

THE IMPACT OF ENTREPRENEURIAL LEADERSHIP ON EMPLOYEE PERFORMANCE AT THE DEPARTMENT OF INDUSTRY AND TRADE OF JAMBI PROVINCE WITH INNOVATIVE WORK BEHAVIOR AS AN INTERVENING VARIABLE

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Abstract

This study explores the impact of entrepreneurial leadership on innovative work behavior and employee performance within the public sector, focusing on the Jambi Province Industry and Trade Office—a critical entity in local economic development. Adopting a mixed-methods approach, the research involved a survey of 114 employees supplemented by qualitative observations, analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM). Findings indicate that entrepreneurial leadership significantly enhances innovative work behavior (Path coefficient = 0.63, $p < 0.01$), which in turn mediates the relationship between leadership and employee performance (Indirect effect = 0.27, $p < 0.05$). Additionally, the direct impact of entrepreneurial leadership on employee performance was also significant (Path coefficient = 0.36, $p < 0.05$), underscoring the dual pathways—direct and mediated—through which leadership styles conducive to innovation can improve organizational outcomes. These results underscore the transformative potential of entrepreneurial leadership in fostering innovation and enhancing performance within traditionally less dynamic public sector environments. The study contributes to the burgeoning literature on leadership in the public sector by demonstrating the pivotal role of leadership styles in enhancing innovation and operational efficiency.

Keywords: Entrepreneurial Leadership, Innovative Work Behavior

Introduction

Organizational success increasingly depends on adapting and continuously improving, especially in public sector environments facing rapid technological and market changes (Carmeli, Brammer, Gomes, & Tarba, 2014). In this context, adaptive and innovative leadership is the primary key (Hughes, Lee, Tian, Newman, & Legood, 2018). This research examines the role of entrepreneurial leadership in fostering an environment conducive to innovation and improved performance at the Jambi Province Department of Industry and Trade. This office plays an essential role in local economic development. Entrepreneurial leadership influences employee performance directly and indirectly through increasing innovative work behavior (De Jong & Hartog, 2010).

In the era of globalization and increasing competition, many public sector organizations in Indonesia face challenges in adapting to rapid and unpredictable changes (Osborne & Brown, 2013). The Jambi Province Department of Industry and Trade, as the entity responsible for the growth of industry and trade in the region, requires a leadership strategy that is not only proactive but also creative in facing and exploiting opportunities. However, limitations in innovation and dynamic leadership are often the main obstacles resulting in stagnant or declining performance (Renko, Tarabishy, Carsrud, & Brännback, 2015).

This research was conducted to identify and analyze the impact of implementing entrepreneurial leadership in a bureaucratic environment that tends to be conservative and routine. Seeing the importance of innovative leadership in facing market and technological changes, this study aims to evaluate how entrepreneurial leadership can facilitate innovative work behavior, improving organizational performance (Bass, 1985). This research is expected to fill the gap in existing literature regarding the application and effects of entrepreneurial leadership in the public sector, especially in Indonesia.

This research contributes to developing management and leadership theory in several ways. First, by exploring the relationship between entrepreneurial leadership and innovative work behavior in a public sector context, this research provides new insights into the leadership dynamics that support organizational innovation and adaptability (Mumford, Scott, Gaddis, & Strange, 2002). Second, this research offers empirical evidence regarding the positive influence of entrepreneurial leadership on employee performance, guiding leaders of public organizations to adopt leadership practices that can trigger innovation and improved performance. Finally, the results of this study are expected to be a basis for policymakers in designing and implementing relevant leadership training programs to increase effectiveness and efficiency in the public sector (Bennis & Nanus, 1985).

Literature Review

Entrepreneurial Leadership

Entrepreneurial leadership is an approach that emphasizes innovation, proactivity, and the ability to identify and take advantage of new opportunities that exist. Gupta, MacMillan, and Surie (2004) articulated that entrepreneurial leadership involves risk-taking and creativity that can drive organizational growth and transformation. Furthermore, Renko, Tarabishy, Carsrud, and Brännback (2015) emphasized that entrepreneurial leaders encourage an innovative culture by empowering and inspiring their employees to pursue innovation and improvement.

Innovative Work Behavior (IWB)

Innovative work behavior refers to individual actions initiating and implementing new ideas, processes, or products within the organization. De Jong and Den Hartog (2010) define IWB as efforts by employees to think of new ways to improve their tasks or work conditions, which is essential for organizational adaptability. Belschak, Den Hartog, and Fay (2010) added that IWB includes not only the creation of new ideas but also the implementation of these ideas into effective work practices.

Employee Performance

In the context of public organizations, employee performance is often measured through various parameters such as efficiency, effectiveness, and level of customer or citizen satisfaction. Andrews, Boyne, and Walker (2006) identified that performance in the public sector is not only about operational efficiency but also about the quality of services provided to the public. Furthermore, Perry, Hondeghem, and Wise (2010) emphasized the importance of employee involvement as an essential factor influencing performance in the public sector, which is closely related to motivation and dedication to organizational tasks.

Although existing literature has linked entrepreneurial leadership to innovative behavior and employee performance, there is still room to understand better how these dynamics operate in the public sector context, particularly in local government environments in developing countries such as Indonesia. Most previous studies focused on the private sector or developed country contexts. Hence, this research seeks to fill this gap by investigating this phenomenon in different contexts, offering a new and relevant perspective for management practice and theory.

Methods

This study adopts a mixed methods approach that combines quantitative and qualitative elements to gain a more comprehensive understanding of the influence of entrepreneurial leadership (EL) on innovative work behavior (IWB) and employee performance. Quantitative research is conducted through surveys to collect numerical data, which is then analyzed statistically. At the same time, the qualitative component involves observations and interviews to gain deeper context and nuances from the data obtained.

The population in this study is employees of the Jambi Province Department of Industry and Trade. The Sample was selected using a simple random sampling technique from the list of available employees, with a total sample of 114 respondents. This sample size was determined based on the Krejcie and Morgan criteria to

Data was collected through two methods:

1. Quantitative Survey: Respondents are invited to complete a structured questionnaire that includes entrepreneurial leadership (EL), innovative work behavior (IWB), and employee performance. This questionnaire uses a five-point Likert scale to rate each statement, from strongly disagree to agree strongly.
2. Qualitative Observations: Observations are conducted in the workplace to understand better how EL influences IWB and employee performance in real time. These observations also help validate the answers to the questionnaire.

The instrument's validity is guaranteed through content validity testing by an expert panel and validity testing is constructed using factor analysis. Reliability was ensured by calculating Cronbach's alpha and Composite Reliability for each scale, with values above 0.7 considered acceptable.

This research is expected to provide valuable insight into the dynamics of entrepreneurial leadership and its role in increasing innovative behavior and employee performance in the public sector.

Result and Discussion

Data analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) revealed significant results regarding the relationship between entrepreneurial leadership (EL), innovative work behavior (IWB), and employee performance.

The Influence of Entrepreneurial Leadership on Innovative Work Behavior

The path coefficient from EL to IWB is 0.63, with a p-value of less than 0.01, indicating that entrepreneurial leadership significantly influences innovative work behavior. This finding is consistent with research by Gupta, MacMillan, and Surie (2004), which found that a leadership style that encourages

innovation and freedom to explore can significantly increase employee innovative behavior (Gupta et al., 2004).

Innovative Work Behavior Mediation

The mediating effect of IWB on the relationship between EL and employee performance is significant, with a path coefficient of 0.27 and a p-value of less than 0.05. This suggests that IWB improves due to entrepreneurial leadership, which plays a vital role in improving employee performance. Research by De Jong and Den Hartog (2010) supports this, showing that innovative employee behavior can catalyze overall organizational effectiveness and efficiency (De Jong & Den Hartog, 2010).

Direct Impact of EL on Employee Performance

Entrepreneurial leadership also significantly impacts employee performance, with a path coefficient of 0.36 and a p-value of less than 0.05. This direct influence shows that apart from innovative behavior, entrepreneurial leadership also improves employee performance through other mechanisms, such as direct motivation and providing adequate resources. A study by Bass (1985) also found that transformational leaders who encourage innovation and proactivity can directly improve employee performance (Bass, 1985).

These results support the assumption that a leadership style that supports innovation can substantially impact performance by promoting innovative behavior among employees. This shows the importance of inspiring and empowering leadership, as illustrated by Avolio and Bass (1995), who stated that transformational leadership could facilitate innovation by creating an environment that encourages idea-sharing and experimentation (Avolio & Bass, 1995).

This study contributes to the leadership and innovation management literature, particularly in the public sector, by showing how entrepreneurial leadership can effectively drive innovation and higher performance. These findings offer practical insights for leaders in the public sector to design and implement strategies that encourage innovative behavior, which can ultimately lead to substantial improvements in the delivery of public services and the achievement of organizational goals.

Conclusion

These findings emphasize the importance of entrepreneurial leadership in a public sector environment where innovation is not typically emphasized. This study showed that entrepreneurial leadership significantly and positively impacts innovative work behavior, which mediates the positive relationship between entrepreneurial leadership and employee performance. This suggests that leadership styles that encourage innovation, take risks, and involve employees in the creative process can substantially improve operational effectiveness and employee satisfaction in the public sector. This conclusion follows the research objective of evaluating the influence of entrepreneurial leadership on employee innovative behavior and overall performance in the context of public organizations. By highlighting the importance of these factors, this research provides evidence that adopting entrepreneurial leadership principles in public sector management can be vital to improving performance and innovation.

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