

Effect of Employee Creativity and Emotional Intelligence on Entrepreneurship Orientation

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Abstract

This study examines managers' emotional intelligence and employee creativity in entrepreneurial orientation in SMEs. This research method uses a quantitative approach. The population of this research is all MSMEs in three sub-districts, namely Wara, East Wara, and North Wara Districts. The sample of this research is 137 MSME Managers. This research was conducted in December 2021. The instrument used was a questionnaire using a structural equation modeling (SEM) approach with the help of the smart PLS 3.3 application. The results of this study indicate that managers' emotional intelligence affects the entrepreneurial orientation of SMEs by 0.074 units with a t count = 0.377 < t table = 1.972 or a P-value of 0.706 > 0.05. Employee creativity has an effect on entrepreneurial orientation by 0.414 units with a T arithmetic value = 2.665 > T table 1.972 with a P-value of 0.008 < 0.05. The joint influence of a manager's emotional intelligence and employee creativity on entrepreneurial orientation is 19.1%, while the remaining 81.9% influence other variables.

Keywords: employee creativity; emotional intelligence; entrepreneurship orientation.

1. Introduction

National development includes economic development, one of which is found in Micro, Small, and Medium Enterprises (MSMEs). In Indonesia, MSMEs function and play a role as a driver of accelerating economic growth. When a large-scale company is challenging to develop, that is where MSMEs can survive. Some experts state that the resilience of the Indonesian economy lies in MSMEs. Therefore MSMEs have been chosen to be an essential part of getting the government's attention (Wijaya & Sukartha, 2018).

In general, the essential role of MSMEs can be seen from their significant development and MSMEs, one of Indonesia's most prominent contributors to GDP. To improve people's welfare and grow the Indonesian economy, one of the policies made by the government is to prioritize the industrial sector to make MSMEs more developed. It does not only depend on the industrial sector as a source of the country's economy but also on increasing human resources through innovative activities and creativity. This concept will be supported by the existence of a creative industry or creative economy driven by the industrial sector in their respective fields.

Entrepreneurship is crucial in Indonesia's and the region's economic development. Various discussions on the determinants of entrepreneurial success are based on the increasing contribution of entrepreneurship to the economy and the increasingly popular issue of entrepreneurship. Several studies and discussions from several points of view, such as Kotey & Meredith, (1997), found that the personality of an entrepreneur is a determinant of the success of MSMEs. An entrepreneur's character is the same as personal values that develop from the environment and are integrated into his business, social and economic behavior. Still, this role faces challenges in terms of the dynamics of the business environment, especially in business competition and market dynamics, which can have a negative impact on commercial success.

The opinion of Saban, (2013) regarding entrepreneurship asserts that "entrepreneurs who have maximum emotional intelligence will have more opportunities to achieve success and view difficulties as opportunities. Riyanti, (2003) stated that personality traits affect the success of entrepreneurs. For entrepreneurs to seize opportunities around them,

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they must increase their emotional intelligence. Entrepreneurs with emotional intelligence certainly have a sharp intuition. Entrepreneurs can see options that other individuals do not capture. Although the information obtained is incomplete, entrepreneurs can usually conclude correctly. By having emotional intelligence, entrepreneurs must also have intuition sharpness. Rangus & Slavec, (2017) stated that entrepreneurial participation in proactive behavior, openness to the development of ideas, feedback, encouragement of exploration and improvement, and novelty orientation positively impact business success.

There is a relationship between emotional intelligence and entrepreneurship. Individuals who can manage and utilize emotions effectively have high emotional intelligence makes these individuals believe that they are capable of success when entrepreneurship. Entrepreneurs can see opportunities that other individuals do not capture.

Mortan et al., (2014) studied that someone with high emotional intelligence, namely a person who can use and regulate their emotions effectively, will lead to firmness about their success in entrepreneurship. Ramdhan, (2016) states that there is an influence between emotional intelligence and business success. Irawati & Fauziah, (2020) state that emotional intelligence has a positive and significant relationship with entrepreneurial motivation.

Therefore, the researcher conducted this study which aims to provide an understanding to MSME actors that the role of emotional intelligence and employee creativity is as an antecedent of entrepreneurial orientation to encourage an entrepreneurial culture in improving performance within the company.

2. Literature Review

The method used in this research is qualitative and quantitative methods. Another name for this method is the scientific method because it follows scientific principles: objective, empirical, makes sense, measurable and structured. The definition of qualitative research is a descriptive research and leads to an inductive approach in its analysis. Emphasis on research procedures and the use of theoretical foundations is carried out so that the research focus follows the facts on the ground. In addition, it is also valuable for sharing an overview of the background of the research and as a material for discussing research results. In sampling, the focus is not on the number of samples but on the quality. The sample is also seen as a theoretical sample and is not representative. Meanwhile, according to Sugiono, (2016) quantitative method is a research method based on the philosophy of positivism and is used in research on specific populations and samples. Data collection in this study used research instruments. The data analysis in this study is quantitative or statistical, intended to test the established hypothesis. Quantitative analysis is how to collect data and explain variables about Emotional Intelligence and Entrepreneurship Orientation to MSME actors in three sub-districts, namely Kec. Wara, District. North Wara and Kec. South Wara in Palopo city.

Structural Equation Modeling (SEM) analysis can complete research involving latent variables and their indicators. Hair et al., (2012) state that Structural Equation Modeling is one of the statistical techniques that can analyze the relationship pattern of latent variables with indicators of one latent variable with another latent variable. SEM is based on two reasons: (1) SEM has the power to estimate the relationship between variables that are multiple relationships. This relationship is in the form of a structural model (the relationship between the independent variable and the dependent variable). (2) SEM has the power in terms of visualizing the pattern of the relationship between latent variables (unobserved) and manifest variables (indicators).

The data collection was obtained from filling out questionnaires distributed to three sub-districts of MSME actors in Palopo City, then measured using a Likert scale. There were 137 questionnaires distributed, of which 137 came from MSME actors. To obtain the necessary data, the data collection in this study used a scale as a measuring tool. The scale in question is a Likert scale model with five response alternatives. This study uses a Likert Scale as a measuring tool to determine respondents' perceptions of the variables studied. This Likert scale uses five alternative answers, namely: 1) Strongly Agree (SS) with a value of 5; 2) Agree (S) with a score of 4; 3) Disagree (KS) with a score of 3; 4) Disagree (TS) with a score of 2, and 5) Strongly Disagree (STS) with a score of 1. At the same time, the qualitative analysis is the data obtained from the results of interviews and the distribution of questionnaires which are then grouped and interpreted.

3. Result and Discussions

3.1. Descriptive Analysis

Based on table 1, the influence of respondents based on managers' emotional intelligence is in the high category, namely 60.6 percent, while 37.2 percent and 2.2 percent are classified as low. Overall the average influence of

emotional intelligence is 2.36 on a scale of 1 to 5.

Table 1. Distribution of respondents based on Manager's Emotional Intelligence (X1)

Category	Frequency	Percentage
Low	3	2,2
Medium	83	60,6
High	51	37,2
Total	137	100,0
Average		2,35

Table 2. Distribution of respondents based on employee creativity (X2)

Category	Frequency	Percentage
Low	4	2,9
Medium	80	58,4
High	53	38,7
Total	137	100,0
Average		2,36

Based on table 2, the influence of respondents based on employee creativity (X2) is in the high category, which is 58.4 percent, 38.7 percent, and 2.9 percent are low. Overall the average influence of emotional intelligence is 2.36 on a scale of 1 to 5.

Table 3. Distribution of respondents based on Entrepreneurial Orientation (Y)

Category	Frequency	Percentage
Low	130	2,9
Medium	87	58,4
High	0	0
Total	137	100,0
Average		1,05

Based on table 3, the majority of the influence of entrepreneurial orientation is in the high category, namely 58.4 percent, while 2.9 percent and 0 percent are classified as low. Overall the average effect of emotional intelligence is 1.05 on a scale of 1 to 5.

3.2. Inferential Analysis

Inferential analysis in this study uses structural equation modeling based variance (VB-SEM) with the help of Smart PLS software version 3.3.

3.2.1. Outer Model Test Results

According to Ghazali & Latan, (2015) evaluation model is a model used to measure the value of reliability

(reliability) and validity (validity).

1) *Model Validity Test*

a) *Outer model*

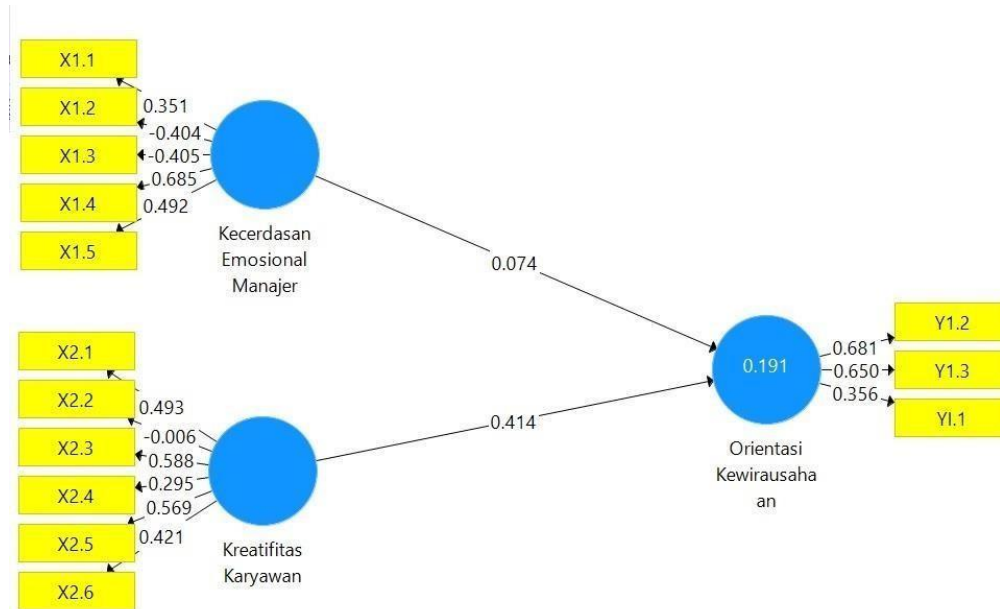


Figure 1. Outer SEM model (Smart PLS Output)

The outer model or measurement of the outside is also known as the measurement model. The outer model test aims to define the relationship between variables.

b) *Discriminant Validity*

The discriminant validity of the model aims to see the level of validity of the indicators in the reflective model. The value that becomes the measure is Average Variance Extracted (AVE), with an expected value of more than 0.5.

Table 4. Average Variance Extracted (AVE) values on the SEM. model variables

Variable	Average Variance Extracted (AVE)
Manager Emotional Intelligence (X1)	0,232
Entrepreneurship Orientation (Y)	0,196
Manager Emotional Intelligence (X1)	0,338

Based on the table 4, the AVE value of each variable in the study is > 0.5, so it can be concluded that all variables in the analyzed SEM model are declared valid.

2) *Reliability Model*

The values used to determine the level of reliability of the SEM model are Composite Reliability and Cronbach Alpha. This type of reliability serves to assess the level of internal reliability of the variable indicator.

The standard value of Cronbach's Alpha of a variable so that it is declared reliable is > 0.6, while the standard value for Composite Reliability is > 0.7. Therefore, based on the table above, it is known that all variables have a Cronbach's Alpha value of more than 0.06 and a Composite Reliability value of more than 0.7, so it can be stated that the SEM model analyzed is reliable.

Table 5. Composite Reliability and Cronbach Alpha values for each variable

Variables	Cronbach's Alpha	Composite Reliability
Manager Emotional Intelligence (X1)	-0,141	0,119
Employee Creativity (X2)	0,220	0,536
Entrepreneurship Orientation (Y)	0,003	0,589

3.2.2. Inner Model Test Result

1) Inner Model

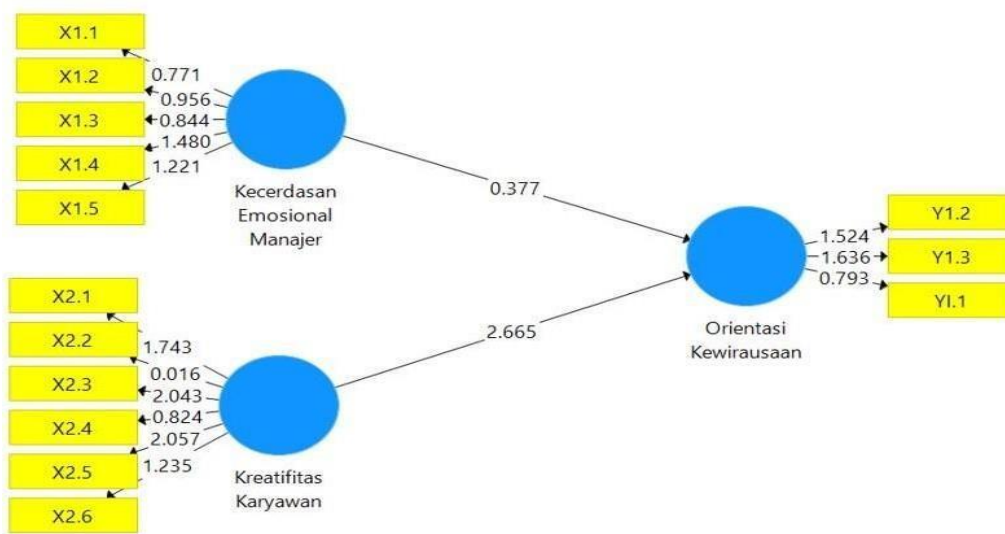


Figure 2. Inner Model

The inner model is an SEM model that aims to determine the calculated T value, which helps assess the significant influence of the independent variable (X) on the dependent variable (Y), which is used to test the research hypothesis.

2) T Statistik Analysis

The hypothesis test in this study is the PLS-SEM model using bootstrapping. Evaluation of the path coefficient structural model can be seen from the results of each relationship between variables. It is said to be significant when the p-value < 0.05 and the t-statistics value > 1.96.

Table 6. T-Statistical Analysis

Variables	T Statistik	T Tabel	P Values	
Emosional Manager-> Entrepreneurship Orientation	0.368	1.656	0.713	0.05
Employee Creativity -> Entrepreneurship Orientation	2.663	1.656	0.008	0.05

Based on the table 6, the hypothesis test on the dependent variable can be stated as follows:

- a) Hypothesis 1: It is suspected that managers' emotional intelligence significantly affects entrepreneurial orientation. The results of the statistical T analysis obtained t count: $0.368 > t$ table 1.656 with a P-value of 0.713 or smaller than the Cut off Value of 0.05. It means that the manager's emotional intelligence has no significant effect on entrepreneurial orientation. So it can be said that hypothesis 1 is rejected.
- b) Hypothesis 2: It is suspected that employee creativity has a significant effect on entrepreneurial orientation. The results of the statistical T analysis obtained t count: $2.633 > 1.656$ with a P-value of 0.008 or less than the Cut of Value of 0.05. It means that employee creativity has a significant effect on entrepreneurial orientation. So it can be said that hypothesis 2 is accepted.

3.3. Discussion

3.3.1. The Effect of Emotional Intelligence on Entrepreneurial Orientation

Based on the analysis results, the manager's emotional intelligence has no significant effect on entrepreneurial orientation. Where the P-value is $0.713 > 0.05$ and the t statistic is $0.368 < t$ table, which is 1.656.

According to Nurita, (2012), "Emotional Intelligence is an emotional skill which includes the ability to control oneself and has endurance when facing obstacles, being able to control impulses and not feeling satisfied quickly, being able to regulate moods and being able to manage anxiety so as not to interfere with the ability to think, able to empathize and hope." Susanto, (2018) "Emotional intelligence is the internal potential of individuals to recognize, remember, feel, communicate, utilize and describe emotions.

3.3.2. The influence of employee creativity on entrepreneurial orientation

Based on the analysis results, the manager's emotional intelligence has no significant effect on entrepreneurial orientation. The t statistic is 2.663 t table which is 1.656, or the P-value is $0.008 < 0.05$.

Eddy, (2005) states, "Creativity is the integration of knowledge from different fields of experience to produce new and better ideas. Creativity is a fundamental part of human endeavor."

According to Mc. Pherson defines creativity, Hutagalung et al., (2010) "Creativity is connecting and reassembling knowledge in the minds of humans who allow themselves to think more freely in generating new things or generating ideas that surprise others in producing new things useful things."

4. Conclusions

The conclusions of this study are (1). Manager's emotional intelligence has no effect on entrepreneurial orientation, (2) employee creativity affects employee orientation, so it is suggested that (1) the manager's emotional intelligence needs to be improved to support entrepreneurial orientation, and (2) employee creativity is maintained to support entrepreneurial orientation.

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