

Transformational Leadership in MSMEs in the city of Bandung

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Abstract

Corporate leaders have faced two new challenges in the last ten years of the globalization era: expanding the company's worldwide reach and entrepreneurship as a result of conducting business outside of national borders, and implementing information technology-based innovations as soon as feasible. The reason for this is that there seem to be very few signs of innovative conduct. Entrepreneurship's human resource base determines how innovative a person becomes. People who use their knowledge, information, and experience as input resources are said to exhibit innovative behavior. Thus, the expertise and caliber of human resources are crucial to the success of innovative conduct. Here, human resources are inextricably linked to the way an entrepreneur's leadership style oversees the operation of the company he owns in order to provide him a competitive edge—especially in today globalized age. The purpose of this study is to examine how creative behavior and transformational leadership affect entrepreneurial orientation, or the use of entrepreneurship to mobilize human resources in company. This study use both quantitative and qualitative approaches to gather data from five primary and secondary entrepreneurs who meet the following criteria: (a) have at least ten members; (b) have been operating their businesses for three years in a row; and (c) have more than two business units. (d) Own more than \$10 million in assets. In this study, eighty persons made up the sample. quantitative research methodology using analysis of primary data obtained from questionnaires. The Structural Equation Model was utilized in this study for both data analysis and hypothesis testing (SEM). Entrepreneurial Orientation in Business is significantly impacted by research employing innovative behavior characteristics and transformational leadership (H1). Innovational conduct and transformational leadership are not major factors influencing entrepreneurship in company (H0).

Keywords: SEM Analysis; Business; Transformational; Entrepreneurship; E-Leadership

Introduction

Entering the digital age presents a number of obstacles for entrepreneurship today. Finally, fierce competition between business owners and businesses has emerged in this century. severe will subtly motivate businesses to stay afloat in the face of severe competition. One of the most valuable resources for company owners and organizations that encourage entrepreneurship is human resources (HR). A lot of businesses today understand how crucial it is to keep up their human resources. Human resource management and transformational leadership are needed because human resources play a significant influence in deciding the success of entrepreneurial endeavors.

An approach to leadership known as transformational leadership aims to boost team creativity and engagement. The relationship in which a leader directs and oversees the activities of his followers is referred to as leadership. Thus, to be a leader is to persuade others to strive toward the objectives of the group, the organization, or even the leader's own objectives. As information and communication technology (ICT) advances and innovates,

It is a fundamental requirement in the realm of internet technology in the modern, business-transformational era. Not a single job can be completed without internet access. Everything about life is made easier by the internet: public services, education, entertainment, information, advertising, investment, engagement or communication, marketing (digital marketing), business, and product sales. All organizations can also benefit from the internet, even if it means sacrificing credit, installing WiFi,

having a quota, and other things. In an attempt to enable people to create enterprises and promote their goods based on the digitalization of the creative economy, it is envisaged that the internet would grow into a bolstering and supporting tool for enterprising business players in digital marketing techniques.

A growing number of small and medium-sized companies are using social media to participate in the digital economy. With the advent of broadband marketplaces, e-commerce, cloud computing, and mobile platforms, entrepreneurship can expand more readily and fast in terms of job creation and income needs. It can also become more transformative in areas other than business and economics. To ensure that the criminals' business implementation achieves expectations by maximizing profit and avoiding risks—that is, material and immaterial losses—digitalization must be safeguarded with additional tools. Through the approval of numerous laws, the state has made this shift possible.

One of the crucial elements to accelerating community independence and prosperity is community development and empowerment through initiatives to support a network of business partners, according to the 2014 Law on Subdistricts/Villages. This can be accomplished by using human resources in a way that aligns with the core of the issue and the most pressing requirements of society, as well as by improving knowledge, attitudes, behavior, skills, talents, and awareness.

Given the above context, in order to address the issues, in-depth study on the impact of innovative and transformational leadership styles on entrepreneurial orientation in business performance is required. Comprehensive research on innovative behavior demonstrates the existence of transformational leadership and entrepreneurship principles, which influence the necessity of particular competencies for business performance. These are actionable steps that may be taken. The following formulation of the problem is based on the background description: What impact does the transformational leadership model have on the Mekarjaya MSME business's entrepreneurial orientation? Does the entrepreneurial attitude of enterprises in Mekarjaya's MSMEs benefit from creative behavior? Does the Mekarjaya MSME business's entrepreneurial approach get influenced by creative behavior and the transformational leadership model? This study activity's specific goal is to demonstrate how to evaluate the impact of creative behavior and the Transformational Leadership model on Entrepreneurial Orientation in the Mekarjaya MSME firm.

According to research by Bass, transformational leadership means earning followers' trust and using it to position oneself as an example. Considering that Bass maintains a journal devoted to both transactional and transformative leadership. Bass therefore developed the multifactor leadership questionnaire, a dimensional measuring model (B.M. Bass, Avolio, 1997). and proceeded with its development into a multifactor leadership questionnaire (MLQ-5X), splitting the idealized influence dimensions into two (B.M. Bass, 2000; Bruce J. Avolio & Bass, 2004). The five transformational leadership aspects included in MLQ-5X are as follows (Bruce J. Avolio, Bass, & Jung, 1999; B. M. Bass & Avolio, 1997; Bernard M. Bass, 1990; Bernard M. Bass & Avolio, 1994):

1. Idealized impact (characteristic). Exhibit traits that inspire admiration and pride in your relationship with him. such as unity and deference
2. Idealized impact (conduct). Share the importance, values, and objectives of the organization's mission. like vision, strategy, dependability, and cooperation.
3. Motivation that inspires. displays eagerness and optimism over future objectives and conditions. With its adherents, it can also bring about genuine empowerment and self-actualization. similar to establishing lofty objectives and ambitions.
4. Intense mental engagement examining fresh angles in order to resolve issues and finish projects. like ingenuity, inventiveness, and group dynamics.
5. Tailored attention. emphasizes meeting the unique requirements of each follower while also fostering and mentoring them. Along with highlighting the potential, abilities, and aspirations of followers, as well as the job support for development.

based on the most recent study (Nusair et al., 2012) by Nusair, Abaneh, and Kyung Bae. People's needs for increased accomplishment, self-worth, and self-actualization are met by transformational leadership.

This makes it easier for people to understand how one's own interests affect those of the public and organizations. Furthermore, the leader's and his followers' interests elevate morality and motivation to a higher plane. This is accomplished by mirroring how individuals draw attention to themselves in light of their current needs, desires, and preferences. It has been said that transformational models are effective and suitable for changing contexts. A new leadership approach that many scientists and practitioners are beginning to pay attention to is transformational leadership (Nusair et al., 2012).

According to studies by Abaneh, Kyung Bae, and Nusair (Nusair et al., 2012). Researching transformational leadership involves four dimensions, which are as follows:

1. The impact of idealism. Leaders are role models who instill in their followers a sense of respect, adoration, and rivalry. Leaders are more likely to exhibit idealism's impact, which is strongly linked to charisma and morality. They stress achievement and convey a sense of confidence in the organization's vision, goal-directedness, resolve, perseverance, and faith in others.

2. Motivation that inspires. Leaders create the vision, win people over to a positive shared vision, and infuse energy to take on the obstacles in the way of realizing the organizational mission. Leaders treat obstacles or issues as teaching opportunities, give a more clear picture of what the future may hold, and integrate organizational and personal goals so that followers can fulfill their own aspirations while accomplishing the goals of the organization.

3. Intellectual Stimulation. Leaders provide intellectual stimulation and foster imagination, creativity, and innovation by going over challenges again, comparing old and new approaches, and critically evaluating each to make sure they are in alignment. They push people to think critically by introducing them to novel concepts. They don't publicly point out the errors and shortcomings resulting from the application of these concepts. When handling issues, leaders must foster and apply reasoning and intuition. Effective coaching and mentoring require both intellectual stimulation and individual attention.

4. Individual Considerations. By treating people differently, leaders show that they are genuinely invested in their followers. A transformational leader identifies the needs of their followers and helps them reach their full potential. This is the function of a coach or mentor. Leaders discover the unique needs, challenges, and abilities of their followers, demonstrating individual concern. In order to help followers grow their skills, give them adequate challenges and chances for individual learning in a nurturing environment. You can also coach and give feedback.

Because transformational leadership is so well-suited for application in businesses and organizations (Khoshlahn & Ardabili, 2016; Morales et al., 2012), MSMEs (Widianto & Harsanto, 2017), and the public and private sectors (Hemsworth, Muterera, & Baregheh, 2013; Nusair et al., 2012), researchers employ this approach. Transformational leadership was selected among the different leadership model approaches because it is frequently mentioned in research journals in relation to government and organization performance in the public sector. Transformational leadership is a style of leadership that encourages entrepreneurial innovation among followers, particularly in the public sector. This strategy was chosen because it gives MSME business owners' emotions top priority when they work together to create a stronger corporation. Therefore, research publications pertaining to the public and commercial sectors (organizations) in the area of MSME company performance are used to evaluate transformational leadership.

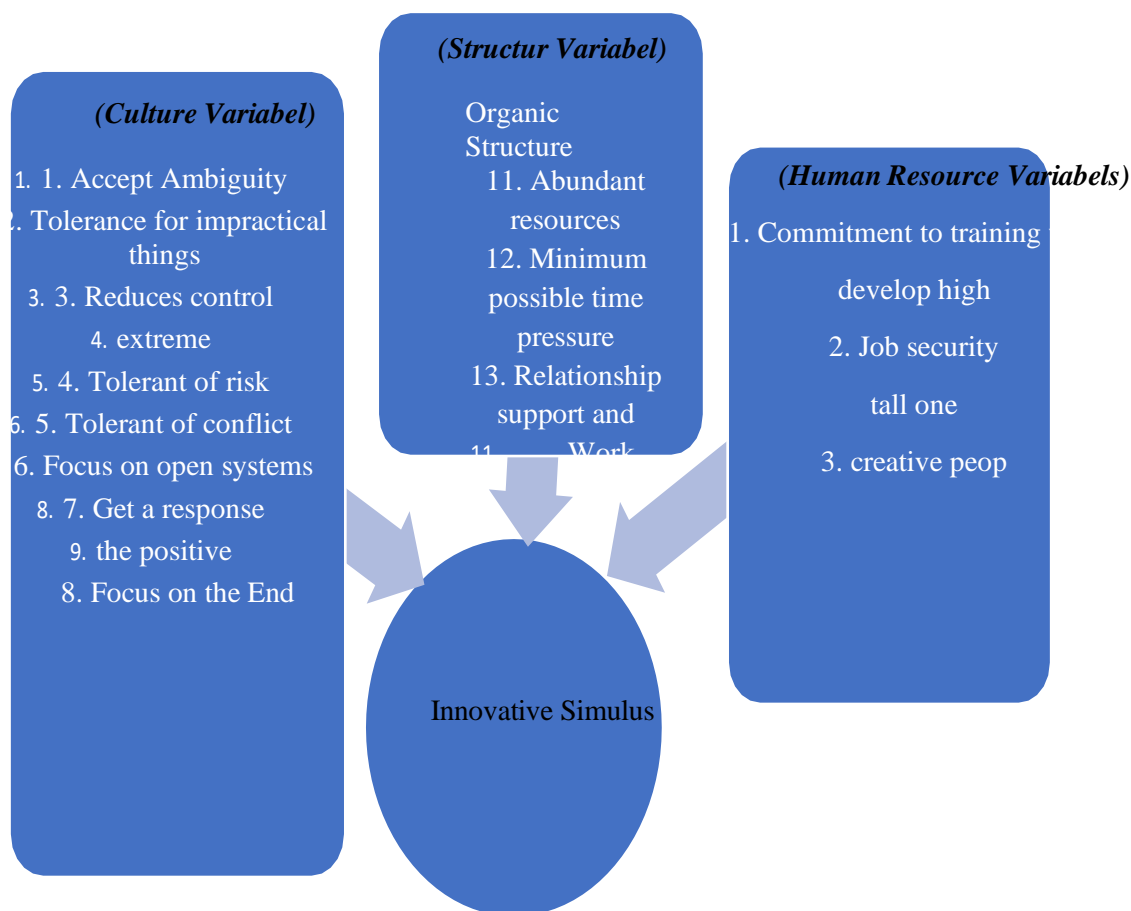
Innovation Behavior

According to Bobbins and Coulter (Robbins & Coulter, 2012), innovation is essential for success now and in the future. Examine a few global corporations that have advertised their goods and services globally. comparable to Apple, Inc. Apple is able to deliver its outstanding goods, such as the iPad, iPhone, iPod, Mac, and others, thanks to the stimulation of innovation. In addition to Apple, Inc., Google is a well-known search engine provider that combines a number of online platforms, including Gmail, Maps,

YouTube, Calendar, and others, onto a single screen. It is clear from the aforementioned company examples how crucial innovation is to businesses. Innovation is now a prerequisite for company success. To successfully compete in a world of dynamic global competition, firms need to develop new products and services and implement cutting-edge technologies. While both creativity and innovation have their place in businesses, they are not the same.

The capacity to put concepts together in novel ways or form strange connections is referred to as creativity. Typically, a creative organization comes up with novel approaches to challenges or inventive methods to operate. Creativity alone, though, is insufficient. To generate innovation, the outcomes of the creative process must be transformed into practical goods or operational procedures. Transforming imagination into practical results is a hallmark of an innovative organization. When executives discuss making an organization more creative, they typically imply fostering and implementing long-term innovation. Organizational structure, culture, and human resource practices are the three variables.

Figure 1. Innovative Stimulus Influence Factors



Source: Managed by the author from the Management Book (2012)

1. An Adjustable Framework. Innovation can be significantly impacted by organizational structure. Five aspects are shown by research on how structural characteristics affect innovation. To start, organic type structures have a beneficial effect on invention. This structure encourages the flexibility and idea sharing that are essential for innovation since it has low levels of formalization, centralization, and job specialization. Second, an important basis for creativity is provided by the abundance of resources. Third, regular communication lowers obstacles to innovation amongst organizational units. Fourth, despite the needs of a dynamic environment, innovative businesses aim to reduce excessive time pressure on creative activities. Fifth, studies have demonstrated that when an organizational structure expressly encourages creativity, workers perform more creatively.

2. Culture Variable. Creative companies typically have comparable cultures. They reward experimentation and encourage both success and failure. Examples include a leader's empowerment, open systems, risk tolerance, conflict tolerance, ambiguity tolerance, impracticality tolerance, minimal external control, risk tolerance, and concentration on the end result.

3. Variables related to human resources Innovative organizations encourage people to actively think through ideas and enthusiastically support new ideas, building support, overcoming obstacles, and ensuring that innovations are implemented. They also offer their employees high job security by lowering the fear of being fired for making mistakes. All of these things help to ensure that members of the organization stay up to date on the latest developments in the field.

When it comes to innovation, leaders can value and encourage creativity, which involves coming up with novel solutions to issues and doing what their peers and superiors direct. To generate creativity, gather several problems from various points of view. Aside from that, it's critical to constantly adjust to changes and to be adaptable, transparent, and responsive. In order to effectively communicate, one must consider other groups when exchanging ideas, reflecting and praising, trying new things, and creating new concepts. Resources such as time, money, and energy are actually necessary to bring innovative ideas to life. Aside from that, acknowledging the innovation that was contributed involves thinking critically about the outcomes that were attained both individually and collectively.

This study shows that innovative conduct can affect how well a company performs. Performance and innovation are topics covered in a lot of journals. One of the motivators in the always changing age of information and technology is innovation. There are updates, so avoid becoming trapped in the past. Since information and technology are continually expanding very quickly, it might be challenging to adapt the newest advances for use in businesses. Thus, innovative behavior is critical in the public sector (Demircioglu & Audretsch, 2017; Nusair et al., 2012), MSMEs (Saunila, 2016), and major enterprises (Camisión & López, 2014). Research by Nusair, Ababneh, and Kyung Bae (Nusair et al., 2012) is used in innovative behavior since it was carried out from the viewpoint of public sector employees.

SME Business Performance

According to De Waal (2007), a high-performing organization is one that can outperform similar organizations financially over a longer period of time by managing for the long term, being able to quickly adapt to change, creating an integrated management structure, staying aligned, continuously enhancing its business performance capabilities, and considering its people as its most valuable resource.

based on Waal's research, which drew from studies taken from 91 journals' worth of literature. Waal discovered that the following techniques are utilized to identify high performance companies when assessing an organization's performance (De Waal, 2007): 1. Leadership; 2. Organizational design; 3. Process; 4. Technology; and 5. Strategy 6. People and their Roles; 7. Culture; and 8. The

Outside World.

According to Robbins and Coulter (Robbins & Coulter, 2012), handling significant damage has an impact on both staff morale and the organization's essential operations. This dire circumstance can be resolved with process control. Process control consists of three steps: assessing actual performance, comparing actual performance to standards, and implementing managerial measures to address deviations or insufficient standards. Process control attempts to enhance performance standards by assuming that they are already in place inside the organization. Process control is used primarily to monitor and enhance organizational performance. Savings, the amount of time clients spend waiting, and the degree to which clients are satisfied with the services received. These are only a handful of the performance metrics used in the fiercely competitive call center services sector. Managers in these sectors need and demand this kind of information to manage organizational performance and make wise decisions.

Organizational performance management is primarily the responsibility of managers and executives across all industries. Performance is the end product of all the work and activities that are done. The overall performance of the organization as a result of all organizational operations concerns managers. Supervisors must be aware of the elements that affect the success of their organizations. High performance is what managers seek for their companies, departments, or teams. In order to evaluate the performance of an organization, models and methodologies must be used as a point of reference. As a result, the Balanced Scorecard methodology is applied. A technique and approach for assessing organizational performance from the standpoint of the business is the balanced scorecard.

The four categories that affect a company's performance that are examined by the Balanced Scorecard are financial assets, customers, internal, and learning. This method suggests that managers create objectives in each of the four categories and then assess their attainment. On the other hand, managers would typically employ a Balanced Scorecard that reflects those plans and concentrate on the areas that propel their organization's performance. The client area typically receives greater emphasis than the other three areas, for instance, if the strategy is customer-centric. However, since other performance areas are equally important, you cannot limit your attention to measuring just one. For instance, management at Houston-based IBM Global Services created a customer satisfaction plan using a Balanced Scorecard. Nonetheless, the center's approach is supported by other areas (finance, internal procedures, and people/innovation/growth).

In a sequence of articles documented in Performance Measurement with the Balanced Scorecard: A Practical Approach to Implementation within SMEs, Biazzo and Garengo added still further (Biazzo & Garengo, 2012). Performance measurement is defined as a purposeful, well-balanced system that gathers, organizes, and evaluates pertinent data to assist in decision-making. Look for a fair measuring method that will both support and clarify the conditions needed for successful entrepreneurship. A variety of reference models, including the Balanced Scorecard, which is the most well recognized, easily comprehensible, and diversified model globally, can serve as the foundation for strategic design and balance.

The most popular and versatile model in the world, the Balanced Scorecard is also the easiest to comprehend. In their 1996 book, published by Harvard Business Review, Kaplan and Norton presented the fundamental ideas of the Balanced Scorecard (Kaplan & Norton, 1996). In a number of papers, Kaplan, Norton, and other academics define and expand upon these ideas. Four viewpoints are used by the Balanced Scorecard model to determine what constitutes a balanced overview of corporate performance:

1. Finance evaluates performance in relation to the primary financial status indicators of the organization.
2. Important success criteria in customer relationships are related to customer metrics.
3. Metrics for business processes that are pertinent to the crucial internal process functional

aspects

4. Human resource decisions that are in line with the environment and culture of the business as well as the availability of essential competencies

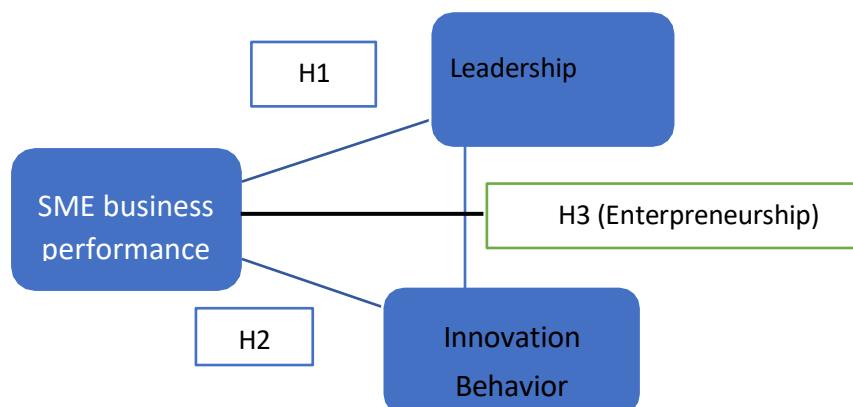
The second section addresses the Balanced Scorecard Approach for MSMEs and is based on research by Biazzo and Garengo (Biazzo & Garengo, 2012). Using a top-down methodology, the Balanced Scorecard seeks to convert strategy into reality while taking into account micro, small, and medium-sized businesses. A strategy for implementing a strategic measuring system in MSMEs is identified by this research. The implicit strategy map serves as the foundation for designing a balanced scorecard. The implicit strategy map at AB Analitica revealed a deficiency in monitoring a number of significant phenomena, including perceived customer satisfaction, the caliber of new products, the efficacy of the supply chain and services, and insufficient coverage. The implicit strategy map, which includes crucial elements that indicate the quantity of indicators connected to these components, must thus be revised. Out of the 36 indicators for MSMEs, 12 new ones were developed as a result of the revision of the implicit strategy map.

According to study by Mafini and Pooe (Mafini & Pooe, 2013), raising each of the five employee satisfaction characteristics as stressed will result in a continually rising organizational performance. Ensuring the well-being and overall satisfaction of employees is crucial for achieving optimal productivity and efficiency inside the organization. A work environment that fosters employee loyalty and trust, improved output quality, increased productivity, employees' physical and mental health, exceptional customer service, repeat business, increased referrals or reputation, satisfied and loyal customers, adequate resources, and higher profits are just a few of the factors that impact business performance, motivation, work engagement, organizational citizenship, employee turnover, customer satisfaction, financial performance, company market, employee salary, and profitability predictions for the upcoming year.

Methods

Based on the research theoretical framework that has been explained above and summarized into a Thought Framework. We can create a research model which will be used as a research hypothesis to see the effect. The following research models will be tested:

Figure 2. Research Model



Source: Data Processing Results (2023)

H1: The Transformational Leadership Model and Entrepreneurial Orientation influence MSME business performance

H2: Regarding entrepreneurial leadership, it has a positive effect on MSME business innovation

behavior

H3: Transformational Leadership Model and Innovation Behavior influence MSME businesses

Prior studies on this topic were conducted by Widiyanto and Harsanto (Widiyanto & Harsanto, 2017). Performance was measured for this study in Bandung, Indonesia, using MSMEs. By definition, a company's business performance is the outcome of its efforts when evaluating a multidimensional notion. There are two categories of variables that are used to measure the success of MSME businesses: financial and non-financial measurements. Turnover, profit, return on investment, charging premium rates, and sales growth are examples of financial metrics. Aspects like employee growth, market expansion, employee satisfaction, firm reputation, innovation developed, and risk-taking are examples of non-financial measurements.

For a variety of reasons, this researcher measures MSME Business Performance using dimensions from Widiyanto and Harsanto's research. Widiyanto and Harsanto's first study measured the business performance of MSMEs. Second, being a developing nation, Indonesia was the site of the research article by Widiyanto and Harsanto, with West Java serving as the sample location. Third, Widiyanto and Harsanto's research was acknowledged globally when a journal article in the book *The Palgrave Handbook of Leadership in Transforming Asia* was published (Muenjohn & McMurray, 2017). Because it incorporates the company's external assessment, specifically the Customers Perspective, and the difficulty of evaluating business success by MSME owners, measurement using the Balanced Scorecard cannot be employed as a measurement of business performance in this research. Researchers can evaluate performance from the perspective of MSMEs, not all of whose aspects are owned by large firms whose scope is extensive and complex, thus it is required to separate the scope of business performance between large companies and MSMEs.

Partial Least Squares (PLS), backed by the computer program Smart-PLS 3.0, and SPSS 23.0 are used in data analysis research to support the Structural Equation Model (SEM) technique approach for statistical analysis of respondent demographic features and descriptive analysis of variables. Respondents assess each item on a 5-point Likert scale, giving each statement a 1 representing strongly disagree and a 5 representing strongly agree. Any variable with low, middle, and high intervals can have its category values determined using the three box approach.

In order to determine what constitutes a research method for conducting research on a specific population or sample, this study employs quantitative descriptions of the transformational leadership model and entrepreneurial orientation that have an impact on MSME businesses. The data analysis is of a quantitative/statistical nature and is done with the intention of testing a hypothesis that has been put forth. Sugiyono (2016). Explanatory research was used in this study, which is striving to fully characterize an object while being mindful of the constraints placed on the research (Yusnita and Wahyudin, 2017).

An organization with high performance will have certain traits in relation to people, culture, leadership, technology, procedures, organizational design, and structure. The ability of the organization to attain optimal performance will be impacted by the external environment. These qualities can direct managers to take the necessary actions that will produce better outcomes. A Kotter and Heskett (1992) framework was integrated with Morton (2003) in order to categorize HPOs. Four factors—organizational culture, formal structure, systems, processes, and policies—organizational leadership, and the external environment, which includes rival businesses, the general public, and governmental entities—are identified by Kotter and Heskett's framework as influencing people's behavior in organizations.

Morton (2003) added consumers, suppliers, and coworkers to the list of external environmental elements. He also included people and roles to the framework, adding strategy, organizational design, and technology to the factors related to organizational structure. According to Bhalla et al. (2011),

there are fourteen HPO characteristics that fall into five categories: leadership, design, people, change management, culture and engagement, and leadership.

Results and Discussion

Testing the validity and reliability of the instruments utilized is important prior to data analysis. Convergent validity validity tests are deemed valid when an outside loading of 0.5 to 0.6 is deemed adequate. Additionally, based on composite reliability, the reliability of indicators and constructs is evaluated and considered good if the value is ≥ 0.70 . The Cronbach's alpha value is used to determine the degree of reliability of the value; if it is > 0.70 , the data is considered to meet reliability requirements. (Latan & Gozalali, 2015).

It is clear from the data in Table 2 below that all outside loadings are greater than 0.6, indicating the validity of each indication. Table 3.2's composite reliability results indicate a value > 0.70 , indicating strong reliability for all research variables. The findings also demonstrate that all variables in Table 2 have a Cronbach's alpha value greater than 0.70, indicating that all variables satisfy Cronbach's alpha and the data is deemed credible.

A route analysis model was utilized to examine the data collected from the participants in this study. Examining the validity results is essential to determine how precise and accurate a measuring device is in performing its measuring function. When performing a validity test in path analysis, if the Average Variance Extracted (AVE) value is larger than 0.5, the data is considered legitimate. This information is displayed in the table below:

Table 1. *Discriminant Validity*

Variable	Mean Communalities (AVE)
Leadership Transformasional	0,511
Innovation Behavior	0,521
Enterpreneurship Orientation	0,523
Mean Communalities (AVE)	0

Source: Primary data processed, 2023

Table 1. Explains the AVE values for the variables Transformational Leadership, Innovation Behavior and Entrepreneurial Orientation, respectively, which are 0.511, 0.521 and 0.523, which meet the criteria for values above 0.50. Likewise, the three latent variables meet discriminant validity because the root of the correlation between latent variables is smaller. than the AVE value.

Analysis Data

Path analysis is part of regression analysis which is used to analyze causal relationships between variables through one or more intermediary variables. There are three variables in this research, namely, the independent variable Transformational Leadership (X1), the innovation behavior variable (x2), and the dependent variable, namely entrepreneurial orientation (Y).

Table 2. *Inner Model*

Latent variable	Va	R ²
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o		lue	
	Transformasional Leadership → Entrepreneurship Orientation	0,509	0,259
	Innovation Behavior → Entrepreneurship Orientation	0,386	0,591
	Leadership Transformasional and Inovation Behavior → Entrepreneurship Orientation	0,497	

Source: Primary data processed, 2023

Table 2 displays the values of the analysis conducted using route analysis, and the Transformational Leadership Coefficient value for entrepreneurial orientation was found to be 0.509. Thus, it can be concluded that Entrepreneurial Orientation benefits greatly from Transformational Leadership. With a R square value of 0.259, transformational leadership accounts for 25.9% of the variance in entrepreneurial orientation, with other factors outside the model influencing the remaining portion.

Innovation behavior and transformational leadership have a significant 5% coefficient value of 0.497 on entrepreneurial orientation. Thus, it can be concluded that entrepreneurial orientation is positively and significantly impacted by innovation behavior. There is a 0.386 relationship between innovation activity and entrepreneurial orientation. The entrepreneurial orientation variable may be described by Transformational Leadership and Innovation Behavior, as indicated by the R square value of 59.1%; other variables outside of the model impact the remaining portion.

Purposive sampling and Google form approaches were used in this study on MSMEs with assistance from Mekarjaya sub-district, Bandung City. Participants completed a questionnaire using a judgment sampling strategy. This method led to the utilization of 45 business owners as research samples. In 2023, this investigation was carried out.

When convergent validity testing is discussed, instruments' validity and reliability tests are regarded valid if an outside loading of 0.5 to 0.6 is deemed sufficient. Additionally, based on composite reliability, the reliability of indicators and constructs is evaluated and considered good if the value is ≥ 0.70 . The Cronbach's alpha value is used to determine the degree of reliability of the value; if it is > 0.70 , the data is considered to meet reliability requirements. (Latan & Gozalali, 2015).

Table 1's data indicates that every outer loading is greater than 0.6, indicating the validity of each indicator. Table 1's composite reliability results indicate a value > 0.70 , indicating strong reliability for all research variables. The findings also demonstrate that all variables in Table 3 below have values more than 0.70, meeting Cronbach's alpha criteria and indicating that the data is deemed credible.

Table 3. Validity and Reliability Test Results

Variable	Outer Loading	Composite Reliability	Cronbach's Alpha	Keterangan
Leadership Transformasional (X)				
Framing the challenge (X1.1)	0.883			
Absorbing uncertainty (X1.2) Path clearing (X1.3)	0.858	0.919	0.883	valid dan reliabel
Building Commitment (X1.4)	0.805			

Innovation Behavior (X2) <i>Radical Innovation</i> (X2.1) <i>Incremental Innovation</i> (X2.2)	0. 932 0. 930	0.929	0.847	alid dan Reliabel
Enterpreneurship Orientation (Y) Business Performance di MSMES (Y1.1) MSME Business are Growing Well (Y1.2) The number of tablespoons has increased (Y1.3)	0. 861 0. 844 0. 811	0.868	0.796	alid dan Reliabel

Source: SmartPLS 3.0 output

Table 4. Respondents' Descriptive Assessment

Variable	Num ber of Items	Mean Indicator	Mean Variable
<i>Leadership Transformasional</i> (X) <i>Framing the challenge</i> (X1.1) <i>Absorbing uncertainty</i> (X1.2)	21	4.09 4.30	4.25 (Tinggi)
<i>Path clearing</i> (X1.3)		4.37	
<i>Building Commitment</i> (X1.4)		4.25	
Innovation Behavior (X) <i>Radical Innovation</i> (X2.1)	8	4.07	4.19 (Tinggi)
<i>Incremental Innovation</i> (X2.2)		4.30	
Enterpreneurship Orientation (Y) Business Performance MSMES (Y1.1) Business Ventures Grow Well (Y1.2)	4	3.74 4.14	3.84 (Tinggi)
The number of tablespoons has increased (Y1.3)		3.57	

Source: SmartPLS 3.0 output 3.0

The value of the preceding variable is ascertained by processing the data using the theory of reasoned action formula. A descriptive evaluation of the response to each variable is presented in Table 4. Table 4 displays the transformational leadership variable's average score of 4.25, falling into the high range. The owner of MSMEs in Mekarjaya, Depok, is indicated by the path clearing indicator, whose average value is 4.37.

This indication contains values that include persuading, motivating, diplomatic, and skilled negotiator. The average value of the absorbing uncertainty indicator is 4.30, indicating that Mekarjaya MSME business owners possess the qualities of being performance-oriented, ambitious, knowledgeable, and possessing additional insight. This indicates that they can implement the business vision and mission in conjunction with human resources with a sense of accountability. elevated accountability from the proprietor and. The average value of the building commitment indicator is 4.25, indicating that Mekarjaya MSME owners are able to inspire others in the surrounding community

through the business they manage. These qualities include inspirational, enthusiastic, team-building, and improvement-oriented characteristics. The framing the challenge indicator's average value is 4.09, indicating that while MSME owners are working toward their goals, they are also keeping an eye on practical issues of their company's sustainability. Performance-oriented, ambitious, knowledgeable, and extra insight values are also included in this indicator. The variable average for the innovative behavior variable is 4.19, indicating the high category as well. Among the other corporate innovation behavior metrics, incremental innovation falls into the highest category, 4.30.

Thus, respondents who included the product innovation variable in the research demonstrated high performance with an average radical innovation indicator statistical result of 4.07. This demonstrates that, in essence, certain Mekarjaya MSME owners innovate their products to meet constantly shifting consumer demands and adhere to emerging trends while maintaining their distinctive product lines.

The organizational performance variable demonstrates that the variable has an average of 3.84, falling into the high category. When it comes to business sales, the indicator with the highest mean indicator value is 4.14. Then, the indicator of gross profit shows an increase with a mean value of 3.89. The performance of MSME businesses is higher at 3.74, and the indicator showing an increase in human resources has the lowest mean value, 3.57. This demonstrates that Mekarjaya MSMEs' owners can effectively manage their companies through transformational leadership and creative behavior, improving Mekarjaya MSMEs' business performance with the companies they have already operated. All indicator variable means and latent variable means fall into the high category, according to the Mekarjaya MSME respondents' evaluation responses concerning the research variables included in the Statistical Package for Management Science (SPSS) version 23.0.

Table 5. Causality Test Results of Path Coefficients

Relationship between Variable	Origin el Sample	T-Statistics	Desripsio n	Conclusion
<i>Leadership Transformasional To Entrepreneurship Orientation Business Performance MSMES</i>	0.472	2.072	≥ 1.96 Signifikan	Hipoteisi diterima
<i>Innovation Behavior To Entrepreneurship Orientation Business Performance MSMES</i>	0.124	0.458	≤ 1.96 Tidak signifikan	Hipotesa ditolak
<i>Leadership Transformasional dan Innovation Behavior To Entrepreneurship Orientation</i>	0.453	2.157	≥ 1.96 Signifikan	Hipoteisi diterima

Source: SmartPLS 3.0 output

The large t-Statistics value of the influence of entrepreneurial leadership on product innovation, $2.157 \geq 1.96$, explains the relationship between the variables in Table 5 and indicates a significant influence of the entrepreneurial leadership variable on product innovation. In the interim, 0.453 is the estimated value of the coefficient. Since this coefficient is positive, greater levels of entrepreneurial

leadership will also translate into higher levels of product innovation, and vice versa. H1 is so approved.

Product innovation is thought to have a favorable correlation with organizational performance, according to H2. The product innovation variable had no effect on the performance of Mekarjaya MSMEs, as indicated by the t-Statistics value of $0.458 \leq 1.96$ for the influence of product innovation on organizational performance. As of right now, 0.124 is the estimated coefficient value. Even if Mekarjaya MSMEs have good or high levels of product innovation, this coefficient's positive value indicates that it has no effect on the MSMEs' overall performance. H3 is thus rejected.

The term "bootstrapping" refers to the practice of an entrepreneur launching a business on their own dime and without the help of outside investors. Bootstrapping SmartPLS refers to the process of someone trying to start and grow a business using their own money or operational profits from a newly formed business.

To ascertain the importance of route analysis estimates and process coefficients, SmartPLS employs bootstrapping. When using bootstrapping, observations are randomly selected from the initial data set to construct sub-samples (with replacement). The PROCESS and route analysis models are then estimated using subsamples. Until a large number of random sub-samples—typically 10,000 or so—have been formed, this procedure is repeated. 95% confidence intervals for significance testing were obtained using retained parameter estimations from subsamples. Furthermore, the process of bootstrapping yields standard errors for the estimates, which facilitate the computation of t-values to evaluate the significance of individual estimates. More information about bootstrapping is provided by Hair et al. (2022).

By using random observations taken from the original dataset (with replacement), bootstrapping generates a subsample. When utilizing case-by-case deletion to address missing data, SmartPLS additionally accounts for the lesser number of observations in the original sample. The number of observations each bootstrap subsample is the same as the number of observations in the original sample. There needs to be a significant number of subsamples in order to guarantee the results' stability. Because it takes less time, choosing a modest number of bootstrap subsamples (such as 1000) to be randomly selected and estimated using the PLS-SEM algorithm may be preferable for preliminary evaluation. However, one needs to employ a high number of bootstrap subsamples (e.g., 10,000) in order to prepare the final results.

Furthermore, bootstrapping study demonstrates that product innovation—an indirect effect—does not significantly affect this association. Thus, it can be said that there is no statistically significant mediating effect of the indirect influence (product innovation), indicating that product innovation is not able to mediate the relationship between entrepreneurial leadership and organizational performance, either fully or partially. It can be inferred from Table 6 that entrepreneurial leadership has a direct impact on organizational performance. The coefficient of the direct influence of entrepreneurial leadership on the performance of Mekarjaya MSMEs is 0.472, with a positive and significant meaning at 2.072 (calculated t value \geq t table 1.96).

Table 6. Direct and Indirect Effects

Hubungan antar Variable	Origin el Sample	T- Statistics	Keteranga n	Kesimpulan
<i>Leadership Transformasional To Entrepreneurship Orientation Business Performance MSMEs</i>	0.472	2.072	≥ 1.96 Signifikan	Hipoteisi diterima

<i>Leadership Transformasional</i> Innovation Behavior To Enterpreneurship Orientation Business Performance MSMES	0.056	0.409	≤ 1.96 Tidak signifikan	Hipotesis ditolak
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Source: SmartPLS 3.0 output

H3 states that product innovation mediates the relationship between entrepreneurial leadership and organizational performance. The value of the influence of entrepreneurial leadership on organizational performance through product innovation is 0.056 which has a positive meaning, but is not significant at 0.409 (t value ≤ 1.96) which shows that there is no influence between variables. This is related to the direct relationship, showing that entrepreneurial leadership directly has a positive effect on organizational performance, the direct coefficient value is higher than the coefficient of the influence of entrepreneurial leadership on organizational performance through product innovation. So it can be concluded that product innovation fails to act as a variable that mediates the influence of entrepreneurial leadership on organizational performance in Mekarjaya MSMEs. So H3 is rejected.

Conclusion

The following conclusions can be drawn from the research activities conducted by the research team in Mekarjaya Village, Sukmajaya District, Bandung City: (1) this research activity is regarding the results of data analysis, data processing, and conducted discussions; (2) transformational leadership has a significant positive impact on entrepreneurial orientation on the performance of MSME business. Leadership and entrepreneurship, on the other hand, have little effect on the behavior of product innovation on organizational performance. Based on the findings of these conclusions, Mekarjaya MSME owners can enhance their leadership and entrepreneurial skills by participating in all of the training programs offered by URINDO Management Study Program and other organizations. This will help MSME players develop their abilities and become more successful in the businesses they run. keep up the competition in the face of the current global rivalry.

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