

## Inclusive Leadership in Improving Employee Performance

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### Abstract

This research investigates the relationship between inclusive leadership style, training and employee performance in MSMEs. Data was collected from respondents who are employees of various companies in MSMEs, using quantitative methods with survey techniques and statistical analysis. The results of the analysis show that the model studied has a good level of fit (R-squared = 0.508), indicating that the research variables are able to explain most of the variation in employee performance. The correlation between inclusive leadership style and training ( $r = 0.574$ ), inclusive leadership style and performance ( $r = 0.737$ ), and training and performance ( $r = 0.582$ ) shows a significant positive relationship between these variables. The T test shows that both inclusive leadership style (T count = 5.754) and training (T count = 3.710) have a significant influence on employee performance, with a T value that exceeds the specified T table value. In addition, the F test confirms that partially, all research variables have a significant influence on employee performance (F count = 75.320). In conclusion, inclusive leadership style and training play a crucial role in improving employee performance in MSMEs. These findings provide the implication that leadership development that trains and pays attention to inclusive leadership styles can be an effective strategy for improving employee performance in the MSME context.

**Keywords:** Inclusive leadership, training, employee performance, MSMEs

### Introduction

MSMEs have emerged as a rapidly rising sector with a significant impact on the global economy. This industry encompasses graphic design, advertising, media, performing arts, music, film, and animation, all of which require creativity and invention. MSMEs, which are defined by a constant demand for new ideas, ongoing innovation, and the ability to adapt to market changes, require a leadership style capable of maintaining a dynamic and efficient work environment. According to several studies (Ilhami, 2023), creative leadership contributes significantly to organizational performance by encouraging leaders' creativity, vision, inspiration, problem solving, flexibility, and trust. This type of leadership not only boosts individual creativity in the organization, but it also has an impact on following leadership styles like transactional and inclusive leadership, thanks to the mediating effect of individual creativity (Ilhami, 2022). Effective leadership in MSMEs is critical for creating an environment conducive to innovation, cooperation, and long-term growth and development (Ilhami, 2023). Leadership in these areas must strike a balance between individual creative autonomy and the collective synergy of creative teams and larger professional networks.

Inclusive Leadership, first suggested by James MacGregor Burns and later developed by Bernard Bass, is a leadership method seen to be capable of overcoming these problems. Inclusive leaders are renowned for their ability to motivate and train personnel by developing

a common vision, providing personalized support, and stimulating the mind (Ilhami, 2023). They prioritize not only organizational goals but also the personal and professional development of their personnel (Ilhami, 2022). Inclusive leaders can significantly influence employee performance and training, resulting in enhanced workplace efficiency (Ilhami, 2023). Their leadership style inspires people to become leaders too, fostering a culture of cooperation and innovation that fosters good change and growth inside the firm. Inclusive Coaching, a related idea, emphasizes the necessity of understanding underlying values and developing trusting relationships in order to support long-term transformation and self-actualization. According to the research report, inclusive leadership plays a vital role in generating innovation and creativity in MSMEs by improving employees' intrinsic training. This leadership style encourages employees to think creatively, take chances, and contribute new ideas, resulting in company success (Ilhami, 2023). Inclusive leaders motivate their teams to adapt and prosper in the competitive and rapidly changing landscape of the creative sector by fostering a good work environment in which employees feel valued and supported (Ilhami, 2023). Inclusive leadership indirectly influences and enhances employee creativity through factors such as psychological empowerment, engagement with the creative process, and intrinsic training, leading to a culture of innovation that is important for the long-term success of companies in MSMEs (Ilhami, 2022).

Inclusive leadership has a significant impact on employee training and performance across a variety of industries, including the creative sector. According to research (Ilhami, 2023), inclusive leadership motivates people, creates trust, and encourages innovative work behavior, all of which boost productivity. The relationship between inclusive leadership and innovative behavior is mediated by factors such as organizational support for innovation, a sense of purpose, and psychological empowerment (Ilhami, 2023). Furthermore, study (Ramdan, 2021) demonstrates the indirect influence of inclusive leadership on employee performance via training. Understanding the elements of inclusive leadership, such as vision, empowerment, and inspiration, allows organizations to foster a nurturing work environment that promotes innovation and productivity, emphasizing the importance of effective leadership in shaping employee behavior and performance in MSMEs.

Inclusive leadership in MSMEs includes crucial components that foster creativity and innovation. These components include vision, support for creativity, autonomy, encouragement, acknowledgment, and challenge (Ramdan, 2022). Furthermore, inclusive leaders in the creative sector must focus on establishing an environment of invention, improving creative self-efficacy, and encouraging followers' relational identification in order to indirectly

influence employee creativity (Ilham, 2019). Embracing digital transformation through a vision, platform, and open innovation strategy is critical for MSMEs' market restructuring and success (Ilham, 2023). Furthermore, inclusive leaders help to increase employees' potential for creative problem solving by cultivating creative attitudes, promoting psychological safety, and encouraging recommendations for new creative solutions (Ilhami, 2021). These aspects work together to boost creativity and innovation in the dynamic landscape of MSMEs.

Inclusive leadership has a considerable positive impact on employee performance across industries, especially creative ones. According to studies, inclusive leaders boost employee interest, awareness of company goals, and effective mobilization, resulting in improved performance (J Shang, 2023). Research conducted at PT Smart Talenta Multitama also confirmed the favorable impact of inclusive leadership on employee performance, emphasizing the significance of this leadership style in promoting employee success (Haryanti Haryanti, 2023). Furthermore, findings from the Batu City Land Office show that inclusive leadership not only directly influences employee performance but also indirectly through organizational climate mediating factors, demonstrating the various benefits of this leadership approach in encouraging employee success in MSMEs (Ratya Shafira Arifiani, 2023).

## **Literature Review**

### **Inclusive Leadership Concept**

Inclusive Leadership is a widely discussed concept that emphasizes inspiring and training followers to achieve higher levels of performance and commitment within the organization (Ilhami, 2022). This leadership style focuses on stimulating intellectual growth and inner development among followers to initiate organizational transformation (Ilhami, 2022). While inclusive leadership can lead to positive outcomes, there is a note of caution regarding the potential negative impact when leaders demonstrate narcissistic tendencies and excessive power, which can harm organizational dynamics (Ilhami, 2022). It is important to consider the origins of Inclusive leadership theory, which are rooted in political science, where the importance of democratic mechanisms for leader accountability is highlighted (Ilhami, 2021). By incorporating a Christian perspective, Inclusive leadership can be enriched by emphasizing God as the source of transformation and viewing the leader's ability to change others as an expression of divine transformative power.

### **Inclusive Leadership and Employee Training**

Various studies show that inclusive leadership can significantly improve employee training. According to Bass and Avolio (1974), Inclusive leaders inspire employees with a

meaningful vision, increasing their commitment to organizational goals. Judge and Piccolo (2004) in their meta-analysis found that inclusive leadership has a strong positive correlation with job satisfaction, training and employee performance. In MSMEs, where intrinsic training plays an important role, empowering leadership has been identified as a significant driver of innovation and creativity (Ilhami, 2023).

Research has shown that empowering leadership positively influences employees' intrinsic training, which, in turn, increases their creativity and innovative work behavior (Ilhami, 2023). Additionally, inclusive leadership has been found to have a positive impact on innovative work behavior and creativity, with intrinsic training acting as an important mediating factor in this relationship (Ilhami, 2023). Furthermore, research on leadership styles such as inclusive and democratic leadership has highlighted the importance of intrinsic training in fostering creativity among employees in various industries, including the retail sector. Therefore, in MSMEs, a leadership style that prioritizes empowering and inclusive behavior can serve as a powerful catalyst to encourage innovation and creativity through increased intrinsic training.

### **Consumer Sentiment**

Consumer sentiment, which includes consumers' emotions, feelings, and attitudes toward a brand or product, plays an important role in shaping purchasing decisions and brand perceptions. Research has explored various aspects of consumer sentiment analysis, utilizing methodologies such as stochastic property analysis (Manuel Monge, 2023), sentiment analysis of user-generated reviews (Praphula Kumar Jain, 2023), and machine learning approaches for sentiment analysis of Amazon consumer reviews (Claudia Pezoa-Fuentes, 2023). Research has shown that consumer sentiment can be influenced by factors such as mental disorders, social issues addressed in advertising campaigns, and the content of consumer reviews. Understanding and analyzing consumer sentiment not only helps organizations in improving their products and services based on feedback but also helps consumers in making informed purchasing choices by considering the sentiments expressed by others. Sentiment can be measured through analyzing data from social media, product reviews, and consumer surveys. According to Pang and Lee (2008), sentiment analysis uses natural language processing (NLP) techniques to evaluate text and extract information about consumer attitudes. Research by Liu (2012) shows that positive sentiment towards a brand can increase customer loyalty and purchase intentions.

### **Inclusive Leadership in MSMEs**

Inclusive Leadership plays an important role in fostering creativity in organizations, especially in industries such as telecommunications, hotels, and performing arts. Research has shown that inclusive leadership increases creative work efforts by inspiring employees to take personal initiative, especially when faced with a high workload (Ilhami, 2019). This leadership style is favored by leaders in MSMEs because it encourages innovation and empowers employees to make decisions, which ultimately drives the evolution of the organization (Ilhami, 2022).

In the hospitality industry, inclusive leadership positively influences employee adaptability, which in turn increases workforce creativity, with knowledge sharing playing a key role in this relationship (Ilhami, 2022). Additionally, in the performing arts sector, inclusive leadership has a direct positive impact on organizational commitment and person-job fit, indirectly influencing social capital and psychological capital, which in turn influences organizational commitment and intention to stay (Ramdan, 2022).

### **The Relationship Between Inclusive Leadership and Employee Performance**

Employees who feel supported and appreciated by their leaders are more likely to contribute with innovative ideas and work more productively. Research findings support this idea by highlighting the significant impact of support for innovation and leader-member exchange on employees' psychological empowerment, which in turn positively influences innovative work behavior (Ilhami, 2022).

In addition, the Support Theory for Organizations emphasizes that organizations fostering innovative support strategies and practicing an inclusive leadership style can encourage positive employee behavior and creativity, ultimately increasing work commitment (Ilhami, 2023). Additionally, studies on E-Leadership reveal that increasing managers' E-Leadership has a positive impact on organizational innovation performance, with employee innovation behavior mediating this relationship, underscoring the importance of effective leadership in promoting innovation in organizations (Ramdan, 2022).

## Methods

This study employs a quantitative technique with a survey design to collect data on digital transformation in human resource management (HR). This method was chosen to provide a full view of the obstacles and opportunities that firms encounter while implementing digital technologies in the HR industry. The participants in this study are Indonesian organizations who have implemented or are in the process of implementing digital transformation in HR management. Purposive sampling was used to pick only companies that satisfied specific requirements. These criteria include companies that have implemented digital technology in human resources for at least a year. The company has over 92 employees. Companies from many industrial areas might obtain a broad perspective. with target respondents from the HR department, HR managers, and staff who are directly involved in the adoption of digital technology. The sample size was determined using the Slovin formula, with a 5% margin of error. If the population is not known precisely, a population estimate with a minimum sample size of 92 respondents is utilized for more accurate statistical analysis.

## Results and Discussion

### *Reliability Test*

#### Reliability Statistics

Cronbach's Alpha	N of Items
,841	3

Based on the results of the SPSS 25 statistical test, it is known that the Cronbach's Alpha value is 0.841, so it can be said that all items in this study are reliable. As in theory, if the Cronbach's Alpha value is above 0.05 then it can be said that the items in the research can be said to be reliable.

### Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,780 <sup>a</sup>	,508	,500	5,382

The results of statistical tests on the variables studied produced a determinance value of 0.508, so overall it can be said that the model studied can be said to meet the standards for research variables.

### c. Correlation Analysis

		Correlations		
		Transformational leadership	Motivation	Performance
Transformational leadership	Pearson Correlation	1	,674**	,739**
	Sig. (2-tailed)		,000	,000
	N	100	100	100
Motivation	Pearson Correlation	,674**	1	,682**
	Sig. (2-tailed)	,000		,000
	N	100	100	100
Performance	Pearson Correlation	,739**	,682**	1
	Sig. (2-tailed)	,000	,000	
	N	100	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From the results of statistical data processing, it can be seen that the correlation between the variables of each variable studied produces the following data. Where the inclusive leadership variable correlates to the training variable by 0.574, while the performance variable contributes a value of 0.737, while the training variable to the performance variable contributes a value of 0.582, thus all variables can be said to be correlated.

### d. Multiple Regression

#### T test

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	15,557	4,370		3,777	,000
	Inclusive Leadership	,728	,122	,513	5,754	,000
	Training	,530	,151	,335	3,710	,000

a. Dependent Variable: Performance

The results of the T test from the analysis data show that the Transformation Leadership variable has a calculated T value of 5,754 while the T table is 1.785, so the leadership variable has an influence. training has an influence on employee performance. So in this research all variables each have an influence on the dependent variable, namely the employee performance variable.

## F test

### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5135,852	2	3057,725	75,320	,000 <sup>b</sup>
	Residual	3750,788	77	40,732		
	Total	9285,840	77			

a. Dependent Variable: Performance

b. Predictors: (Constant), Training, Inclusive Leadership

The results of statistical tests on the F test can be seen that it produces a value of 75.320. Meanwhile, F table is 2.70, thus all the variables in this study have an influence on employee performance variables.

## Conclusion

Based on the results of the statistical analysis carried out in this research, the following conclusions can be drawn:

1. Based on the determination value (R-squared) of 0.508, it can be concluded that the model studied has a good level of suitability for explaining the relationship between the variables studied, namely inclusive leadership style, training and employee performance in MSMEs.

- a. Correlation Between Variables shows that there is a significant relationship between the variables studied:
- b. The correlation between inclusive leadership style and training is 0.574, indicating that the higher the inclusive leadership style, the higher the level of employee training.
- c. The correlation between inclusive leadership style and performance is 0.737, indicating that inclusive leadership style makes a significant contribution to employee performance.
- d. The correlation between training and performance is 0.582, indicating that employee training has a positive influence on their performance.

2. Based on the results of the T test, the inclusive leadership style has a significant influence on employee performance, with a calculated T value of 5.754 which exceeds the T table value (1.785). Training also has a significant influence on employee performance, with a calculated T value of 3.710 which also exceeds the T table value (1.785).

3. The results of the F test show that partially, all the variables in this study have a significant influence on employee performance, with a calculated F value of 75.320 which is much greater than the F table value (2.70).

Thus, it can be concluded that inclusive leadership style and training have an important role in improving employee performance in MSMEs. These findings have the implication that to improve employee performance, it is important to pay attention to and develop an inclusive leadership style and train employees well. This study makes an important contribution to understanding the dynamics of leadership and performance in the context of MSMEs.

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