

# Entrepreneurial Leadership Moderating High Performance Work System and Employee Creativity on Employee Performance

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**Abstract:** - This study aims to examine and analyze the role of variabel entrepreneurial leadership as a moderator on the influence of high performance work systems and employee creativity on employee performance. In addition, this study also aims to analyze and examine the effect of high performance systems on employee creativity, and employee performance, and the effect of employee creativity on employee performance. The study was conducted on cooperative employees in Timor Leste. The number of cooperative employees in Timor Leste is 400 people, taken as a sample of 120 employees. Determination of the number of samples of employees in each cooperative is carried out proportionally, while the determination of the respondents of the study was conducted randomly. The results of data analysis show that high performance work system has a significant positive effect on employee creativity and employee performance, and employee creativity also has a significant positive effect on employee performance. The results of the analysis also found that entrepreneurial leadership plays a role as a moderator of the relationship of high performance work systems and employee creativity to employee performance.

**Key-Words:** - high performance work system, employee creativity, entrepreneurial leadership, employee performance.

## 1. Introduction

Timor Leste is a newly independent country on 28 November 1975. As a newly independent country, Timor Leste has many backwardness, especially in the economic field. One way to advance the people's economy is through cooperatives. Cooperatives grow well, because they are strongly supported by local governments. This can be seen from the development of the number of cooperative members and cooperative employees, shown in Figure 1 and Figure 2. Based on Table 1, it seems that the development of the number of

cooperative members has marked a sharp increase from 2006 to 2012, but starting in 2012 the number of cooperative members has decreased. The same thing also happens to cooperative employees as shown in Table 2. Since 2006 until 2012 the number of cooperative employees has increased, but after 2012 the number of employees has decreased.



Figure 1. Development of the Number of Cooperative Members (2006-2018)

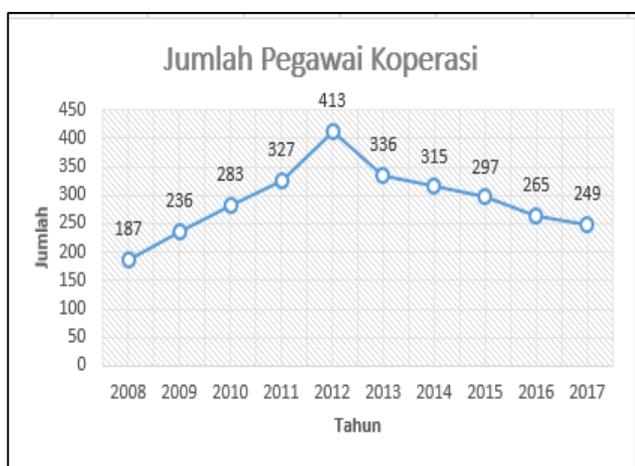


Figure 1. Development of the Number of Cooperative Employees (2006-2018)

The decrease in the number of members and employees is due to the weak management of cooperatives, especially in the distribution of credit. Many loans are not returned on time, so the next borrower does not get credit in a timely manner. This has resulted in many cooperative members resigning. The number of cooperative members resigned, causing cooperatives to become increasingly powerless. This is the reason that caused many employees to resign.

This decline is thought to be due to the management of cooperatives that are less professional, as well as the weak creativity of employees, as well as the lack of entrepreneurial spirit of cooperative leaders. Based on these phenomena and problems, this study focuses on the role of entrepreneurial leadership in mediating the relationship of high performance work systems and employee creativity to employee performance.

## 2.Theory, Previous Research, Research Hypothesis

### 2.1. High Performance Work System

In various literature HPWS is often referred to as high involvement work practice, high performance work environments, high performance work systems, high performance human resource practices, high performance management practices, and high commitment work systems [1]. High performance work system (hereinafter referred to as HPWS) is one of the strategic HRM practices [2]. High Performance Work System / HPWS is a system that designs elements in the HR system in order to maximize the overall quality of HR capital within the organization. According to [3], .HPWS is an important concept in relation to human resource management. According to [4] states that HPWS is a human resource management practice that aims to stimulate employee creativity and organization, in which there are different sets of practices but interrelationships.

The implementation of HPWS has played a key role in increasing the creativity and work effectiveness of employees [5; 6]. According to [7] HPWS as a means to motivate employees to perform better. A number of research results prove that HPWS has a significant positive effect on employee creativity ([5]; [7]; [1]; [8]; and [4]).

HPWS aims to create a good work system with the aim that employees perform better. A number of results of the study were able to prove the significant positive effect of HPWS on employee performance, namely research conducted by [9]; (2012); [5]; [10]; (2014); [8]; [11]; (2016); [4]; (2017).

Based on the results of the study, the research hypothesis was built, namely:

Hypothesis 1: HPWS has a significant positive effect on employee creativity

Hypothesis 2: HPWS has a significant positive effect on employee performance

### 2.2. Employee Creativity

Employee creativity is an important aspect of solving employee problems, because it encourages finding solutions to existing problems [12] (Sourchi and Jianqiao, 2015). Creativity is one of the basic human needs,

namely the need for self-realization (self-actualization) and is the highest need for humans (Maslow, in [13]).

Employee creativity is also said to make a major contribution to organizational innovation, thus making the organization superior and competitive [14]. According to [13], creativity is the ability to make new combinations, based on data, information or elements that exist. The results created are not always new things, but can also be a combination of things that already existed before. In addition, [15] states creativity as an action, idea, or product that replaces something old into something new. Guilford (in [13]) states that creativity is a divergent thinking ability or the thought of exploring various alternative answers to a problem, which is equally true [16]. Whereas according to [17] (2014) creativity is human tendencies to actualize themselves according to their abilities.

According to [18] creativity is defined as the ability to explore new ideas that are useful for organizational progress. [19], creativity is the ability and expertise of creative thinking individually which accumulates based on education and experience. Yung (in [20]) states creativity as a skill that brings something new and valuable for others to do more new things and break away from the old. So based on these definitions, creativity is very important in relation to increasing employee creativity, organizational performance, organizational competitiveness, and the sustainability of the organization.

According to [21], creativity is an imaginative activity that produces new and valuable results. According to [22], that Employee Creativity has a significant positive effect on employee performance. The same is also stated by [23]; (2013); [24]; (2016) where Employee Creativity is significantly positively related to employee performance. Some researchers stated that creativity showed a significant positive effect on employee performance, [25]; [26]; [22]. Based on the results of the research that has been disclosed previously, the research hypothesis can be formulated as

Hypothesis 3: Employee Creativity has a positive and significant effect on Employee Performance

Based on a number of studies, where HPWS has a significant positive effect on employee creativity ([5]; [7]; [1]; [8] and [4]. On the other hand, employee creativity has a significant positive effect on employee performance ([25] ; [26]; [22]) Based on this, the research hypothesis is constructed as follows:

Hypothesis 4: Employee Creativity is positively significant as mediating the relationship between HPWS and Employee Performance

### 2.3. Entrepreneurial Leadership

According to [27] states that entrepreneurial leadership is a combination of the terms leadership and entrepreneurship. The birth of this leadership style because it was realized that the importance of a change in leadership style in managing business [28]. According to [29] Entrepreneurial leadership is innovative entrepreneurs experimenting aggressively, and they are skilled at practicing potentially attractive transformations. According to [30], entrepreneurial leadership is defined as leadership that has the ability to communicate the vision, and develop and utilize opportunities to gain competitive advantage. Entrepreneurial leadership according to [27] is a leadership style that is able to delegate capable of building employees who behave responsibly, are able to make and determine decisions, and work independently. Entrepreneurial leadership has a character as a leader who is responsive, creative and proactive towards the competitor's environment and the direction of changing market opportunities [30]. According to [31], entrepreneurial leadership is a leadership that creates a climate of entrepreneurial behavior that is expected to bring the organization towards success.

A number of studies have found contradictory results in entrepreneurial leadership relations with employee performance. There are studies that find a significant positive effect [32], but there are also those who find a negative influence [33]. This indicates that entrepreneurial leadership can strengthen and weaken employee performance. Based on this, the research hypothesis is constructed as follows:

Hypothesis 5: Entrepreneurial leadership significantly moderates the influence of the High Performance Work System on Employee Performance

Hypothesis 6 :Entrepreneurial leadership significantly moderates the influence of Employee Creativity on Employee Performance.

### 3. Research method

This research was conducted on 120 cooperative employees spread across a number of cooperatives in Timor Leste. The technique of determining the number of samples is based on Slovin formula with a precision level of 10%.

Data analysis was carried out based on Smart PLS program version 3.2.8, through three stages, namely evaluation of measurement models, evaluation of structural models, and testing of research hypotheses. Evaluation of research models includes testing validity through convergent validity (outer loading) and reliability through composite reliability and Cronbach's Alpha. Structural evaluations include R-Square (R2), Q-Square (Q2), and Goodness of Fit (GoF).

### 4. Results and Discussion

#### 4.1. Evaluation of the Measurement Model

The results of the measurement model evaluation are based on the value of outer loading of all indicators of the research variable. The results of research data processing show that the outer loading coefficient of each indicator ranges from 0.697-0.921. This means that all indicators have an outer loading value greater than 0.50, which means that all indicators are valid.

Viewed through discriminant validity, it shows that the root AVE is greater than the correlation coefficient between other variables, as shown in Table 1. This shows that the variables in the research model are valid.

Table 2 shows where the composite reliability and Cronbach's Alpha values are greater than 0.70. This means that all research variables are reliable

Table 1  
Discriminant validity

	M/EL	X/HPWS	Y1/EC	Y2/EP
M/EL	0,859			
X/HPWS	0,741	0,798		
Y1/EC	0,633	0,611	0,794	
Y2/EP	0,656	0,761	0,716	0,897

Source: Data processed, 2019

Reliability of research data is based on reliability composite coefficient and Cronbach's Alpha, shown in Table 2.

Table 2  
Composite Reliability and Cronbach's Alpha

Variables	Cronbach's Alpha	Composite Reliability
HPWS	0,952	0,958
EC	0,951	0,957
EP	0,939	0,954
EL	0,964	0,969

Source: Data processed, 2019

#### 4.2. Structural Model Evaluation

Evaluation of structural models is based on the value of R-Square (R2), Q-Square Predictive Relevance (Q2), and Goodness of Fit (GoF). The results of the analysis are shown in Table 3

Table 3  
Coefficient R2, AVE

Variables	R Square	AVE
HPWS	-	0,637
EC	0,658	0,631
EP	0,854	0,805
EL	-	0,739

Source: Data processed, 2019

Based on Table 3, koesien R2 for HPWS to EC is 0.658. This gives a meaning that, employe creativity 65.8% is influenced by high performance work systems, the rest are other factors. R2 values for HPWS and EC to EP are 0.854. This means that 85.4% employee performance is influenced by high performance work system and employee creativity, the rest are other factors beyond the research model.

Q Square Predictive Relevance (Q2), which is calculated based on the formulation  $Q2 = 1 - \{(1-R21) (1-R22)\}$ , resulting in a value of 0.9500. This means that the model has a predictive capacity of 95%. If seen from the

GoF value calculated based on the formulation  $GoF = \sqrt{(A.AVE \times A.R^2)}$ , it produces a value of 0.7290. Based on the values of Q2 and GoF, it can be stated that the research model has good accuracy, so that further analysis can be carried out.

### 4.3. Hypothesis testing

The results of hypothesis testing are based on the results of the 3.2.8 SmartPLS analysis, which is shown in Figure 2, and Table 4.

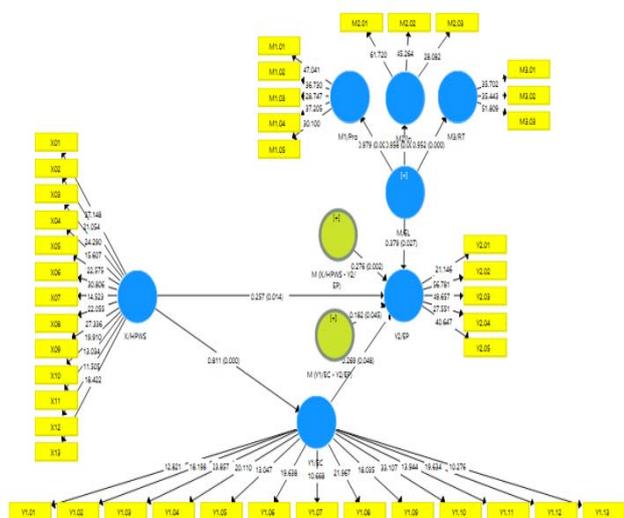


Figure 2. Results of SmartPLS Analysis 3.2.8

**Table 4**  
 Path Coefficient Relationships High Performance Work System, Employee Creativity, Entrepreneurial Leadership, and Employee Performance

Correlation between variables	Path Coefficient	p-values	Information
HPWS-> EC	0,811	0,000	H1 Accepted
HPWS-> EP	0,257	0,014	H2 Accepted
EC -> EP	0,269	0,048	H3 Accepted
HPWS-> EC-> EP	0,218	0,049	H4 Accepted
HPWS*EL-> EP	0,276	0,002	H5 Accepted
EC*EL -> EP	0,182	0,045	H6 Accepted

Source: Data processed, 2019

Table 4 shows that high performance work system has a significant positive effect on employee creativity, indicated by the path value of 0.811 and p value of 0.000 <0.05. This means that Hypothesis 1 is accepted. High performance work system also has a significant positive effect on employee performance, indicated by the path value of 0.257 and p value

of 0.014 <0.05. This means that Hypothesis 2 is accepted. Employee creativity also has a significant positive effect on employee performance, indicated by the path value of 0.269 and p value of 0.048 <0.05. This means that Hypothesis 3 is accepted. The indirect effect of high performance work system on employee performance through Employee Creativity is also positively significant, this is indicated by the path value of 0.218 and p value of 0.002 <0.05. This means that Hypothesis 4 is accepted. The effect of entrepreneurial leadership moderation on high performance work system relationships on employee performance is also positively significant, as indicated by the path value of 0.276 with p-value 0.002 <0.05. This means that hypothesis 5 is accepted. The effect of entrepreneurial leadership moderation on employee creativity relationships on employee performance is also positively significant, indicated by the path value of 0.182 with p-value 0.045 <0.05, then hypothesis 6 is also accepted.

### 5. Conclusion

Based on the analysis of the results and discussion, it can be concluded as follows:

1. High performance work system has a significant positive effect on employee creativity. Improving the work system in a better direction can improve employee creativity.
2. High performance work system has a significant positive effect on employee performance. Improving the work system to a better direction can encourage increased employee creativity.
3. Employee creativity has a significant positive effect on employee performance. Increased employee creativity can improve employee performance.
4. Employee creativity acts as a mediator for the relationship between high performance work systems and employee performance.
5. Entrepreneurial leadership positively and significantly plays a role as moderating the relationship between high performance work systems and employee performance.
6. Entrepreneurial leadership positively and significantly plays a role as a moderating relationship between employee creativity and employee performance.

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