

# THE MEDIATING ROLE OF EMPLOYEE INNOVATION ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE (A CONCEPTUAL PAPER)

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Organization or company is a group of people who gather to achieve certain goals. Motivation often can make people have a great performance at their company. The purpose of the research is to analyse and find out whether entrepreneurial leadership and entrepreneurial orientation can affect directly to organizational performance without being mediated by employee innovation. It will be compared using a mixed method to find out which one is more efficient and more effective.

**Keywords:** entrepreneurial leadership, entrepreneurial orientation, employee innovation, organizational performance

Organisasi atau perusahaan adalah sekelompok orang yang berkumpul untuk mencapai tujuan tertentu. Motivasi seringkali dapat membuat orang memiliki kinerja yang hebat di perusahaan mereka. Tujuan dari penelitian ini adalah untuk menganalisis dan untuk mengetahui apakah kepemimpinan kewirausahaan dan orientasi kewirausahaan dapat memengaruhi karyawan untuk membuat inovasi, sehingga mereka dapat memiliki kinerja yang lebih baik untuk organisasi mereka atau kepemimpinan kewirausahaan dan orientasi kewirausahaan dapat memengaruhi langsung kinerja organisasi tanpa dimediasi oleh inovasi karyawan dan akan dibandingkan dengan menggunakan metode campuran (*mixed method*) untuk mencari tahu mana yang lebih efisien dan lebih efektif.

**Kata Kunci:** kepemimpinan kewirausahaan, orientasi kewirausahaan, inovasi karyawan, kinerja organisasi

## INTRODUCTION

Business-to-business, also called B2B, is a form of transaction between businesses, such as one involving a manufacturer and wholesaler, or a wholesaler and a retailer (Vargo & Lusch, 2011). It refers to business that is conducted between companies, rather than between a company and individual consumers. Business to business stands in contrast to business-to-

consumer (B2C) and business-to-government (B2G) transactions (Shahjee, 2016).

The term business-to-consumer (B2C) refers to the process of selling products and services directly between consumers who are the end-users of its products or services (Drigas & Leliopoulos, 2013). Most companies that sell directly to consumers can be referred to as B2C companies. B2C became immensely popular during the dotcom boom of the late 1990s when

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it was mainly used to refer to online retailers who sold products and services to consumers through the Internet. As a business model, business-to-consumer differs significantly from the business to business model, which refers to commerce between two or more businesses (Brown, Bellenger, & Johnston, 2007). B2C traditionally referred to mall shopping, eating out at restaurants, pay-per-view movies, and infomercials. However, the rise of the Internet created a whole new B2C business channel in the form of e-commerce or selling of goods and services over the Internet.

FIJI Water was founded in 1996 out of the desire to share the earth's finest water with the world. Today, it is available in leading hotels, fine restaurants, retail locations, as well as by direct delivery. As a leading export of the Fiji Islands, FIJI Water is now the number one imported bottled water in the United States and is enjoyed in over 60 countries across the globe. FIJI Water is committed to doing business

responsibly and seeking opportunities to make a difference. That means investing in its communities and the environment and focusing its efforts around meaningful issues with like-minded partners to enable positive change.

As an imported product, a company needs to import the foreign product to be sold at local country. According to Lo Turco and Maggioni (2015), an imported product can attract more people because it has a good quality and more branded, an imported product can be sold with higher price than ordinary product.

The reason an importing firm was chosen for this study was because importing is an activity that helps in fulfilling the needs of a country and is an inter-business that can benefit each other. Imported products are products that have a better quality than local product in Indonesia market today. The component of manufacturing production costs in Indonesia is still higher than manufacturing production from abroad.

**Table 1. Imported product growth for F&B Industry year 2014-2016 (in USD)**

No.	Sub Sector	2014	2015	2016
1.	Alcohol	99,297.8	81,782.0	94,387.3
2.	Soft Drink	99,066.1	92,430.3	88,936.3
3.	Mineral Water	2,124.5	2,348.8	3,176.5

(Source: Kementerian Perindustrian, n.d.)

From Table 1, it can be concluded that the development of alcoholic beverage imports in 2014 was USD 99,297, decreasing in 2014 to USD 81,782, then increased to USD 94,387 in 2016. Soft drinks also decreased in 2014 from USD 99,066 to USD 92,430 in the year 2015 and decreased again to USD 88,936. While mineral water have increased every year, in 2014 as much as USD 2,124, increasing in the following year to USD 2,348 then increasing again in 2016 to USD 3,176.

The reason why we chose a bottled water importer (now mentioned as PT XYZ) is that it is

a distributor who has been in Indonesia for a long time and has been established since 2002. PT XYZ is a distributor of Fiji mineral water imported from the Fiji islands and has become a trusted partner in Indonesia. PT XYZ was founded in 2002 as a sub distributor, now has managed to grow and build impressive brands portfolio in wine and spirits. Now as one of the premier wine and spirits distributors in Indonesia, they have vast experiences, strategies and their growing distribution network operates all over the country.

The authors did an interview with the employees to know what kind of issues that they were facing inside the company. Some of the questions during the interview were as follows: What kind of innovation that you have been developing to make this company grow better? What kind of reward that you get from the boss when you completing the task that given to you? How is the relationship between the boss and the employee in this company? Is the task that given to you is in accordance with the categories that you understand? How is the performance of the company in the last few years? Is there any positive change? At the conclusion of the interviews, the issues that have risen are as follows: lack of motivation from the upper management, the work is not same as the job description, lack of innovation from the employee, average organizational performance, and lack of entrepreneurial orientation from the employee. This research is expected to increase knowledge and understanding about how entrepreneurial leadership and entrepreneurial orientation affect employees in innovating in order to foster a productive and innovative performance.

## **LITERATURE REVIEW**

### **Management**

According to Robbins and Coulter (2012), management is a process that involves managing and coordinating the work activities of others in an organization so that the work can be completed efficiently and effectively. Griffin (2011) mentioned that management is a series of activities, which include planning and decision making, leadership, organizing, and controlling which are then directed at organizational resources such as human, physical, information, and financial, with a view to achieving organizational goals efficiently and effectively.

### **Organizational Performance**

Organizational performance is the result of several business factors, e.g. work processes, team/group communication and interaction, corporate culture and image, policies, leadership, and climate that promotes innovation, creativity,

and loyalty (Cho, 2011). According to Sanyal and Hisam (2018), high performance organizations will accomplish their tasks efficiently; organizations will maintain the organization and make adjustments so that the organization can function effectively. Based on Richard, Devinney, Yip, and Johnson's (2009) study, organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). Public organizations have far more and more complex stakeholders than needs that conflict with one another, as a result the performance measures of public organizations are asked by stakeholders to be different.

### **Employee Innovation**

Employee innovation is a contextual, dynamic, and relational process that is commonly analysed as an entrepreneurial activity guided by single strong individuals (Hasu, Honkaniemi, Saari, Mattelmäki, & Koponen 2014). According to Huhtala and Parzefall (2007), employee innovation capability is defined as that the propensity of employees to generate new ideas, promote these new ideas and implement these new ideas to achieve organizational goals. Other than generating ideas, innovative activity may also be triggered by individuals searching for new ideas in their environment (Lukes & Stephan 2017).

### **Entrepreneurial Leadership**

Entrepreneurial leadership is a role performed in entrepreneurial ventures, rather than in the more general sense of an entrepreneurial style of leadership (Leitch, McMullan, & Harrison, 2013). According to Renko, El Tarabishy, Carsrud, and Brännback (2015), entrepreneurial leadership entails influencing and directing the performance of group members towards the achievement of organisational goals that involve recognising and exploiting entrepreneurial opportunities.

## RESEARCH METHODOLOGY

### Samples

According to Sekaran and Bougie (2016), the classification of data based on the type of data is divided into qualitative and quantitative. Qualitative data is the data in the form of words that is obtained through the results of broad answers to questions in interviews, or from responses to open questions in questionnaires, or through observations, or from information already available collected from various sources such as the Internet. Quantitative data is data in the form of numbers that are generally collected through structured questions. Information provided from data can be the result of careful analysis of primary data collected directly or secondary data that is already available (in companies, industries, archives).

The type of data used in this study is quantitative and qualitative data, because the data needed comes from interviews, observations, and literature studies. Collection of data is divided into primary and secondary data. According to Sekaran and Bougie (2016), primary data sources are data collected directly by researchers for specific research purposes. Primary data sources obtained from interviews, observation, questionnaires, and experiments. Secondary data sources are data that have been collected by other

people (literature study) for purposes other than the purpose of this research (Sekaran & Bougie, 2016). Some secondary data sources are statistical bulletins, government publications, published or unpublished information available both inside and outside the organization, company websites, and the Internet. Sources of data used and obtained in this study are by interview, observation and from the results of literature studies.

### Population

The population and samples for this research is the employees working at PT XYZ located in Sunter, North Jakarta. The total population for the employee is less than 100 comprises employees from lower management, middle management and upper management. The method will be used for this research is simple random sampling. The reason that we use simple random sampling because employees at PT XYZ can be categorized the same or homogeneous because we spread the questionnaire to the middle and lower management. Collecting data by using the questionnaire that used for interviewing the employees, we give the questionnaire to the middle and lower management purposely. Questionnaire were distributed within two to four weeks.

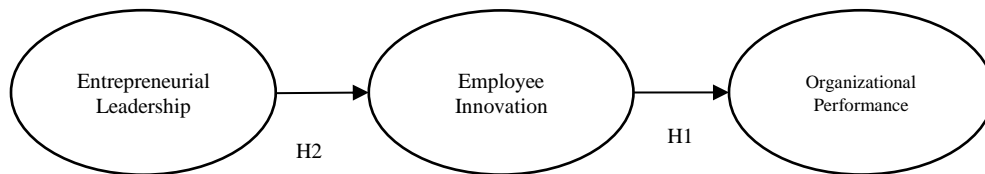


Figure 1. Proposed Structural Model

### Hypothesis 1 (H<sub>1</sub>)

Ho: There is no significant influence between Employee Innovation on Organizational Performance

Ha: There is a significant influence between between Employee Innovation on Organizational Performance.

### Hypothesis 2 (H<sub>2</sub>)

Ho: There is no significant influence between Entrepreneurial Leadership on Organizational Performance

Ha: There is a significant influence between Entrepreneurial Leadership on Organizational Performance

Hypothesis 1 (H<sub>1</sub>)

Employee innovation is the source of employee creativity, if the employee perform well and is able to create an innovation culture, surely the organizational performance will improve to achieve their target.

Hypothesis 2 (H<sub>2</sub>)

Good motivation is often given by a good leader at the company and some employee will be motivated and try to attract their leader to make a good organizational performance.

The framework model can be seen in Figure 1. The definition of each variable as well as their indicators can be seen in Table 2.

**Table 2. Variable Operationalization**

<b>Variable</b>	<b>Definition</b>	<b>Indicator</b>
Organizational Performance	The result of several business factors, e.g. work processes, team/group communication and interaction, corporate culture and image, policies, leadership, and climate that promotes innovation, creativity, and loyalty (Cho, 2011).	Productivity, Quality Service, Responsibility (Richard, Devinney, Yip, & Johnson, 2009)
Employee Innovation	A contextual, dynamic, and relational process that is commonly analysed as an entrepreneurial activity guided by single strong individuals (Hasu, Honkaniemi, Saari, Mattelmäki, & Koponen 2014)	Product Innovation, Innovation Process, Market Innovation (Goffin & Mitchell, 2010)
Entrepreneurial Leadership	Leadership role performed in entrepreneurial ventures, rather than in the more general sense of an entrepreneurial style of leadership (Leitch, McMullan, & Harrison, 2013)	Able to motivate, Achievement Oriented, Innovative (Surie & Ashley, 2008)

## CONCLUSION AND RECOMMENDATION

This research is aimed to identify effective of entrepreneurial leadership towards organizational performance mediated by employee innovation at PT XYZ. From our perspective, the conceptual paper could be used to improve their organizational performance and create a more motivational environment for the employees. Motivation often comes from upper or middle management to lower management to make them more innovative in order to improve organizational performance.

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