable to improve business performance. The recognition of creative industry entrepreneurs towards the wage system and social benefits has the lowest average score. Giving rewards and low rewards results in low employee motivation which results in innovation

Human Resource Practices have no effect on Business Performance. The results of this study are not in line with research from McMahan (1996). In his study of 130 large companies, he found that when companies adopt new strategies and redesign to deal with perceived competitive pressures, the HR function is also redesigned to support a changing business. Likewise, research from Schuster (1986) reports that the greater the number of innovative practices, the more people-oriented management philosophies and the more effective the organisation.

5.4. The Role of Innovative Human Resource Practices as a mediator of the Influence of Entrepreneurial Leadership on Business Performance

The results of the fourth hypothesis test indicate that Innovative Human Resource Practices do not mediate the influence of Entrepreneurial Leadership on Business Performance. Entrepreneurial leadership variables only have a direct effect on business performance. Zheng et al. (2009) show that innovative human resource practices can improve the performance of SMEs. Zheng et al. (2009) is not in accordance with the results of hypothesis testing in this study. Innovative Human Resource has no direct effect on Business Performance in accordance with the rejected third hypothesis. The result of this insignificant hypothesis test is due to the character of the respondent and the type of business.

5.5. Research Contribution

Research results related to the influence of Entrepreneurial Leadership on Business Performance with the mediating variables of Innovative Human Resource Practices have contributed to theory development, namely: 1. Entrepreneurial Leadership has a positive and significant effect on Business Performance. Creative entrepreneurs have a high passion for developing a business. Entrepreneurial leadership is shaped by a leader's ability to create new strategies for advancing the business. 2. Entrepreneurial Leadership has a positive and significant effect on Innovative Human Resource Practices. 3. Innovative Human Resource Practices have no effect on Business Performance. Providing benefits below the regional minimum wage (UMR) and low rewards results in decreased worker motivation. A decrease in worker motivation shows that the Innovative Human Resource Practices in this study have no effect on performance. 4. Innovative Human Resource Practices do not play a role as mediation of the influence of Entrepreneurial Leadership on Business Performance.

5.6. Research Limitations

Statistical data related to the number of creative economy entrepreneurs has not been published, so the population of creative economy entrepreneurs cannot be ascertained. Therefore the sampling technique in this study uses non-probability sampling. The sampling technique used in this study is the reason for the weak generalisation of the results of this study.

6. Conclusion

The results of research related to the influence of Entrepreneurial Leadership on Business Performance with the mediating variable Innovative Human Resource Practices provide practical contributions that to improve Innovative Human Resource Practices, it is necessary to pay more attention to the aspects of performance-based wages by adjusting the salaries given to employees according to the performance and provisions of the government (UMR) so that it can increase employee motivation to work.

6.1. Suggestions to Future Researchers

In the introduction of this study, it has been suggested that there is a research gap on the influence of Entrepreneurial Leadership on Business Performance. As a solution to this gap, this study places Innovative Human Resource Practices as a mediating variable, but the results of this study are unable to prove that Innovative Human Resource Practices can be a mediating variable. Therefore, future researchers can replace the mediating variables of Innovative Human Resource Practices with other variables such as Organisational Commitment and Employee Engagement.



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