

THE RELATIONSHIPS AMONG LEADERSHIP, ENTREPRENEURIAL MINDSET, INNOVATION AND COMPETITIVE ADVANTAGE (A Conceptual Model of Logistics Service Industry)

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ABSTRACT

Nowadays, improvement of competitive advantage is an important and urgent issue facing logistics service companies in Indonesia. Some previous researches showed that to improve the competitive advantage could be conducted through improvement of leadership, entrepreneurial mindset and innovation variables. This research intended to recognize relationships among the variables. The research used causal-explanatory method. The results of research encompass a conceptual model, status of each variable and hypotheses. The conceptual model could be further verified through verification research.

Keywords: *Leadership, Entrepreneurial Mindset, Innovation, Competitive Advantage*

ABSTRAK

Sekarang ini, perbaikan keunggulan bersaing merupakan masalah penting dan mendesak yang sedang dihadapi oleh perusahaan-perusahaan jasa logistik di Indonesia. Beberapa hasil penelitian sebelumnya menunjukkan bahwa untuk memperbaiki keunggulan bersaing tersebut dapat dilakukan melalui perbaikan variabel-variabel kepemimpinan, entrepreneurial mindset, dan inovasi. Penelitian ini bertujuan untuk mengetahui hubungan-hubungan antara variabel-variabel tersebut. Penelitian ini menggunakan metode causal-explanatory. Hasil-hasil dari penelitian ini mencakup model konseptual, status masing-masing variabel, dan hipotesis. Model konseptual tersebut dapat diverifikasi lebih lanjut melalui suatu penelitian verifikasi.

Kata kunci: *Kepemimpinan, Entrepreneurial Mindset, Inovasi, Keunggulan Bersaing*

INTRODUCTION

Based on data of Indonesia Logistics and Forwarder Association (ILFA), there were registered about 3,500 members of association in 2014, but 50% of them were not active. This condition was caused by many macro and micro aspects. The macro aspects especially consist of tighter competition, unfavorable regulations and market conditions, while the micro aspects especially refer to the lack of companies' resources and capabilities. Some aspects of the capabilities problems encompass leadership, innovation and entrepreneurial mindset.

In line with the above context, enhancement of competitive advantage is the important issue for logistics companies in Indonesia. Conceptually, to improve the competitive advantage can be conducted through capabilities improvement in leadership (Khan and Anjum, 2013), innovation (Hana, 2013; Moghli et al., 2012; Al-alak and Tarabieh, 2011), and entrepreneurial mindset (Lee and Chu, 2011; Dalvi and Ahangaran, 2014). The research question is how the relationships among innovation, leadership, entrepreneurial mindset and competitive advantage variables. This research intends to make a conceptual model for relationships among the variables so that it can be used for further research empirically.

Entrepreneurial Mindset

Entrepreneurial mindset is critical issue in today's business sustainability. It refers to mindset in exploring opportunities and innovation, taking risks, as well as managing change and uncertainty. It is an ability or way of thinking to identify and exploit new opportunities through flexible, reactive, innovative and renewal mindset (Hisrich, 2013; Kuratko, 2009; Alvarez and Barney, 2005; Ireland et al., 2003). It was needed by individual entrepreneurs and managers as well as employees. In this case, individual entrepreneurs related to individual entrepreneurship whereas managers and employees related to corporate entrepreneurship or intrapreneurship.

Components of entrepreneurial mindset comprise decision-making assumptions, values, beliefs and approach to problems (Kuratko, 2009); recognize opportunities, alertness, real option logic and framework (Ireland et al., 2003); take responsibility, get results, value and wealth creation, share the wealth, customer and quality driven (Timmons and Spinelli, 2007). Entrepreneurial mindset is needed to face uncertainty condition, namely through creativity, innovation, and taking opportunities mindsets (Dhliwayo and Vuuren, 2007). According to Neneh (2012), the most important components of entrepreneurial mindset comprise creativity, motivation, and propensity to take risk.

Innovation

According to Hamel (2012), there are five factors that will determine whether the organization thrives or dives in the years ahead, namely values, innovation, adaptability, passion, and ideology. Innovation is a social and economic success that introduces and finds new ways or combinations of old ways in transforming inputs into outputs that are able to create a big or drastic change in relationship between benefits value and monetary value or price (Fontana, 2011). This definition explain that innovation does not just mean "novelty" or something new, new goods and/or services or new production systems or new ways to market; the "novelty" should be coupled with a positive impact on consumers and producers; the "novelty" must create value to its customers and added value to producers; the "novelty" that generate economic and social success, in the context of innovation and value creation at individual, organizational, and community (society). Companies innovate to create a relationship between benefits value and price (monetary value) that is higher than their product that provided for their target consumers and/or users, which in the end the product not only beneficial to consumers and/or users but also manufacturers.

Innovation is a discipline (de Bes, 2011), a source of advancement and development (Ahmed and Shepherd, 2010), and critical aspect for business success (Kanter, 2009). Innovation provides the foundation for new businesses, new jobs and productivity growth and is thus an important driver of economic growth and development (OECD, 2015). Future business models will be shaped by innovation of products and services (Kagermann et al., 2011). The dimensions of innovation encompass product, process, position, and paradigm (Tidd and Bessant, 2009).

Leadership

Leadership is ability (Robbins and Judge, 2011) or process (Ivancevich et al., 2011) to influence a group toward the achievement of a vision or organizationally relevant goals. There are two types of leadership, namely transactional and transformational (Ivancevich et al, 2011). Transactional leadership where the leader helps the followers identify what must be done to accomplish the desired results whereas transformational leadership where the leader motivates followers to work for goals instead of short-term self-interest and for achievement and self-actualization instead of security. According to Yang (2008), transformational leadership has more significant correlation to the business performance than transactional leadership (Yang, 2008). Leadership has an effect on creativity and innovation (Agbor, 2008).

According to Rosenbach (2007), leader is someone who helps create options and opportunities, identify choices and solve problems, build commitment and coalitions, and inspire others to construct a shared vision of the possibilities and promise of a better group, organization, or community. Elements or dimensions of leadership encompass influence, communication and attainment of goals (Hoobs and Powers, 1976); charisma, inspiration, individual consideration, and intellectual stimulation (Bass, 2000); pioneering, energizing, affirming, inclusive, humble, deliberate, resolute, commanding (Sugerman et al., 2011).

Competitive advantage

Competitive advantage can be realized through implementing strategies. It refers to a weapon to deal with competitors (Craven, 2009). It constitutes anything that a firm does better than rival firms. When a firm can do something that rival firms cannot do, or owns something that rival firm desire, that can represent a competitive advantage (David, 2013). A firm has a competitive advantage when it is successful in designing and implementing a value-creating strategy that competitors are not currently using. According to Rothaermel (2013), competitive advantage is superior performance relative to other competitors in the same industry or the industry average. Whereas according to Dess et al. (2014), competitive advantage is a firm's resources and capabilities that enable it to overcome the competitive forces in its industry.

The competitive advantage is sustainable when current or new competitors are not able to imitate or supplant it (de Kluyver, 2006). In general, a company has a competitive advantage when the company is able to create a better economic value than its competitors (Barney, 2007). Competitive advantage can be sustainable if the firms have valuable, rare, inimitable, and organized resources and capabilities (Barney and Hesterly, 2012). The competitive advantage can include price, services and quality.

METHOD

This research constituted a causal-explanatory research, namely a research tried to explain relationships among variables (Cooper and Schindler, 2014). The relationships between two or more variables constructed through results of previous researches. Based on the relationships were then constructed conceptual model and hypotheses. The hypotheses need to be tested further empirically through verification research (Arikunto, 2013).

RESULTS AND DISCUSSION

Leadership-Entrepreneurial Mindset

Leadership has positive effect on entrepreneurial mindset (Suprapti, 2007; Arham, 2014). According to Hough (2009), entrepreneurial orientation was strongly influenced by strategic leadership. Transformational leaders affect their firms' ability to innovate and adapt constitute dimensions of entrepreneurship. Transformational CEOs have impact to corporate entrepreneurship (Ling et al., 2008). Based on the above literature, then the hypothesis was proposed as follows:

H₁: Leadership has a positive effect on entrepreneurial mindset

Leadership-Innovation

Leadership (transformational) has effect on organizational innovation (Khan et al., 2009; Gumusluoglu and Ilsev, 2007; Pieterse et al., 2009). According to Elenkov et al. (2005), there is a strong positive relationship with executive influence on both product-market and administrative innovations. Transformational leadership has significant and positive relations with both empowerment and an innovationsupporting organizational climate (Jung, et al., 2003). Leaders affected strategies that encourage and sustain innovation, effectiveness, and success in the organization (Agbor, 2008). Based on the above literature, then the hypothesis was proposed as follows:

H₂: Leadership has a positive effect on innovation

Leadership-Competitive Advantage

Leadership has positive impact on competitive advantage (Khan and Anjum, 2013). According to Agbor (2008), leadership is the most important source of competitive advantage. Leadership is closely tied to strategy and securing a competitive advantage (Romero, 2005). The leadership is the important part of an organization. Based on the above literature, then the hypothesis was proposed as follows:

H₃: Leadership has a positive effect on competitive advantage

Entrepreneurial Mindset – Competitive Advantage

Entrepreneurial mindset has a positive effect on firms' competitive advantage (Dalvi and Ahangaran, 2014, Liu et al., 2011). Entrepreneurial mindset has significant relationship with competitive advantage by reducing costs or differentiating products/services via the combinations of resources and capabilities (Lee and Chu, 2011). Entrepreneurship positively effect on productivity

levels (Barringer and Ireland, 2013). Based on the above literature, then the hypothesis was proposed as follows:

H₄: Entrepreneurial mindset has a positive effect on competitive advantage

Entrepreneurial Mindset - Innovation

Entrepreneurship is seen as an activity of searching and finding opportunities (and dare to take risks) is not sufficient in itself. Opportunities that have been found are then followed by the creation of products (goods and/or services) need to be equipped with an understanding of the need for entrepreneurs to build a product advantage over its business model. When we look at how to build a business model, we are talking about innovation (Fontana, 2011).

Entrepreneurship has positive effect on innovation (Hacioglu et al., 2012; Ma'atoofi and Tajeddini, 2010). Entrepreneurship can contribute in innovative idea implementation (Lee and Hsieh, 2010). Open innovation drives a need for enhancing entrepreneurial mindset (Mantas and Soderquist, 2010). Based on the above literature, then the hypothesis was proposed as follows:

H₅: Entrepreneurial mindset has a positive effect on innovation

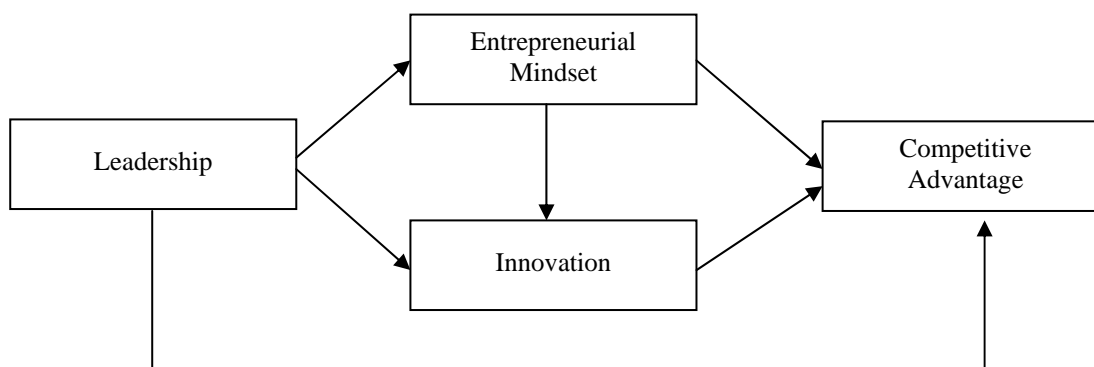
Innovation-Competitive Advantage

Innovation has effect on competitive advantage (Hana, 2013; Moghli et al., 2012; Al-alak and Tarabieh, 2011). Commitment to innovation is a key to success and in long run can be helpful in earning a competitive advantage for the firm (Hussain and Ilyas, 2011). A firm needs to build new idea to promote customer value and obtain competitive advantage (Porter, 1990). No matter what innovation it might be, technological or non-technological, it can promote a firm's sustained competitive advantage. Innovation had an effect on competitive advantage (Noorani, 2014). Innovation affects firm competitive advantages in differential ways and this relationship is also moderated by the competitive advantage (Costa and Cabral, 2009). Based on the above literature, then the hypothesis was proposed as follows:

H₆: Innovation has a positive effect on competitive advantage

CONCLUSION

Based on the discussion, the relationships among the variables (leadership, entrepreneurial mindset, innovation, and competitive advantage) conceptually would expose the aspects of relationships among leaders. Leadership has direct effect on entrepreneurial mindset, innovation, and competitive advantage, entrepreneurial mindset has direct effect on innovation and competitive advantage and innovation has direct effect on competitive advantage. Entrepreneurial mindset can be a mediator variable for relationship between leadership and competitive advantage while innovation can be a mediator variable for relationship between leadership and competitive advantage as well as entrepreneurial mindset and competitive advantage. Leadership constitutes an exogenous variable whereas entrepreneurial mindset, innovation and competitive advantage constitute endogenous variables. The conceptual model for the relationships among the variables was as follows:



Conceptual Model

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