

# THE ROLE OF CORPORATE ENTREPRENEURSHIP IN THE RELATIONSHIP BETWEEN ENTREPRENEURIAL LEADERSHIP AND CORPORATE CULTURE TO CORPORATE PERFORMANCE AT PT. AS

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***Abstract-***Technological disruption in this digitalization era has brought technological advances and changes in trends that are quite large and affected in a decline in corporate performance. This study aims to determine the role of corporate entrepreneurship in the relationship between entrepreneurial leadership and corporate culture towards increasing corporate performance. The variables studied are entrepreneurial leadership ( $X_1$ ), corporate culture ( $X_2$ ), corporate entrepreneurship ( $Y$ ), and corporate performance ( $Z$ ). The population in this study is all paper mill employee of PT. AS with job level assistant supervisor to general manager. The sample consists of 76 respondents determined using saturated sampling method. Researcher used a statistical analysis model of Structural Equation Modeling (SEM) and use Partial Least Square (PLS) for analysis tools. Results show that entrepreneurial leadership has an effect on corporate entrepreneurship, corporate culture has an effect on corporate entrepreneurship, corporate entrepreneurship has an effect on corporate performance, entrepreneurial leadership has no effect on corporate performance, and corporate culture has not effect on corporate performance at PT. AS.

***Keywords:*** *entrepreneurial leadership, corporate culture, corporate entrepreneurship, corporate performance*

## 1. Introduction

In the 1990s the print media industry experienced glory. Therefore, pt. U.S. in 1994 by a print media group in East Java was founded. However, since 2015, the era of digitalization and technological disruption has changed the trend of people getting information, namely through social media. The situation was also followed by a steadily declining demand for newsprint. This impact makes PT. The U.S. is innovating to sell industrial paper, it's just that these sales have not been maximized. To be able to survive, leadership and organizational culture are important in order to achieve better corporate performance. This is important so that the management of human resources in the company's business activities can determine strategic and innovative steps. This phenomenon initiated research on the role of corporate entrepreneurship in the relationship between entrepreneurial leadership and corporate culture to corporate performance.

## 2. Literature Review

## **2.1 Previous Research**

Research by Perkasa & Abadi (2020) shows that entrepreneurial leadership and entrepreneurial mindset have a significant influence on organizational performance, but not corporate culture. Research by Ziyae & Sadeghi (2021) shows that corporate entrepreneurship and strategic entrepreneurship have a positive effect on company performance. In addition, there is a mediating effect of strategic entrepreneurship in the relationship between corporate entrepreneurship and company performance. Research by Al Suwaidi & Rahman (2019) shows that there is a significant relationship between organizational culture and transformational leadership to organizational performance.

## **2.2 Theoretical Foundations**

### **2.2.1 Entrepreneurial Leadership**

According to Perkasa & Abadi (2020), entrepreneurial leadership is a process that affects the organization in providing value to stakeholders by uniting innovation and resources. Indicators of entrepreneurial leadership according to Nor-Aishah et al. (2020) are: (1) Innovative (able to find opportunities) in products and processes; (2) Dare to take risks; (3) Have creative thinking in providing solutions; (4) Focus and orientation on achieving targets; (5) Visionary; (6) Able to encourage the team to be more innovative; (7) Able to encourage the team to adapt to changes (continuous improvement).

### **2.2.2 Corporate Culture**

According to Sahervian et al. (2019), corporate culture is a form of values and norms that are used as philosophies and guidelines carried out by an organization. Indicators of corporate culture according to Harianto (2016) are: (1) The focus of people in empowerment; (2) Full responsibility of management; (3) Attention to the basics; (4) Commitment to personal responsibility; (5) Free to grow.

### **2.2.3 Corporate Entrepreneurship**

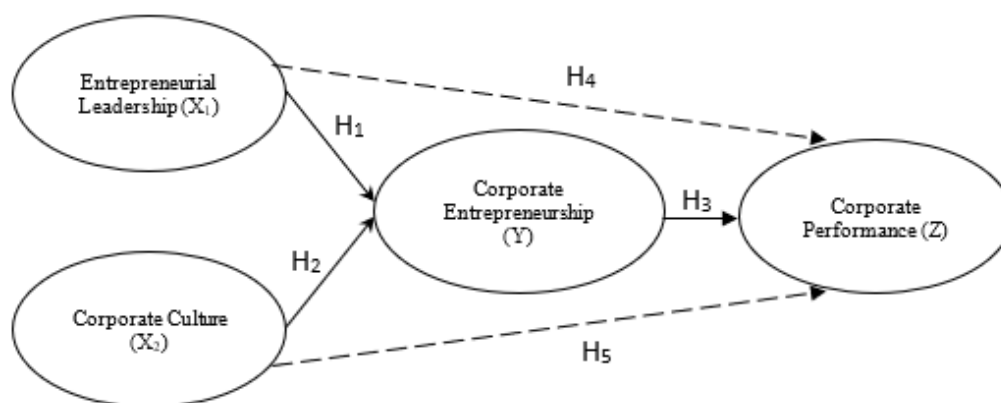
According to Felix et al. (2019), corporate entrepreneurship is product innovation and formal and informal processes to create new businesses in an established company. Indicators of corporate entrepreneurship according to Harianto (2016) are: (1) Visionary; (2) Decision making with risk calculation; (3) Creative and innovative; (4) Encouragement of achievement; (5) Locus internal control; (6) Opportunity-oriented.

### **2.2.4 Corporate Performance**

According to Sahervian et al. (2019) corporate performance is the company's ability to carry out tasks so that organizational goals are achieved. Corporate performance indicators according to Yunis et al. (2017) are: (1) The company's operations have high efficiency; (2) The company's productivity increases; (3) The market of the company is constantly growing; (4) The level of employee satisfaction in the company is high; (5) The customer is satisfied with the company.

## **3. Research Framework**

### 3.1 Analysis Models



**Figure 3.1 Analysis Model**  
Source: Processed Researcher, 2022.

### 3.2 Hypothesis

**H<sub>1</sub>:** Entrepreneurial Leadership has a significant effect on Corporate Entrepreneurship at PT. AS.

**H<sub>2</sub>:** Corporate culture has a positive effect on Corporate Entrepreneurship at PT. AS.

**H<sub>3</sub>:** Corporate Entrepreneurship has a positive effect on corporate performance at PT. AS.

**H<sub>4</sub>:** Entrepreneurial Leadership positively affects the corporate performance of PT. AS.

**H<sub>5</sub>:** Corporate Culture has a positive effect on corporate performance at PT. AS.

## 4. Research Methods

### 4.1 Types of Research, Samples, and Data Collection

This type of research is quantitative which is analyzed with the SEM-PLS technique. The research site is the paper mill PT. AS located in Sumengko Village, Wringinanom Gresik which will be held in October 2021-June 2022. The research population of all factory employees from the job level of assistant supervisors to general managers. The study sample was a saturated sample, namely the entire population of 76. Primary data of the study used questionnaires and secondary data using books and supporting journals. Data measurement using a Likert scale of 1-5.

### 4.2 Operational Variables and Definisi

**Table 4.1 Operational Definitions of Variables**

Variables and definitions	Indicators	Questionnaire Statement
Entrepreneurial Leadership (X <sub>1</sub> ) is the role of a leader with an entrepreneurial mindset so that he is able to innovate and face dynamic change.	The following are the indicators of entrepreneurial leadership used in this study according to Nor-Aishah et al. (2020): a. Innovative (able to find opportunities) on products and processes. b. Dare to take risks c. Have a creative mind in providing solutions d. Focus and orientation on achieving targets e. Visionary f. Able to encourage teams to be more innovative	1. My leader was able to find opportunities for product innovation sold by the company 2. My leader was able to find innovation opportunities in the process at the company 3. My leader dares to take risks 4. My leader is able to provide creative solutions 5. My leader has a focus on achieving predetermined targets 6. My leader has a clear orientation in achieving predetermined targets 7. My leader has a vision for the future of the company 8. My leaders are able to encourage teams to innovate

	g. Able to encourage teams to adapt to changes (continuous improvement)	9. My leader was able to encourage the team to adapt to change
Corporate culture (X <sub>2</sub> ) is a value and norm that is used as a guide in an organization to adapt to the external environment to build discipline and maintain the company's internal interests.	The following are the indicators of corporate culture used in this study according to Harianto (2016): a. People focus on empowerment b. Full responsibility of management c. Attention to the fundamentals d. Commitment to personal responsibility e. Free to grow	1. The company has a focus on empowering human resources 2. The company is fully responsible for the management decisions implemented 3. The company has an attention to the fundamentals towards employees 4. The company has a commitment to personal employee responsibility 5. Employees have a career path within the company
Corporate entrepreneurship (Y) is the company's ability to innovate both in terms of products and business processes so as to create a competitive advantage.	The following are the indicators of corporate entrepreneurship used in this study according to Harianto (2016): a. Visionary b. Decision making with the calculation of risks c. Creative and innovative d. Encouragement of achievement e. Internal control locus f. Opportunity-oriented	1. The company has a clear vision 2. The company has a Risk-based Management system so that every decision has a risk analysis 3. The company is able to innovate according to the times 4. The company is able to provide encouragement to employees to excel 5. The company has a focus on controlling internal control 6. The company focuses on existing opportunities
Corporate performance (Z) is an output of the company's ability to achieve organizational goals.	The following are the corporate performance indicators used in this study according to Yunis et al. (2017): a. The company's operations have high efficiency b. Increased company productivity c. The market of the company is constantly growing d. High level of employee satisfaction in the company e. Customers are satisfied with the company	1. The company's operations have high efficiency 2. Increased company productivity 3. The market of the company is constantly growing 4. The level of employee satisfaction in the company is constantly growing 5. Customers are satisfied with the company

Source: Data processed (2022)

The analysis model uses SEM-PLS which consists of an outer model (measurement) and an inner model (structural) with SmartPLS software.

## 5. Results and Discussion

### 5.1 Analysis

#### 5.1.1 Characteristics of Respondents

Male respondents dominated by 73 or 96.1%. The majority of Paper Machine respondents were 15 or 19.7%. The most positions are junior assistant supervisors at 29 or 38.2%. The majority of long-time work 16-20 years amounted to 45 or 59%.

#### 5.1.2 Description of Research Variables

The average value of the entrepreneurial leadership variable was 3,927 and respondents tended to agree. The corporate culture variable had an average value of 3,603 and respondents tended to agree. The corporate entrepreneurship variable has an average value of 3,693 and respondents tend to agree. The corporate performance variable had an average value of 3,533 and respondents tended to agree.

### 5.1.3 Outer Model (Model Pengukuran)

#### 1. Convergent Validity

**Table 5.1 Loading Factor Table**

	Entrepreneurial Leadership (X <sub>1</sub> )	Corporate Culture (X <sub>2</sub> )	Corporate Entrepreneurship (Y)	Corporate Performance (Z)	Information
X <sub>1.1</sub>	0,854				Valid
X <sub>1.2</sub>	0,778				Valid
X <sub>1.3</sub>	0,786				Valid
X <sub>1.4</sub>	0,872				Valid
X <sub>1.5</sub>	0,876				Valid
X <sub>1.6</sub>	0,822				Valid
X <sub>1.7</sub>	0,809				Valid
X <sub>2.1</sub>		0,882			Valid
X <sub>2.2</sub>		0,887			Valid
X <sub>2.3</sub>		0,849			Valid
X <sub>2.4</sub>		0,838			Valid
X <sub>2.5</sub>		0,746			Valid
Y <sub>1</sub>			0,851		Valid
Y <sub>2</sub>			0,839		Valid
Y <sub>3</sub>			0,833		Valid
Y <sub>4</sub>			0,776		Valid
Y <sub>5</sub>			0,871		Valid
Y <sub>6</sub>			0,881		Valid
Z <sub>1</sub>				0,874	Valid
Z <sub>2</sub>				0,867	Valid
Z <sub>3</sub>				0,850	Valid
Z <sub>4</sub>				0,772	Valid
Z <sub>5</sub>				0,881	Valid

Source: Appendix E-2

The test results show that the loading factor value of all constructs is above 0.7 which indicates that all constructs are considered valid.

**Table 5.2 AVE Table**

	Average Variance Extracted (AVE)	Information
Entrepreneurial Leadership (X <sub>1</sub> )	0,687	Valid
Corporate Culture (X <sub>2</sub> )	0,709	Valid
Corporate Entrepreneurship (Y)	0,710	Valid
Corporate Performance (Z)	0,722	Valid

Source: Appendix E-2

The test results show that the AVE value of all constructs is above 0.5 which indicates that all constructs are considered valid.

#### 2. Discriminant Validity

**Table 5.3 Cross Loading Table**

	Entrepreneurial Leadership (X <sub>1</sub> )	Corporate Culture (X <sub>2</sub> )	Corporate Entrepreneurship (Y)	Corporate Performance (Z)	Information
X <sub>1.1</sub>	0,854	0,627	0,747	0,631	Valid
X <sub>1.2</sub>	0,778	0,490	0,565	0,397	Valid
X <sub>1.3</sub>	0,786	0,635	0,663	0,489	Valid
X <sub>1.4</sub>	0,872	0,581	0,709	0,595	Valid
X <sub>1.5</sub>	0,876	0,621	0,692	0,624	Valid
X <sub>1.6</sub>	0,822	0,529	0,569	0,441	Valid
X <sub>1.7</sub>	0,809	0,534	0,682	0,463	Valid
X <sub>2.1</sub>	0,604	0,882	0,792	0,566	Valid
X <sub>2.2</sub>	0,711	0,887	0,793	0,610	Valid
X <sub>2.3</sub>	0,486	0,849	0,682	0,576	Valid
X <sub>2.4</sub>	0,608	0,838	0,741	0,556	Valid
X <sub>2.5</sub>	0,500	0,746	0,583	0,465	Valid
Y <sub>1</sub>	0,755	0,696	0,851	0,724	Valid
Y <sub>2</sub>	0,612	0,732	0,839	0,607	Valid
Y <sub>3</sub>	0,651	0,609	0,833	0,745	Valid
Y <sub>4</sub>	0,607	0,749	0,776	0,521	Valid
Y <sub>5</sub>	0,693	0,801	0,871	0,654	Valid
Y <sub>6</sub>	0,732	0,760	0,881	0,676	Valid
Z <sub>1</sub>	0,621	0,584	0,733	0,874	Valid
Z <sub>2</sub>	0,556	0,522	0,701	0,867	Valid
Z <sub>3</sub>	0,575	0,535	0,629	0,850	Valid
Z <sub>4</sub>	0,437	0,678	0,618	0,772	Valid
Z <sub>5</sub>	0,503	0,498	0,617	0,881	Valid

Source: Appendix E-3

The test results show that the cross loading value of all constructs is above 0.7 which indicates that all constructs are considered valid.

**Table 5.4 Fornell-Larcker Critertion Table**

	Corporate Culture (X <sub>2</sub> )	Corporate Entrepreneurship (Y)	Corporate Performance (Z)	Entrepreneurial Leadership (X <sub>1</sub> )
Corporate Culture (X <sub>2</sub> )	0,842			
Corporate Entrepreneurship (Y)	0,859	0,843		
Corporate Performance (Z)	0,661	0,780	0,850	
Entrepreneurial Leadership (X <sub>1</sub> )	0,696	0,804	0,637	0,829

Source: Appendix E-3

The test results show that the correlation value between latent constructs is above 0.7 which indicates that all constructs are considered valid.

### 3. Reliability

**Table 5.5 Composite Reliability Table**

	Composite Reliability	Information
Entrepreneurial Leadership ( $X_1$ )	0,939	Reliable
Corporate Culture ( $X_2$ )	0,924	Reliable
Corporate Entrepreneurship (Y)	0,936	Reliable
Corporate Performance (Z)	0,928	Reliable

Source: Appendix E-3

**Table 5.6 Cronbach's Alpha Table**

	Cronbach's Alpha	Information
Entrepreneurial Leadership ( $X_1$ )	0,924	Reliable
Corporate Culture ( $X_2$ )	0,896	Reliable
Corporate Entrepreneurship (Y)	0,918	Reliable
Corporate Performance (Z)	0,903	Reliable

Source: Appendix E-3

The test results show that the composite reliability value and Cronbach's alpha of each variable are above 0.7 which indicates that all constructs are considered reliable.

#### 5.1.4 Inner Model (Model Struktural)

##### 1. Determinant Correlation ( $R^2$ )

**Table 5.7 Determinant Correlation Table ( $R^2$ )**

	$R^2$	$R^2$ Adjusted
Corporate Entrepreneurship (Y)	0,820	0,815
Corporate Performance (Z)	0,609	0,593

Source: Appendix E-4

The  $R^2$  value of corporate entrepreneurship is 0.820 and is said to be strong. The  $R^2$  value of corporate performance is 0.609 and is said to be moderate.

##### 2. Q Square

**Table 5.8 Table  $Q^2$**

	$Q^2$	Information
Corporate Entrepreneurship (Y)	0,574	Has predictive relevance
Corporate Performance (Z)	0,408	Has predictive relevance

Source: Appendix E-4

The  $Q^2$  value of corporate entrepreneurship is 0.574 and the  $Q^2$  value of corporate performance is 0.408. The value is more than 0 which indicates the research model has predictive relevance.

##### 3. Path Coefficient Value

**Table 5.9 Coefficient Path Table**

		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	Information
$H_1$	Entrepreneurial Leadership ( $X_1$ ) Corporate Entrepreneurship (Y)→	0,400	0,407	0,089	4,479	Positive and significant
$H_2$	Corporate Culture ( $X_2$ ) Corporate Entrepreneurship (Y)→	0,581	0,575	0,077	7,527	Positive and significant
$H_3$	Corporate Entrepreneurship (Y)	0,784	0,774	0,200	3,921	Positive and significant

	Corporate Performance (Z)→					
H <sub>4</sub>	Entrepreneurial Leadership (X <sub>1</sub> ) Corporate Performance (Z)→	0,030	0,042	0,167	0,180	Positive and insignificant
H <sub>5</sub>	Corporate Culture (X <sub>2</sub> ) Corporate Performance (Z)→	-0,033	-0,033	0,170	0,195	Negative and insignificant

Source: Appendix E-4

The test results show that entrepreneurial leadership towards corporate entrepreneurship is above 1.96 so that it has a significant positive influence. Corporate culture towards corporate entrepreneurship is above 1.96 so it has a significant positive influence. Corporate entrepreneurship on corporate performance is above 1.96 so it has a significant positive influence. Entrepreneurial leadership on corporate performance is below 1.96 so it does not have a significant influence. Corporate culture on corporate performance is below 1.96 so it does not have a significant influence.

## 5.2 Discussion

### 5.2.1 The Influence of Entrepreneurial Leadership on Corporate Entrepreneurship at PT. AS

The results of the data analysis show that the entrepreneurial leadership variable has a significant positive influence on the corporate entrepreneurship variable in PT. AS. It can be concluded hypothesis 1 is accepted. Respondents tended to agree that the leader of the PT.AS has a clear vision for the company's future. This is implemented in the leader's ability to encourage teams to create innovative products, processes, and creative solutions.

### 5.2.2 The Influence of Corporate Culture on Corporate Entrepreneurship at PT. AS

The results of data analysis show that corporate culture variables have a significant positive influence on corporate entrepreneurship variables in PT. AS. This suggests hypothesis 2 is accepted. This happens to PT. AS because the company is committed to focusing on human capital as an important asset. So that the culture is implemented in the development of human resources, providing facilities, open career opportunities, and legal protection.

### 5.2.3 The Effect of Corporate Entrepreneurship on Corporate Performance at PT. AS

Based on the results of data analysis, it is known that *corporate entrepreneurship* has a significant positive influence on corporate *performance* variables in PT. AS. This suggests hypothesis 3 is accepted. This happens to PT. AS because the company always strives to continue to grow with a clear vision. In rapidly changing conditions and full of uncertainty, the company managed to get through with the encouragement of the leadership, innovation from the team, the importance of the role of employees, and internal control.

### 5.2.4 The Influence of Entrepreneurial Leadership on Corporate Performance at PT. AS



The results of the data analysis show that the entrepreneurial leadership variable has an insignificant positive influence on the corporate entrepreneurship variable in PT. AS. This suggests that hypothesis 4 is rejected. At PT. AS, each leader from Assistant Supervisor to General Manager has its targets measured through KPI. Therefore, the impact of Entrepreneurial Leadership in this case does not directly affect corporate performance.

### 5.2.5 The Influence of Corporate Culture on Corporate Performance at PT. AS

The results of the data analysis show that the corporate culture variable has a negative and insignificant influence on corporate performance which means that hypothesis 5 is rejected. The culture implemented by PT. AS refers more to corporate norms in carrying out its operations. So that with the culture conveyed, it does not have any influence on corporate performance.

## 5.3 Managerial Implications

**Table 5. 10 Managerial Implications**

Variable	Before Research	After Research
Entrepreneurial Leadership	Company leaders try to focus on the specified targets and motivate the operational team to be able to solve targets and overcome problems that arise.	Develop the ability of leaders outside of TOP management to be able to have the attitudes of an Entrepreneurial Leader so that all leaders are able to motivate their team to achieve better targets.
Corporate Culture	PT AS is committed to focusing on human capital and continues to strive to instill a good culture and develop human resources through the provision of regular training. In addition, PT. AS. also opens up career opportunities for each of its employees.	The existing culture has been judged to be good enough that it needs to be maintained. However, it is better to create a work culture where it is hoped that the PT. AS team will be able to survive, adapt and respond quickly in these rapidly changing conditions.

Source: Processed Research (2022)

## 6. Conclusions and Suggestions

### 6.1 Conclusion

1. Entrepreneurial leadership affects Corporate Entrepreneurship at PT. AS.
2. Corporate Culture affects Corporate Entrepreneurship in PT. AS.
3. Corporate Entrepreneurship affects Corporate Performance at PT. AS.
4. Entrepreneurial Leadership does not affect Corporate Performance at PT. AS.
5. Corporate Culture does not affect Corporate Performance at PT. AS.

### 6.2 Suggestion

#### 6.2.1 For Companies

Company leaders must maintain their leadership style and be able to transmit and develop leaders outside of TOP Management to be able to become entrepreneurial leadership figures. Culture can be maintained and needs to be developed so as to create a new work culture that makes all company members ready to face the rapid change of the situation.

### 6.2.2 For Further Research

In the next study, it can be considered using other research models and adding several other variables beyond these research variables. Further research may also seek a broader scope in some companies affected by disruption or in the declining phase and requiring massive change.

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