







# Submission

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#3270 Editing

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# LEADERSHIP AND EMPLOYEE CREATIVITY: THE MEDIATION ROLE OF INTRINSIC MOTIVATION

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## Abstract

This study aims to analyze the effect of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employee creativity and to investigate the role of intrinsic motivation as a mediation. This research was conducted in the export craft industry, with a quantitative approach. Collecting data using a questionnaire distributed to 114 employees, then the data is evaluated with SmartPLS 3.2.9. The results of the analysis show that transformational leadership is related to intrinsic motivation and employee creativity. While entrepreneurial leadership is related to creativity but not related to intrinsic motivation. Intrinsic motivation has been shown to mediate transformational leadership and not to mediate entrepreneurial leadership. These results can practically provide leaders with paying attention to intrinsic motivation to increase employee creativity.

**Keywords:** Transformational Leadership, Entrepreneurial Leadership, Intrinsic Motivation, and Employee Creativity.

**JEL Classification:** A13, D23, D91

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## INTRODUCTION

The global competition presents free competition for existing companies, including small and medium industries (Helmy et al., 2019). This situation makes this industry to be more innovative and develops sustainable competitive advantages (Arsawan et al., 2022; Ghosh, 2015; Hon & Lui, 2016; Rasheed et al., 2021), which in turn can improve the performance of SMIs (Aristana et al., 2022; Tajasom et al., 2015). However, currently, small and medium-sized export industries are said to be not yet innovative (Bodlaj et al., 2020), despite various empirical evidence that provides references that creativity can increase innovative performance (Aichouni et al., 2015; Ghosh, 2015; Poordanjani et al., 2015; Shih & Susanto, 2010; Valaei et al., 2017; Zivkovic, Snezana & Veljkovic, 2016). In addition, creativity can increase the competitiveness of SMEs (Amabile, 1988; ekmecelioğlu & Günsel, 2013; Hon, 2013). Creativity is the generation of new and useful ideas (D. Liu et al., 2011; Miao & Cao, 2019). Therefore, it is very important to increase the creativity of employees effectively.

Several studies have been conducted to explore factors and methods to foster creativity. Based on previous studies on employee creativity, one cannot ignore the role of a leader in carrying out his functions (Gu et al., 2013; McMahan & Ford, 2013; Sintaasih et al., 2015). However, the leader's approach to increasing creativity has not been thoroughly studied

(Amabile et al., 2004). Mittal & Dhar (2015) believe that transformational leadership is a determinant of creativity development. The adoption of generative and exploratory thinking processes produces creative ideas, this adoption is more effective if it is driven by transformational leadership (Y. S. Chen & Chang, 2013; Jyoti & Dev, 2015). Many studies that reveal transformational leadership and employee creativity have been carried out, but have not been fully developed. Although leadership plays an important role in accelerating and slowing the growth of employee creativity (Liu et al., 2013; Mainemelis et al., 2015), especially in the craft industry.

This study also tries to explore the relationship between entrepreneurial leadership and employee creativity. Today entrepreneurial leadership always follows the growth of employee creativity (Cai et al., 2019). Task creativity is significantly increased with the support of entrepreneurial leadership (Newman et al., 2016; Riana et al., 2020). In addition to enhancing individual creative abilities, entrepreneurial leadership can help team creativity (Chen, 2007). In addition, entrepreneurial leadership always encourages employees to be able to determine and take advantage of opportunities (Lee et al., 2020), this aims to motivate employees to contribute through creative activities (Cai et al., 2019; Chen, 2007). Newman et al. (2018) argue that self-efficacy can increase depending on the extent to which the leader can demonstrate entrepreneurial behavior. Like transformational leadership, this leadership has not consistently been able to increase creativity (Aristana et al., 2022). When viewed conceptually, the industry makes an entrepreneurial approach to take advantage of every opportunity that exists.

In addition to leadership, individual motivation to grow new ideas or ideas is also very influential. Cognitive evaluation theory introduces intrinsic motivation into a leadership influence (W. Su et al., 2020). Motivation is indicated by individual awareness, attitudes, and cognitive abilities that can directly influence behavior (Song et al., 2020). So intrinsic motivation is always related to factors that can develop employee engagement through understanding the values held by employees (Adornes & Muniz, 2019). Besides being proven to increase creativity, intrinsic motivation can also improve leadership by encouraging employee creativity (Minh-Duc & Huu-Lam, 2019). Conceptually, intrinsic motivation is a strong predictor of creativity (X. Zhang, 2010). The key is that intrinsic motivation is a driving factor for creativity (Zenk et al., 2021). So to test the previous findings, intrinsic motivation in this study is placed as a mediator of leadership.

This study seeks to cover what happened from the results of previous studies. First, previous studies show the role of transformational leadership as a predictor of employee creativity (Mittal & Dhar, 2015). However, its role in the craft industry needs to be worked out further. Practically, the handicraft industry is a business in the conventional category so it does not require a specific type of leadership. However, on the other hand, employees are willing to show their creativity by using a personal approach (Chen & Chang, 2013; Jyoti & Dev, 2015), considering that the craft industry has experts. Second, previous studies of intrinsic motivation on motives can be active without external encouragement (Fischer et al., 2019). Therefore, efforts are needed to maintain a sense of belonging to make a positive contribution to creativity.

Based on this background, the broad outline of this research is to measure and explain the direct influence of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employees and to determine the role of intrinsic motivation in the relationship between transformational leadership and entrepreneurship and employee creativity.

## **LITERATURE REVIEW**

### **Transformational leadership**

According to Burns (1978) and Simola et al. (2012) transformational leadership is defined as a type of leadership that can inspire followers through the articulation of a vision

toward goals. Bass (1985) and García-Morales et al. (2012) describe transformational leadership as leadership that can create positive change and cost. In addition, transformational leadership can increase self-confidence and help employees show their potential (İşcan et al., 2014). On the other hand, transformational leaders can organize all interests leading to collective goals (Simola et al., 2012). The individual approach is the key to transformational leaders in leading their followers (Ryan & Tipu, 2013; Buil et al., 2019). Recent studies of transformational as a driver of intellectual capacity by inspiring followers (Grošelj et al., 2021). Another skill that transformational leaders possess is being able to manage uncertainty in creative work (Watts et al., 2020). In the previous literature, there has been much discussion about the role of transformational leadership in influencing follower creativity (Gumusluoglu & Ilsev, 2009; Jaiswal & Dhar, 2015; Jyoti & Dev, 2015; Khalili et al., 2015; Mittal & Dhar, 2015). So based on the existing empirical, to be able to grow the creativity of followers who need transformational leaders in organizations.

### **Entrepreneurial Leadership**

The concept of entrepreneurship develops and is adopted in all sectors and is combined with various interests. Entrepreneurial behavior is described as a process, practice, and decision-making (M. H. Chen, 2007; Lumpkin & Dess, 1996). So entrepreneurship is often used by a leader, today's behavior is often called entrepreneurial leadership. Huang et al. (2014) define entrepreneurial leadership as a facilitator of subordinates' belief in facing environmental uncertainty. With an entrepreneurial approach that is more dominant in creating creative ideas (Sintaasih et al., 2020; Soriano & Huarng, 2013). Through entrepreneurial leadership, it is more effective in supporting the development of ideas (Aristana et al., 2022; Fontana & Musa, 2017). As stated that the ability of a leader with an entrepreneurial approach positively motivates to increase creativity (Riana et al., 2020). Leader support can be related to skill development and increased intrinsic motivation (Aristana et al., 2021; Smith-Jentsch et al., 2001). However, leaders who provide leadership legitimacy are not only based on the power hierarchy (Kansikas et al., 2012). Sarabi et al. (2020) conclude that entrepreneurial leadership can empower all aspects of a company to improve overall performance.

### **Intrinsic Motivation**

Literature on motivation has been widely discussed, especially intrinsic motivation to give empirical reasons related to employee creativity. The motivation that employees have in formulating each behavior is shown (Zhang et al., 2008). As a result, if employees do not work, employees will not feel the urge to do something (Bastari et al., 2020; Su et al., 2022). Wang et al. (2012) revealed that motivation can arise from intrinsic and extrinsic, both of which are very dependent on the reason or purpose for taking activity. Intrinsic motivation leads to pleasure, satisfaction, and happiness when they are involved in an activity (Su et al., 2022). While extrinsic motivation leads to individuals acting because of external pressures and this tends to make them not act (Zhang & Zhang, 2017). Studies show that intrinsic motivation plays a more important role in increasing goals (Shafi et al., 2020; Yousaf et al., 2022). This research is about intrinsic motivation and the assumption that intrinsic motivation has a very important role in organizations.

### **Employee Creativity**

Creativity in the workplace is mentioned as a cognitive and behavioral thought process that is applied to generate creative ideas (Hughes et al., 2018; Minh-Duc & Huu-Lam, 2019; Zhang, 2010). However, recently creativity has been expressed as an out-of-the-box behavior that already exists in a system (Liu et al., 2020). The focus of creativity is on developing and adopting the necessary new ideas related to knowledge, strategy, and coordination (Khessina et al., 2018; Tse et al., 2018). By knowing other words, creativity is an activity of possibilities that can be done in the form of problem-solving, finding information and finding ideas, and

finding alternative solutions (Cheung & Wong, 2011; Matsuo, 2022). Creativity is also explained as something new to the organization and doing something that did not exist before (Suifan et al., 2018). Da Costa et al. (2015) mention creativity as an absolute novelty that includes the implementation of new ways of processes and products.

## **Hypothesis Development**

### **Transformational leadership and employee creativity**

Various studies have been conducted to determine and understand the influence of leadership on employee creativity. Most of the studies conducted provide new and valuable insights and provide direction studies to study the role of transformational leadership to enhance creativity. Empirically proves that leadership significantly increases creativity (Jyoti & Dev, 2015; Mittal & Dhar, 2015). The creativity of employees increases with the support of transformational leadership (Chaubey et al., 2019). Other findings also explain that transformational leadership has an important effect on individual and organizational creativity (Gumusluoglu & Ilsev, 2009). At the same time, transformational leadership can foster a climate of innovation and the same time encourage employee creativity (Jaiswal & Dhar, 2015). A transformational leadership approach can be an effective strategy for increasing employee creativity (Tse et al., 2018). In addition, transformational leadership can also affect employee motivation, especially intrinsic motivation. The findings of Al-Mansoori & Koç (2019) and Minh-Duc & Huu-Lam (2019) provide an understanding that transformational leadership provides a level of satisfaction which in turn affects the level of employee participation. Further studies reinforce previous results where transformational leadership affects intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001). On the other hand, it is stated that the better the practice of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009). Based on the direction of the previous findings, the researcher formulated the first hypothesis as follows:

H1a: Transformational leadership has a positive effect on employee creativity

H1b: Transformational has a positive effect on intrinsic motivation

### **Entrepreneurial leadership and employee creativity**

The concept of entrepreneurship is the most important determinant, this ability includes factors of creation and services by integrating production such as labor, technology, capital, and other resources (Esmer & Dayi, 2017; Kuratko, 2007; J. H. Lee et al., 2020). This collaborative process is widely adopted by leaders in identifying opportunities to develop creativity (Liao et al., 2007; Nguyen et al., 2021). Creativity is an important factor in creating a competitive advantage (Riana et al., 2020). Success in realizing creative ideas, organizations can create something new (Aristana et al., 2022). Previous studies of winning entrepreneurial leadership relate to individual and team creativity (Cai et al., 2019). In addition, entrepreneurial leadership has been shown to strengthen the self-creativity of employees and teams (Mittal & Dhar, 2015; Newman et al., 2018). Things entrepreneurial leaders have always liked individuals in organizations. Olutade et al. (2015) Attention to leadership and motivation as well as what causes it does not provide a view, leadership theory is the most fundamental and decisive for understanding this problem. Although empirically specifically shows the relationship of entrepreneurial leaders with intrinsic motivation, in general leadership significantly increases intrinsic motivation (Shareef & Atan, 2019). This cannot be separated from goal-oriented leadership showing an effect on motivation, which is caused by employee values (Graves & Sarkis, 2018; Jensen et al., 2019). These findings develop a theory about how leaders can increase employee motivation and creativity. Based on the existing empirical, the researcher formulates the second hypothesis as follows:

H2a: Entrepreneurial leadership has a positive effect on employee creativity.



H2b: Entrepreneurial leadership has a positive effect on intrinsic motivation.

### **Intrinsic Motivation and Employee Creativity**

Motivation has been considered the driving force of each individual to achieve every goal they have. Motivation itself is explained as a person's motive to do something (Fischer et al., 2019), motivation is divided into two perspectives, namely intrinsic and extrinsic motivation (R. M. Ryan & Deci, 2000, 2020). Recent studies have discussed intrinsic motivation in determining individual behavior (Ayalew et al., 2021; Giurge & Woolley, 2022). Similarly, creative behavior is predicted by intrinsic motivation (Zhang, 2010). González-González & García-Almeida (2021) support previous findings that intrinsic motivation plays a strong role in encouraging employee creativity. Motivation is intrinsically significant to employee creativity (Minh-Duc & Huu-Lam, 2019; Saether, 2019). From the findings of previous research, the writer formulates the third hypothesis as follows;

H3: Intrinsic motivation has a positive effect on employee creativity

### **The mediating role of intrinsic motivation**

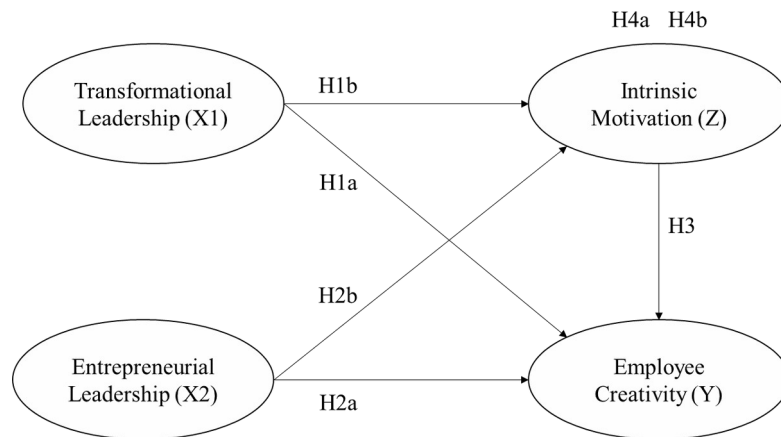
As far as this influence directly shows intrinsic motivation to the variable measuring employee creativity. This study tries to measure the role of intrinsic motivation as a mediator of transformational leadership and entrepreneurship. Shafi et al. (2020) proved that intrinsic motivation significantly had a moderating effect on transformational leadership and employee creativity. In addition, intrinsic motivation shows control over the positive effect of spiritual leadership on employee work effectiveness (Lin et al., 2021; Wang et al., 2019). In theory, it is proposed that personal control as the basis of motivation for creative efforts, as well as employee creativity, is widely supported by intrinsic motivation theory (Fischer et al., 2019; Hughes et al., 2018). Furthermore, intrinsic motivation can help the leader role to foster innovative/creative behavior (Shin & Zhou, 2003; W. Su et al., 2020). The role of intrinsic motivation in mediating the influence of leadership on employee creativity (Minh-Duc & Huu-Lam, 2019). The same finding shows that intrinsic motivation is proven to mediate leadership in increasing self-efficacy (Laraib, 2018; Tu & Lu, 2016). Furthermore, intrinsic motivation has also been proven in various studies to increase the role of leaders, so the authors formulate the four as follows:

H4a: Intrinsic motivation to act as a mediation of transformation leadership of employee creativity

H4b: Intrinsic motivation acts as a mediation of entrepreneurial leadership on employee creativity

### **Research Conceptual Framework**

This study examines the effect of transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. In addition, this study also uses intrinsic motivation as a mediating variable. The conceptual framework can be seen in Figure 1.



**Figure 1.** Conceptual Framework

## RESEARCH METHODS

### Population and Sample

This research was conducted on export-oriented small and medium-sized industries (IKM) in Bali, the number of SMIs spread across nine regencies/municipalities. The criteria for the IKM involved are those that have business consistency for the last five years, have a permit, and are registered with the Bali Province Trade Office for 42 industries. Seeing the limited population, determining to sample using (Krejcie and Morgan, 1970) proposed the number of samples involved as many as 38 IKM where the number was chosen randomly. The research respondents were selected from three employees from each industry with the assumption that these employees need creativity in doing their work. So the number of respondents involved as many as 114 respondents. The distribution of the questionnaires uses two methods, namely, online using the google form and manually during visits to SMEs. This research was conducted from June to August 2022. Data collection was carried out in two stages, the first stage was validity and reliability testing by distributing questionnaires to 30 respondents who were analyzed with SPSS IBM 21. The second stage, continued with the targeted collection after the instrument was valid and reliable. . Based on data collection, information on the characteristics of respondents involved in the study is presented in Table 1.

### Measurement

This study uses four variables, namely transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. To assess the research variables using a five-point Likert scale (1 strongly disagree – 5 strongly agree). Leadership is measured by 7 statements made from previous research (Sudibjo & Prameswari, 2021), namely; explain the vision and mission, invite cooperation, demonstrate creativity, value organizational behavior, be responsible, provide opportunities, and motivate employees.

Assessing the leadership variable as measured by nine statement items adopted from previous research (Aristana et al., 2022), namely; demonstrated by the ability to make changes, creative thinking, looking for new ideas, positive responses, seeing opportunities, responding to changes, taking advantage of opportunities, finding solutions, answers to results.

The motivation variable is measured through four statements adopted from the research (Lin et al., 2021), namely; fun work, enjoying every process, work is a fun experience, and getting satisfaction when participating.

The innovation variable is measured by 5 statement items developed in previous research (Zhang, 2010), namely; suggest new ways to achieve goals, generate new ideas, seek

technologies, processes, techniques, and products, suggest new ways to improve quality, and seek sources of creative ideas.

Table 1  
Respondents Characteristics

Characteristic	Data	Frequency	Percentage
Gender	Male	49	42.98
	Female	65	57.02
Age	17-26 Years	21	18.42
	27-36 Years	59	51.75
	37-46 Years	30	26.32
	47-56 Years	4	3.51
Education Level	High School	77	67.54
	Diploma	16	14.04
	Bachelor	6	5.26
	Postgraduate	15	13.16
Experience	1-5 Years	3	2.63
	6-10 Years	68	59.65
	11-15 Years	43	37.72

Resource: Author Calculation, 2022

## Data Analysis

### RESULT AND DISCUSSION

#### Result

#### Evaluation of model measurement

#### Figure 2. Measurement and structural model result

The evaluation analysis of the measurement model was carried out to test the quality of the data from the constructs used. The test is done by looking at the convergent validity which is indicated by the loading value above 0.6 ( $OL > 0.6$ ). Furthermore, the discriminant validity test measures the validity of the indicator by comparing the value of the average variance extract ( $\sqrt{AVE}$ ) with other constructs ( $sig. > 0.5$ ). Followed by measuring the value of construct loss seen from Cronbach's alpha greater than 0.7 ( $CA > 0.7$ ).

Table 2 Item Validity and Construct Reliability

Variables and Indicators	Outer Loading	Cronbach's Alpha	rho_A	Composite Reliability
Employee Creativity		0.763	0.764	0.841
EC1	0.773			
EC2	0.750			

EC3	0.694			
EC4	0.705			
EC5	0.661			
Entrepreneurial Leadership		0.886	0.889	0.908
EL1	0.715			
EL2	0.689			
EL3	0.711			
EL4	0.803			
EL5	0.699			
EL6	0.764			
EL7	0.708			
EL8	0.753			
EL9	0.659			
Intrinsic Motivation		0.812	0.820	0.875
IM1	0.751			
IM2	0.807			
IM3	0.838			
IM4	0.796			
Transformational Leadership		0.897	0.905	0.921
TL1	0.822			
TL2	0.685			
TL3	0.740			
TL4	0.885			
TL5	0.883			
TL6	0.633			
TL7	0.857			

Resource: Author Calculation, 2022

Table 3 Discriminant Validity

Variables	AVE	$\sqrt{AVE}$	Employee Creativity	Entrepreneurial Leadership	Intrinsic Motivation	Transformational Leadership
Employee Creativity	0.515	0.718	0.717			
Entrepreneurial Leadership	0.524	0.724	0.753	0.724		
Intrinsic Motivation	0.638	0.799	0.723	0.706	0.798	
Transformational Leadership	0.627	0.792	0.763	0.781	0.791	0.792

Resource: Author Calculation, 2022

The test results show that the outer loading value is greater than 0.6 (see Table 2) and the AVE value is greater than 0.5 (see Table 3). The next finding is that the composite reliability value and Cronbach's alpha are greater than 0.7 (in Table 2), so the results obtained are free from random errors.

### Evaluation of the structural model

After the model measurement criteria are met, it is continued with the structural model evaluation test. First, assess the research model by looking at exogenous variables with endogenous variables, this assessment uses the analysis of the results of R square ( $R^2$ ). The  $R^2$  value has three categories according to (Hair et al., 2013), the  $R^2$  value is 0.02 (weak), 0.19 (moderate), and 0.35 (strong). The results of the analysis can be seen in Table 4.

Table 4 Research Model Feasibility Construction

Variable	R Square	R Square Adjusted
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Employee Creativity	0.666	0.657
Intrinsic Motivation	0.646	0.639
Average	0.656	0.648

Resource: Author Calculation, 2022

Table 4 The  $R^2$  value of the model is greater than 0.35 so the research model is relatively strong (Hair et al., 2013). While the average value of  $R^2$  is 64.8 percent and the other 35.2 percent is explained by other variables that are not included in this study. The value of  $R^2$  was adjusted and increased by adding other constructs in further research in the future.

### Hypothesis Testing

The next test is to find out the direct and indirect effects of exogenous and endogenous variables. This test is carried out by looking at the path coefficient values, p values and t-statistics can be shown in Table 5.

Table 5 The Direct Relationship Between Variables

Relationship variables	Original Sample	Sample Mean	Deviation	T Statistics	P Values	Supported
KT -> KK	0.303	0.297	0.125	2.430	0.015	Yes
KT -> MI	0.614	0.617	0.110	5.568	0.000	Yes
KW -> KK	0.350	0.354	0.091	3.830	0.000	Yes
KW -> MI	0.226	0.229	0.123	1.835	0.067	No
MI -> KK	0.237	0.244	0.101	2.355	0.019	Yes

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

Based on the analysis in Table 5 shows that transformational leadership has a positive and significant effect on employee creativity with a path analysis coefficient of 0.303 with a p-value of 0.015 below 0.05 and a t-statistic of 2.430 greater than 1.96 so hypothesis 1a is supported. These results explain that transformational leadership shows an important role in increasing employee creativity, as well as research results in providing support to previous research, where transformational leadership can promote employee creativity (Jaiswal & Dhar, 2015; Mittal & Dhar, 2015). The application of transformational leadership can increase employee creativity (Chaubey et al., 2019; Gumusluolu & Ilsev, 2009; Tse et al., 2018). Transformational leadership fosters a climate of creativity and innovation (Jaiswal & Dhar, 2015).

Subsequent testing shows that transformational leadership has a positive and significant effect on intrinsic motivation, by looking at the path coefficient value of 0.614 with a p-value of 0.000 less than 0.05 and a t-statistic of 5.568 greater than 1.96. So that hypothesis 1b is supported, this provides support for previous research, which found leadership can increase intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001), by increasing employee satisfaction (Al-Mansoori & Koç, 2019; Aristana et al., 2022), so that employees voluntarily participate in each activity (Minh-Duc & Huu-Lam, 2019). These results also imply that the better the application of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009).

Entrepreneurial leadership also shows a positive and significant influence on employee creativity. This result is based on the path coefficient value of 0.350 with a p-value of 0.000 less than 0.05 and a t-statistic of 3.830 greater than 1.96. Thus, hypothesis 2, which is stated to be supported, also shows that entrepreneurial leadership has an impact on increasing employee creativity (Cai et al., 2019; Mittal & Dhar, 2015; Newman et al., 2018; Riana et al.,

2020). This is inseparable from the concept of entrepreneurship which has an important role which includes the creation of new products (Esmer & Dayi, 2017; Kuratko, 2007; Kuratko et al., 2017; A. Lee et al., 2020; Riana et al., 2020). Liao et al. (2007) and Nguyen et al. (2021) the ability to identify opportunities owned by leaders can encourage employee creativity.

Entrepreneurial leadership shows no significant positive effect on intrinsic motivation. The results of the analysis show the path coefficient value of 0.226 with a p-value of 0.067 greater than 0.05 and a t-statistic of 1.835 less than 1.96. So this result states that hypothesis 2b is not supported. This is because the approach leads to organizational strategy and so it is not focused on any of the existing resources. Leaders who have a goal orientation have an impact on the values that are believed by employees (Graves & Sarkis, 2018; Jensen et al., 2019). Olutade et al. (2015) leaders should pay attention to what causes employees not to make offers. So this finding does not support previous research (Shareef & Atan, 2019) leadership significantly increases intrinsic motivation. Leaders with an entrepreneurial approach align between goals and how pay attention to the values needed by employees. So that later it can give maximum contribution to each activity.

Furthermore, intrinsic motivation has a positive and significant effect on the creativity of employees, with coefficients of 0.237 a p-value of 0.019, and a t-statistic of 2.355. The results of this analysis show that hypothesis 3 is supported, as well as providing support for previous research which states that intrinsic motivation has an impact on increasing employee creativity (González-González & García-Almeida, 2021; Minh-Duc & Huu-Lam, 2019; Saether, 2019). Motivation has employees who determine every behavior shown by employees (Ayalew et al., 2021; Giurge & Woolley, 2022), as well as the creative behavior of employees (Zhang, 2010). It can be said that motivation is a person's motive to do something (Fischer et al., 2019). So it can be recommended to pay attention to the motives of employees to be able to grow their creativity.

In the next stage, researchers measure the indirect effect by involving mediating variables by the provisions of structural equation modeling (SEM). By the conceptual framework, this research has two mediation paths which are measured using the Sobel Test. To find out whether the mediator variable has an intervention on the relationship between variables, it is done by comparing the value of t-statistics with the t-table. If the t-statistic is greater than the t-table ( $t\text{-statistic} > t\text{-table}$ ) the hypothesis is accepted or the mediating variable has an intervention. Vice versa if the t-statistic is smaller than the t-table ( $t\text{-statistic} < t\text{-table}$ ), then it is rejected or the mediating variable has no intervention in the relationship between variables. The results of testing the mediating variable (intrinsic motivation) are shown in Table 6.

Table 6  
Indirect Effect With Sobel Test

Relationship variables	Calculation	T Table	Supported
KT->MI-> KK	$\frac{0,614 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,110^2) + (0,614^2 \cdot 0,101^2)}} = 2,1631$	1,96	Yes
KW->MI-> KK	$\frac{0,226 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,123^2) + (0,226^2 \cdot 0,101^2)}} = 1,4467$	1,96	No

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

After calculating using the Sobel Test formula, it can be seen the mediation position variable. This study has two calculated mediation pathways, the results of testing the

mediating variable of intrinsic motivation (in Table 6). Our findings show that the first variable of motivation has an intervention relationship between transformational leadership and employee creativity with a t-statistic of 2.1631, which is greater than a t-table of 1.96, so hypothesis 4a is supported. Second, intrinsic motivation is not proven to interfere with the relationship between entrepreneurial leadership and employee creativity with t-statistic 1.4467 smaller than t-table 1.96 with hypothesis 4b not supported.

## Discussion

### **CONCLUSION AND RECOMMENDATION**

The export craft industry must improve its performance through increased productivity in a global environment. From the employee context, transformational leadership can increase employee motivation and creativity. Meanwhile, entrepreneurial leadership has a strong goal orientation by fostering employee creativity. So the research has several findings, first, transformational leadership can increase employee intrinsic motivation and creativity. Furthermore, the personal approach taken by the leader directly has a motivational impact and can further encourage employees to be more creative. Second, entrepreneurial leadership has an impact on innovation both in the process of goals, products, and others related. However, it does not have an impact on intrinsic motivation because it tends towards the values that are believed by employees. Contributed researchers conducted, firstly, research findings related to leadership, especially transformation and entrepreneurship, making it easier for researchers to explore. Second, this study investigates the mechanisms of transformational leadership and entrepreneurship in influencing employee creativity. Third, this research can be connected to previous research related to the influence of transformational leadership and entrepreneurship in increasing creativity. At the same time, this study also provides an assessment of the results of research where entrepreneurial leadership is not related to intrinsic motivation. Fourth, considering that employee creativity tends to arise due to individual feelings, intrinsic motivation plays an important role in increasing creativity, especially in the export handicraft industry sector in Bali.

Based on the findings of this study, the researcher can suggest some practical experiences for owners, managers, and employees as additional insights. Focus findings lead to suggestions and potential solutions to foster employee creativity involving leadership styles. First, leaders in developing creativity are very important to apply transformational leadership and entrepreneurial leadership. Because these two leaderships are proven in fostering employee creativity in the craft industry. Second, employee creativity is determined by personal, so an approach is needed that can make employees feel comfortable and have satisfaction. Note that transformational leadership is more appropriate than entrepreneurial leadership. This is because leaders with entrepreneurial orientations are more focused on organizational goals, so they tend to have weaknesses in building personal relationships with subordinates. Third, this finding is also very important for a leader to increase intrinsic motivation so that employees participate in contributing their creative ideas.

Like previous studies, this study also has some limitations. First, the sample used is still very limited to one IKM in Bali, the results of this study may offer different findings if carried out on a larger regional generalization because larger sample size is beneficial for differences in results. Second, efforts to increase employee creativity only focus on transformational leadership, entrepreneurial leadership, and intrinsic motivation. While there are still many other variables that have not been included such as other leadership styles, not depending on knowledge, organizational culture, and commitment to creativity which might increase employees. Finally, this study uses a causal approach so that the data reported is self-

assessment. So this has some limitations such as a very strong bias, in the future, it is important to conduct a longitudinal study to answer the problem more comprehensively.

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# LEADERSHIP AND EMPLOYEE CREATIVITY: THE MEDIATION ROLE OF INTRINSIC MOTIVATION

## Abstract

This study aims to analyze the effect of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employee creativity and to investigate the role of intrinsic motivation as a mediation. This research was conducted in the export craft industry, with a quantitative approach. Collecting data using a questionnaire distributed to 114 employees, then the data is evaluated with SmartPLS 3.2.9. The results of the analysis show that transformational leadership is related to intrinsic motivation and employee creativity. While entrepreneurial leadership is related to creativity but not related to intrinsic motivation. Intrinsic motivation has been shown to mediate transformational leadership and not to mediate entrepreneurial leadership. These results can practically provide leaders with paying attention to intrinsic motivation to increase employee creativity.

**Keywords:** Transformational Leadership, Entrepreneurial Leadership, Intrinsic Motivation, and Employee Creativity.

**JEL Classification:** A13, D23, D91

## INTRODUCTION

The global competition presents free competition for existing companies, including small and medium industries (Helmy et al., 2019). This situation makes this industry to be more innovative and develops sustainable competitive advantages (Arsawan et al., 2022; Ghosh, 2015; Hon & Lui, 2016; Rasheed et al., 2021), which in turn can improve the performance of SMIs (Aristana et al., 2022; Tajasom et al., 2015). However, currently, small and medium-sized export industries are said to be not yet innovative (Bodlaj et al., 2020), despite various empirical evidence that provides references that creativity can increase innovative performance (Aichouni et al., 2015; Ghosh, 2015; Poordanjani et al., 2015; Shih & Susanto, 2010; Valaei et al., 2017; Zivkovic, Snezana & Veljkovic, 2016). In addition, creativity can increase the competitiveness of SMEs (Amabile, 1988; Cekmecelioğlu & Günsel, 2013; Hon, 2013). Creativity is the generation of new and useful ideas (D. Liu et al., 2011; Miao & Cao, 2019). Therefore, it is very important to increase the creativity of employees effectively.

Several studies have been conducted to explore factors and methods to foster creativity. Based on previous studies on employee creativity, one cannot ignore the role of a leader in carrying out his functions (Gu et al., 2013; McMahan & Ford, 2013; Sintaasih et al., 2015). However, the leader's approach to increasing creativity has not been thoroughly studied (Amabile et al., 2004). Mittal & Dhar (2015) believe that transformational leadership is a determinant of creativity development. The adoption of generative and exploratory thinking processes produces creative ideas, this adoption is more effective if it is driven by transformational leadership (Y. S. Chen & Chang, 2013; Jyoti & Dev, 2015). Many studies that reveal transformational leadership and employee creativity have been carried out, but have not been fully developed. Although transformational leadership plays an important role in accelerating and slowing the growth of employee creativity (Liu et al., 2013; Mainemelis et al., 2015), especially in the craft industry.

This study also tries to explore the relationship between entrepreneurial leadership and employee creativity. Today entrepreneurial leadership always follows the growth of employee

creativity (Cai et al., 2019). Task creativity is significantly increased with the support of entrepreneurial leadership (Newman et al., 2016; Riana et al., 2020). In addition to enhancing individual creative abilities, entrepreneurial leadership can help team creativity (Chen, 2007). In addition, entrepreneurial leadership always encourages employees to be able to determine and take advantage of opportunities (Lee et al., 2020), this aims to motivate employees to contribute through creative activities (Cai et al., 2019; Chen, 2007). Newman et al. (2018) argue that self-efficacy can increase depending on the extent to which the leader can demonstrate entrepreneurial behavior. Like transformational leadership, this leadership has not consistently been able to increase creativity (Aristana et al., 2022). When viewed conceptually, the industry makes an entrepreneurial approach to take advantage of every opportunity that exists.

In addition to leadership, individual motivation to grow new ideas or ideas is also very influential. Cognitive evaluation theory introduces intrinsic motivation into a leadership influence (Su et al., 2020). Motivation is indicated by individual awareness, attitudes, and cognitive abilities that can directly influence behavior (Song et al., 2020). So intrinsic motivation is always related to factors that can develop employee engagement through understanding the values held by employees (Adornes & Muniz, 2019). Besides being proven to increase creativity, intrinsic motivation can also improve leadership by encouraging employee creativity (Minh-Duc & Huu-Lam, 2019). Conceptually, intrinsic motivation is a strong predictor of creativity (Zhang, 2010). The key is that intrinsic motivation is a driving factor for creativity (Zenk et al., 2021). So to test the previous findings, intrinsic motivation in this study is placed as a mediator of leadership.

This study seeks to cover what happened from the results of previous studies. First, previous studies show the role of transformational leadership as a predictor of employee creativity (Mittal & Dhar, 2015). However, its role in the craft industry needs to be investigated further. Considering that practically the handicraft industry is a business in the conventional category that still has shortcomings in managerial terms, so it is seen that it does not need a specific type of leadership. On the other hand, so that employees want to show their creativity, a touch of leadership is needed that can take a personal approach (Chen & Chang, 2013; Jyoti & Dev, 2015), considering that the craft industry has experts. Second, previous studies on intrinsic motivation emphasized the motives why employees can be motivated without getting encouragement from outside themselves (Fischer et al., 2019). Realizing that creativity is something that is personal so special treatment is needed to keep it awake.

This research was conducted on the export-oriented handicraft industry for several reasons. First, the craft industry is an industry that relies on creativity to develop the resulting products. In addition, the existence of the export craft industry can contribute to the economy, such as overcoming the problem of unemployment and generating foreign exchange for the country. Second, the high level of global competition requires the handicraft industry to always improve in order to survive in a dynamic environment. Third, it requires the development of employee creativity through a leadership-based approach that can foster motivation (A. Lee et al., 2020; Minh-Duc & Huu-Lam, 2019). Through these reasons, a research model can be built to accommodate the relationship of transformational leadership, entrepreneurial leadership, intrinsic motivation and employee creativity.

Based on this background, the broad outline of this research is to measure and explain the direct influence of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employees and to determine the role of intrinsic motivation in the relationship between transformational leadership and entrepreneurship and employee creativity.

## **LITERATURE REVIEW**

### **Transformational leadership**

According to Burns (1978) and Simola et al. (2012) transformational leadership is defined as a type of leadership that can inspire followers through the articulation of a vision toward goals. Bass (1985) and García-Morales et al. (2012) describe transformational leadership as leadership that can create positive change and cost. In addition, transformational leadership can increase self-confidence and help employees show their potential (İşcan et al., 2014). On the other hand, transformational leaders can organize all interests leading to collective goals (Simola et al., 2012). The individual approach is the key to transformational leaders in leading their followers (Ryan & Tipu, 2013; Buil et al., 2019). Recent studies of transformational as a driver of intellectual capacity by inspiring followers (Grošelj et al., 2021). Another skill that transformational leaders possess is being able to manage uncertainty in creative work (Watts et al., 2020). In the previous literature, there has been much discussion about the role of transformational leadership in influencing follower creativity (Gumusluoglu & Ilsev, 2009; Jaiswal & Dhar, 2015; Jyoti & Dev, 2015; Khalili et al., 2015; Mittal & Dhar, 2015). So based on the existing empirical, to be able to grow the creativity of followers who need transformational leaders in organizations.

### **Entrepreneurial Leadership**

The concept of entrepreneurship develops and is adopted in all sectors and is combined with various interests. Entrepreneurial behavior is described as a process, practice, and decision-making (M. H. Chen, 2007; Lumpkin & Dess, 1996). So entrepreneurship is often used by a leader, today's behavior is often called entrepreneurial leadership. Huang et al. (2014) define entrepreneurial leadership as a facilitator of subordinates' belief in facing environmental uncertainty. With an entrepreneurial approach that is more dominant in creating creative ideas (Sintaasih et al., 2020; Soriano & Huarng, 2013). Through entrepreneurial leadership, it is more effective in supporting the development of ideas (Aristana et al., 2022; Fontana & Musa, 2017). As stated that the ability of a leader with an entrepreneurial approach positively motivates to increase creativity (Riana et al., 2020). Leader support can be related to skill development and increased intrinsic motivation (Aristana et al., 2021; Smith-Jentsch et al., 2001). However, leaders who provide leadership legitimacy are not only based on the power hierarchy (Kansikas et al., 2012). Sarabi et al. (2020) conclude that entrepreneurial leadership can empower all aspects of a company to improve overall performance.

### **Intrinsic Motivation**

Literature on motivation has been widely discussed, especially intrinsic motivation to give empirical reasons related to employee creativity. The motivation that employees have in formulating each behavior is shown (Zhang et al., 2008). As a result, if employees do not work, employees will not feel the urge to do something (Bastari et al., 2020; Su et al., 2022). Wang et al. (2012) revealed that motivation can arise from intrinsic and extrinsic, both of which are very dependent on the reason or purpose for taking activity. Intrinsic motivation leads to pleasure, satisfaction, and happiness when they are involved in an activity (Su et al., 2022). While extrinsic motivation leads to individuals acting because of external pressures and this tends to make them not act (Zhang & Zhang, 2017). Studies show that intrinsic motivation plays a more important role in increasing goals (Shafi et al., 2020; Yousaf et al., 2022). This research is about intrinsic motivation and the assumption that intrinsic motivation has a very important role in organizations.

### **Employee Creativity**

Creativity in the workplace is mentioned as a cognitive and behavioral thought process that is applied to generate creative ideas (Hughes et al., 2018; Minh-Duc & Huu-Lam, 2019; Zhang, 2010). However, recently creativity has been expressed as an out-of-the-box behavior that already exists in a system (Liu et al., 2020). The focus of creativity is on developing and adopting the necessary new ideas related to knowledge, strategy, and coordination (Khessina

et al., 2018; Tse et al., 2018). By knowing other words, creativity is an activity of possibilities that can be done in the form of problem-solving, finding information and finding ideas, and finding alternative solutions (Cheung & Wong, 2011; Matsuo, 2022). Creativity is also explained as something new to the organization and donating something that did not exist before (Suifan et al., 2018). Da Costa et al. (2015) mention creativity as an absolute novelty that includes the implementation of new ways of processes and products.

## **Hypothesis Development**

### **Transformational leadership and employee creativity**

Various studies have been conducted to determine and understand the influence of leadership on employee creativity. Most of the studies conducted provide new and valuable insights and provide direction studies to study the role of transformational leadership to enhance creativity. Empirically proves that leadership significantly increases creativity (Jyoti & Dev, 2015; Mittal & Dhar, 2015). The creativity of employees increases with the support of transformational leadership (Chaubey et al., 2019). Other findings also explain that transformational leadership has an important effect on individual and organizational creativity (Gumusluoglu & Ilsev, 2009). At the same time, transformational leadership can foster a climate of innovation and the same time encourage employee creativity (Jaiswal & Dhar, 2015). A transformational leadership approach can be an effective strategy for increasing employee creativity (Tse et al., 2018). Based on the direction of the previous findings, the researcher formulated the first hypothesis as follows:

H1: Transformational leadership has a positive effect on employee creativity

In addition, transformational leadership can also affect employee motivation, especially intrinsic motivation. The findings of Al-Mansoori & Koç (2019) and Minh-Duc & Huu-Lam (2019) provide an understanding that transformational leadership provides a level of satisfaction which in turn affects the level of employee participation. Further studies reinforce previous results where transformational leadership affects intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001). On the other hand, it is stated that the better the practice of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009). As with the first hypothesis, where the direction of the findings of previous research, the researcher formulates the second hypothesis as follows::

H2: Transformational has a positive effect on intrinsic motivation

### **Entrepreneurial leadership and employee creativity**

The concept of entrepreneurship is the most important determinant, this ability includes factors of creation and services by integrating production such as labor, technology, capital, and other resources (Esmer & Dayi, 2017; Kuratko, 2007; Lee et al., 2020). This collaborative process is widely adopted by leaders in identifying opportunities to develop creativity (Liao et al., 2007; Nguyen et al., 2021). Creativity is an important factor in creating a competitive advantage (Riana et al., 2020). Success in realizing creative ideas, organizations can create something new (Aristana et al., 2022). Previous studies of winning entrepreneurial leadership relate to individual and team creativity (Cai et al., 2019). In addition, entrepreneurial leadership has been shown to strengthen the self-creativity of employees and teams (Mittal & Dhar, 2015; Newman et al., 2018). Based on the existing empirical, the writer formulates the third hypothesis as follows:

H3: Entrepreneurial leadership has a positive effect on employee creativity.

Seeing this, the ability of entrepreneurial leaders is always associated with individuals in the organization. Olutade et al. (2015) attention to leadership and motivation as well as what causes it does not provide a view, leadership theory is the most fundamental and

decisive for understanding this problem. Although empirically specifically shows the relationship of entrepreneurial leaders with intrinsic motivation, in general leadership significantly increases intrinsic motivation (Shareef & Atan, 2019). This cannot be separated from goal-oriented leadership showing an effect on motivation, which is caused by employee values (Graves & Sarkis, 2018; Jensen et al., 2019). These findings develop a theory about how leaders can increase employee motivation and creativity. Based on the existing empirical, we formulate the fourth hypothesis as follows:

H4: Entrepreneurial leadership has a positive effect on intrinsic motivation.

### **Intrinsic Motivation and Employee Creativity**

Motivation has been considered the driving force of each individual to achieve every goal they have. Motivation itself is explained as a person's motive to do something (Fischer et al., 2019), motivation is divided into two perspectives, namely intrinsic and extrinsic motivation (Ryan & Deci, 2000, 2020). Recent studies have discussed intrinsic motivation in determining individual behavior (Ayalew et al., 2021; Giurge & Woolley, 2022). Similarly, creative behavior is predicted by intrinsic motivation (Zhang, 2010). González-González & García-Almeida (2021) support previous findings that intrinsic motivation plays a strong role in encouraging employee creativity. Motivation is intrinsically significant to employee creativity (Minh-Duc & Huu-Lam, 2019; Saether, 2019). Based on the existing empirical, we formulate the fifth hypothesis as follows:H5: Intrinsic motivation has a positive effect on employee creativity

### **The mediating role of intrinsic motivation**

As far as this influence directly shows intrinsic motivation to the variable measuring employee creativity. This study tries to measure the role of intrinsic motivation as a mediator of transformational leadership and entrepreneurship. Shafi et al. (2020) proved that intrinsic motivation significantly had a moderating effect on transformational leadership and employee creativity. In addition, intrinsic motivation shows control over the positive effect of spiritual leadership on employee work effectiveness (Lin et al., 2021; Wang et al., 2019). In theory, it is proposed that personal control as the basis of motivation for creative efforts, as well as employee creativity, is widely supported by intrinsic motivation theory (Fischer et al., 2019; Hughes et al., 2018). Then the sixth hypothesis is formulated as follows:

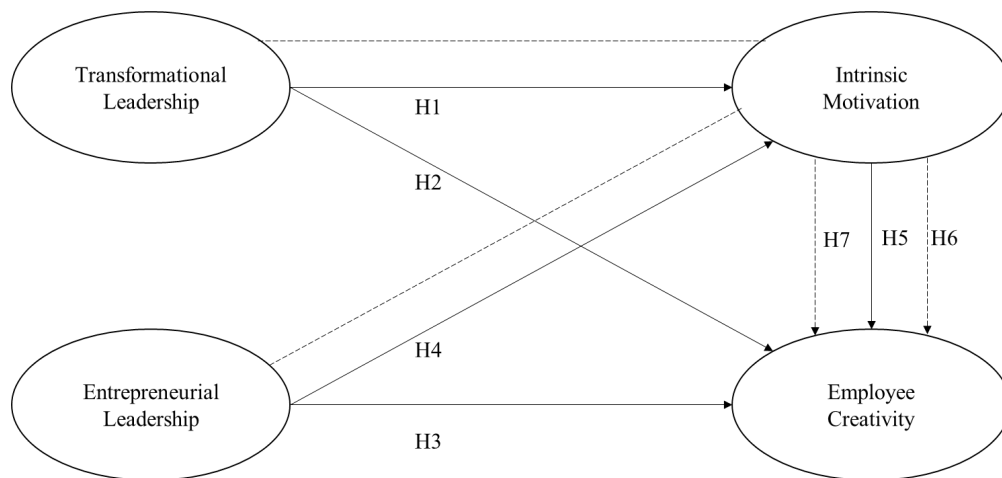
H6: Intrinsic motivation to act as a mediation of transformation leadership of employee creativity

Furthermore, intrinsic motivation can help the leader role to foster innovative/creative behavior (Shin & Zhou, 2003; Su et al., 2020). The role of intrinsic motivation in mediating the influence of leadership on employee creativity (Minh-Duc & Huu-Lam, 2019). The same finding shows that intrinsic motivation is proven to mediate leadership in increasing self-efficacy (Laraib, 2018; Tu & Lu, 2016). In previous studies, the intrinsic motivational intervention on the relationship between entrepreneurial leadership and creativity has not been specifically investigated, but it is believed that intrinsic motivation plays a significant role. In previous studies, the intrinsic motivation intervention on the relationship between entrepreneurial leadership and creativity has not been specifically investigated, but it is believed that intrinsic motivation plays an important role. This is reinforced in previous studies, intrinsic motivation has also been proven in various studies to increase the role of leaders. Therefore, the writer formulates the seventh hypothesis as follows:

H7: Intrinsic motivation acts as a mediation of entrepreneurial leadership on employee creativity

### **Research Conceptual Framework**

This study examines the effect of transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. In addition, this study also uses intrinsic motivation as a mediating variable. The conceptual framework can be seen in Figure 1.



**Figure 1.** Conceptual Framework

## RESEARCH METHODS

### Population and Sample

This research was conducted on export-oriented small and medium-sized industries (IKM) in Bali, the number of SMIs spread across nine regencies/municipalities. The criteria for the IKM involved are those that have business consistency for the last five years, have a permit, and are registered with the Bali Province Trade Office for 42 industries. Seeing the limited population, determining to sample using (Krejcie and Morgan, 1970) proposed the number of samples involved as many as 38 IKM where the number was chosen randomly. The research respondents were selected from three employees from each industry with the assumption that these employees need creativity in doing their work. So the number of respondents involved as many as 114 respondents. The distribution of the questionnaires uses two methods, namely, online using the google form and manually during visits to SMEs. This research was conducted from June to August 2022. Data collection was carried out in two stages, the first stage was validity and reliability testing by distributing questionnaires to 30 respondents who were analyzed with SPSS IBM 21. The second stage, continued with the targeted collection after the instrument was valid and reliable. Based on data collection, information on the characteristics of respondents involved in the study is presented in Table 1.

### Measurement

This study uses four variables, namely transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. To assess the research variables using a five-point Likert scale (1 strongly disagree – 5 strongly agree). Leadership is measured by 7 statements made from previous research (Sudibjo & Prameswari, 2021), namely; explain the vision and mission, invite cooperation, demonstrate creativity, value organizational behavior, be responsible, provide opportunities, and motivate employees.

Assessing the leadership variable as measured by nine statement items adopted from previous research (Aristana et al., 2022), namely; demonstrated by the ability to make changes, creative thinking, looking for new ideas, positive responses, seeing opportunities, responding to changes, taking advantage of opportunities, finding solutions, answers to results.

The intrinsic motivation variable is measured through four statements adopted from the research (Lin et al., 2021), namely; fun work, enjoying every process, work is a fun experience, and getting satisfaction when participating.

The employee creativity variable is measured by 5 statement items referred to in previous research (Zhang, 2010), namely; suggest new ways to achieve goals, generate new ideas, seek technologies, processes, techniques, and products, suggest new ways to improve quality, and seek sources of creative ideas.

Table 1  
Respondents Characteristics

## Data Analysis

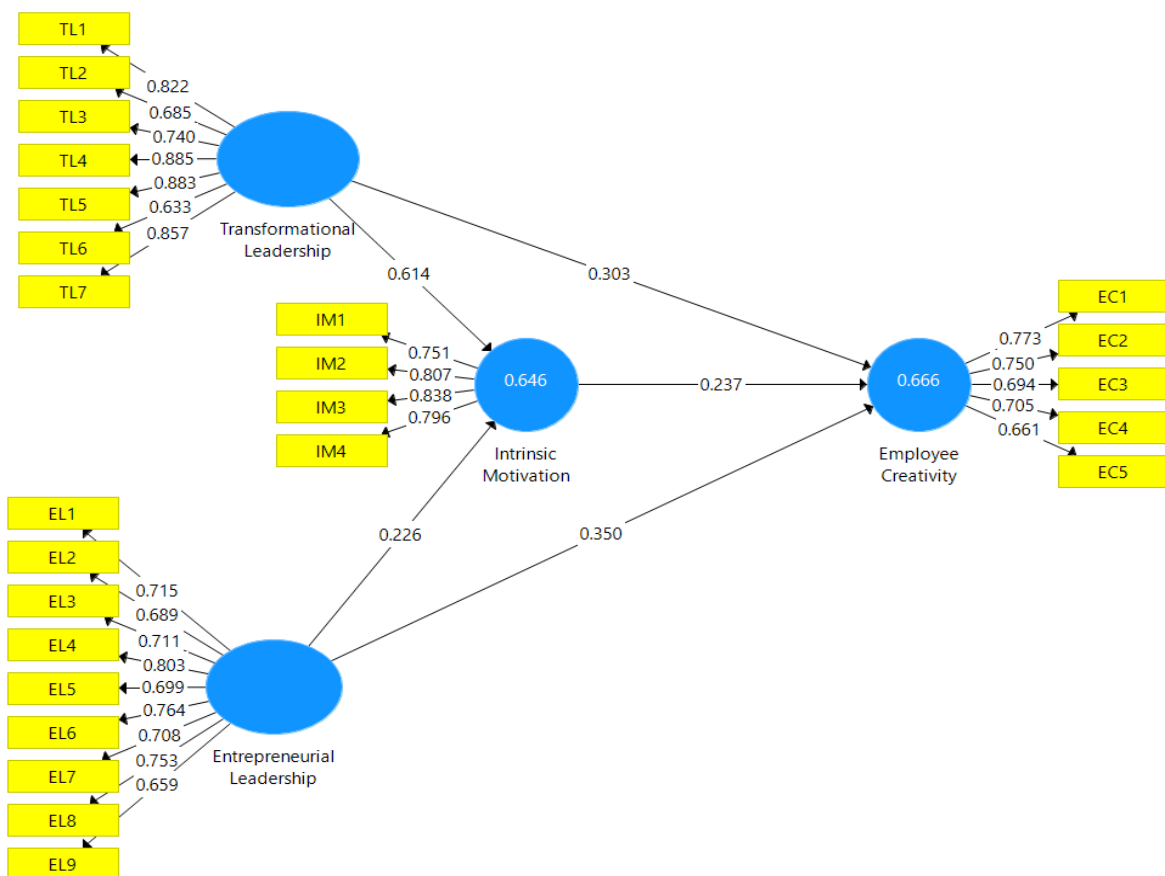
After the data as been collected in accordance with the target, then proceed with data analysis using SmartPLS 3.2.9 through two stages, the first is the evaluation of the measurement model by measuring convergent validity, discriminant validity and composite reliability. Second, evaluation of the structural model with R-square, hypothesis testing, and mediation testing using Sobel Test.

## RESULT AND DISCUSSION

### Result

#### Evaluation of model measurement

The evaluation analysis of the measurement model was carried out to test the quality of the data from the constructs used, the results of the validity test are seen in Figure 2 dan Table 2:



**Figure 2. Measurement and stuctural model result**

The test is done by looking at the convergent validity which is indicated by the loading value above 0.6 ( $OL > 0.6$ ). Furthermore, the discriminant validity test measures the validity of the indicator by comparing the value of the average variance extract ( $\sqrt{AVE}$ ) with other constructs ( $sig. > 0.5$ ). Followed by measuring the value of construct loss seen from Cronbach's alpha greater than 0.7 ( $CA > 0.7$ ) (Hair et al., 2013).

Table 2 Item Validity and Construct Reliability

Variables and Indicators	Outer Loading	Cronbach's	rho_A	Composite
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		Alpha		Reliability
Employee Creativity		0.763	0.764	0.841
EC1	0.773			
EC2	0.750			
EC3	0.694			
EC4	0.705			
EC5	0.661			
Entrepreneurial Leadership		0.886	0.889	0.908
EL1	0.715			
EL2	0.689			
EL3	0.711			
EL4	0.803			
EL5	0.699			
EL6	0.764			
EL7	0.708			
EL8	0.753			
EL9	0.659			
Intrinsic Motivation		0.812	0.820	0.875
IM1	0.751			
IM2	0.807			
IM3	0.838			
IM4	0.796			
Transformational Leadership		0.897	0.905	0.921
TL1	0.822			
TL2	0.685			
TL3	0.740			
TL4	0.885			
TL5	0.883			
TL6	0.633			
TL7	0.857			

Resource: Author Calculation, 2022

Table 3 Discriminant Validity

Variables	AVE	√AVE	Employee Creativity	Entrepreneurial Leadership	Intrinsic Motivation	Transformational Leadership
Employee Creativity	0.515	0,718	0.717			
Entrepreneurial Leadership	0.524	0,724	0.753	0.724		
Intrinsic Motivation	0.638	0,799	0.723	0.706	0.798	
Transformational Leadership	0.627	0,792	0.763	0.781	0.791	0.792

Resource: Author Calculation, 2022

The test results show that the outer loading value is greater than 0.6 (see Table 2) and the AVE value is greater than 0.5 (see Table 3). The next finding is that the composite reliability value and Cronbach's alpha are greater than 0.7 (in Table 2), so the results obtained are free from random errors (Hair et al., 2013).

### Evaluation of the structural model

After the model measurement criteria are met, it is continued with the structural model evaluation test. First, assess the research model by looking at exogenous variables with

endogenous variables, this assessment uses the analysis of the results of R square ( $R^2$ ). The  $R^2$  value has three categories according to (Hair et al., 2013), the  $R^2$  value is 0.02 (weak), 0.19 (moderate), and 0.35 (strong). The results of the analysis can be seen in Table 4.

Table 4 Research Model Feasibility Construction

Variable	R Square	R Square Adjusted
Employee Creativity	0.666	0.657
Intrinsic Motivation	0.646	0.639
Average	0.656	0.648

Resource: Author Calculation, 2022

Table 4 The  $R^2$  value of the model is greater than 0.35 so the research model is relatively strong (Hair et al., 2013). While the average value of  $R^2$  is 64.8 percent and the other 35.2 percent is explained by other variables that are not included in this study. The value of  $R^2$  was adjusted and increased by adding other constructs in further research in the future.

### Hypothesis Testing

The next test is to find out the direct and indirect effects of exogenous and endogenous variables. This test is carried out by looking at the path coefficient values, p values and t-statistics can be shown in Table 5.

Table 5 The Direct Relationship Between Variables

Relationship variables	Original Sample	Sample Mean	Deviation	T Statistics	P Values	Supported
TL -> EC	0.303	0.297	0.125	2.430	0.015	Yes
TL -> IM	0.614	0.617	0.110	5.568	0.000	Yes
EL -> EC	0.350	0.354	0.091	3.830	0.000	Yes
EL -> IM	0.226	0.229	0.123	1.835	0.067	No
IM -> EC	0.237	0.244	0.101	2.355	0.019	Yes

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

Based on the analysis in Table 5 shows that transformational leadership has a positive and significant effect on employee creativity with a path analysis coefficient of 0.303 with a p-value of 0.015 below 0.05 and a t-statistic of 2.430 greater than 1.96 so hypothesis 1 is supported. Subsequent testing shows that transformational leadership has a positive and significant effect on intrinsic motivation, by looking at the path coefficient value of 0.614 with a p-value of 0.000 less than 0.05 and a t-statistic of 5.568 greater than 1.96, so that hypothesis 2 is supported. Entrepreneurial leadership also shows a positive and significant influence on employee creativity. This result is based on the path coefficient value of 0.350 with a p-value of 0.000 less than 0.05 and a t-statistic of 3.830 greater than 1.96. Thus, hypothesis 3, which is stated to be supported. Entrepreneurial leadership shows no significant positive effect on intrinsic motivation. The results of the analysis show the path coefficient value of 0.226 with a p-value of 0.067 greater than 0.05 and a t-statistic of 1.835 less than 1.96. So this result states that hypothesis 4 is not supported. Furthermore, intrinsic motivation has a positive and significant effect on the creativity of employees, with coefficients of 0.237 a p-value of 0.019, and a t-statistic of 2.355. The results of this analysis show that hypothesis 5 is supported.

In the next stage, researchers measure the indirect effect by involving mediating variables by the provisions of structural equation modeling (SEM). By the conceptual

framework, this research has two mediation paths which are measured using the Sobel Test. To find out whether the mediator variable has an intervention on the relationship between variables, it is done by comparing the value of t-statistics with the t-table. If the t-statistic is greater than the t-table (t-statistic > t-table) the hypothesis is accepted or the mediating variable has an intervention. Vice versa if the t-statistic is smaller than the t-table (t-statistic < t-table), then it is rejected or the mediating variable has no intervention in the relationship between variables. The results of testing the mediating variable (intrinsic motivation) are shown in Table 6.

Table 6  
Indirect Effect With Sobel Test

Relationship variables	Calculation	T Statistics	T Table	Supported
TL->IM-> EC	$\frac{0,614 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,110^2) + (0,614^2 \cdot 0,101^2)}} = 2,1631$	2,214	1,96	Yes
EL->IM-> EC	$\frac{0,226 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,123^2) + (0,226^2 \cdot 0,101^2)}} = 1,4467$	1,314	1,96	No

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

After calculating using the Sobel Test formula, it can be seen the mediation position variable. This study has two calculated mediation pathways, the results of testing the mediating variable of intrinsic motivation (in Table 6). Our findings show that the first variable of motivation has an intervention relationship between transformational leadership and employee creativity with a z-value of 2.1631 and t-statistics 2,214, which is greater than a t-table of 1.96, so hypothesis 6 is supported. Second, intrinsic motivation is not proven to interfere with the relationship between entrepreneurial leadership and employee creativity with z-value 1,4467 and t-statistic 1,314 smaller than t-table 1.96 with hypothesis 7 not supported.

## Discussion

Transformational leadership has a significant positive effect on employee creativity, this shows that the better the implementation of transformational leadership, the more creativity of employees in the craft industry. To be able to survive in the midst of increasingly fierce competition requires the craft industry to have a competitive advantage (Mittal & Dhar, 2015). This situation requires every organizational leader to be more concerned and have in-depth knowledge of the relationship between transformational leadership and employee creativity. Therefore, managers/owners of the craft industry should be able to adopt transformational leadership considering that this type of leadership is one way to increase employee creativity. Transformational managers also have the ability to be an example for their subordinates, where they can act as creative role models and this can encourage subordinates to be creative. Furthermore, transformational leadership can provide useful and relevant guidance or training to hone the creativity of subordinates. In addition, the guidance and training provided can develop capabilities in terms of developing generate new ideas, seek technologies, processes, techniques, and products. So that the research results provide support for previous research, where transformational leadership can increase employee creativity (Jaiswal & Dhar, 2015; Mittal & Dhar, 2015). The application of transformational

leadership can increase employee creativity (Chaubey et al., 2019; Gumusluölu & Ilsev, 2009; Tse et al., 2018). Transformational leadership fosters a climate of creativity and innovation (Jaiswal & Dhar, 2015).

Transformational leadership has a significant positive effect on intrinsic motivation, this explains that the better the application of transformational leadership, the greater the intrinsic motivation felt by employees of the craft industry. Intrinsic motivation is called a motive, so this motive does not require stimulation (Bastari et al., 2020). However, the quality of the transformational leadership style shown by the crafts industry managers can be the underlying motive for employees to feel motivated. The quality of transformational leadership style is shown by managers through being able to cause emotional feelings for subordinates, having the ability to articulate a vision that makes employees interested in doing something for the future. In addition, managers can build conducive communication, improve a safe work climate, have the ability to provide coaching, support and last but not least empower subordinates. Managers can also listen more to the ideas or ideas that employees have so that they feel valued and this can increase the intrinsic motivation of craft industry employees. This provides support for previous research, which found leadership can increase intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001), by increasing employee satisfaction (Al-Mansoori & Koç, 2019; Aristana et al., 2022), so that employees voluntarily participate in each activity (Minh-Duc & Huu-Lam, 2019). These results also imply that the better the application of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009).

Subsequent testing shows that entrepreneurial leadership has a positive and significant effect on employee creativity. This finding explains that the application of entrepreneurial leadership can increase the creativity of employees. Entrepreneurial leadership is often assumed as a strategy with the ability to take advantage of every opportunity that is created (Aristana et al., 2022). This ability often inspires subordinates to always do creative things. If you look at the workforce owned by the craft industry, they are those who have skills so it is very easy to bring out their creativity. To increase competitive advantage requires employee creativity, it is very important for managers/owners to adopt entrepreneurial leadership to develop creativity. The findings show support for (Cai et al., 2019; Mittal & Dhar, 2015; Newman et al., 2018; Riana et al., 2020) who also find entrepreneurial leadership has an impact on increasing employee creativity. This is inseparable from the concept of entrepreneurship which has an important role which includes the creation of new products (Esmer & Dayi, 2017; Kuratko, 2007; Kuratko et al., 2017; Lee et al., 2020; Riana et al., 2020). Liao et al. (2007) and Nguyen et al. (2021) the ability to identify opportunities owned by leaders can encourage employee creativity.

The test results of entrepreneurial leadership have a positive and insignificant effect on intrinsic motivation. This finding can be explained that entrepreneurial leadership does not affect intrinsic motivation in the craft industry. Prior to explaining intrinsic motivation as a motive owned by employees and not influenced by external factors, so that entrepreneurial leadership has an orientation to organizational goals. So this cannot be synchronized with the intrinsic motivation of subordinates. In other words, the ability of entrepreneurial leadership in encouraging the overall performance of the craft industry does not increase the intrinsic motivation of employees. This is because the approach leads to organizational strategy so that it is not focused on any of the existing resources. Leaders who have a goal orientation have no impact on the values believed by employees (Graves & Sarkis, 2018; Jensen et al., 2019). Olutade et al. (2015) leaders must pay attention to what causes employees to be unmotivated. So this finding does not support previous research (Shareef & Atan, 2019) leadership significantly increases intrinsic motivation. Leaders with an entrepreneurial approach align

goals and pay attention to the values needed by subordinates. So that later it can give maximum contribution to each activity.

Intrinsic motivation has a significant positive effect on employee creativity, this finding shows that employees' intrinsic motivation can increase the creativity of craft industry employees. Handicraft industry managers in Bali should promote a more physically and emotionally comfortable work environment to foster employee tolerance. In addition, the handicraft industry must also invest in technology, thereby increasing employee engagement. With the support that makes it easier for employees to realize the ideas they have, it can later encourage employees' motives to show creativity. Furthermore, crafts industry managers to further build a friendly and conducive work environment as a step to encourage employee creativity (Minh-Duc & Huu-Lam, 2019). This finding provides support for previous research which states that intrinsic motivation has an impact on increasing employee creativity (González-González & García-Almeida, 2021; Minh-Duc & Huu-Lam, 2019; Saether, 2019). Motivation has employees who determine every behavior shown by employees (Ayalew et al., 2021; Giurge & Woolley, 2022), as well as the creative behavior of employees (Zhang, 2010). It can be said that motivation is a person's motive to do something (Fischer et al., 2019). So it can be recommended to pay attention to the motives of employees to be able to grow their creativity.

Mediation testing shows that intrinsic motivation is significantly proven as a mediator of transformational leadership and creativity. So it can be explained that intrinsic motivation has an intervention on the relationship between transformational leadership and employee creativity in the craft industry. Previous studies conducted studies on the moderating role of intrinsic motivation and still found mixed results (Shafi et al., 2020). The results of this study provide evidence that intrinsic motivation plays a more important role in increasing the influence of leadership with a transformational approach in an effort to increase the creativity of the craft industry employees. Finding Minh-Duc & Huu-Lam (2019) provides empirical evidence that intrinsic motivation is a mediator of transformational leadership and employee creativity. Therefore, if the crafts industry managers practice a transformational leadership style to encourage employee creativity, of course it is necessary to pay attention to intrinsic motivation which can also contribute to the transformational relationship and employee creativity. The results of this study provide support for previous findings (Fischer et al., 2019; Hughes et al., 2018; Lin et al., 2021; Wang et al., 2019).

Subsequent mediation tests showed that intrinsic motivation was not proven to mediate entrepreneurial leadership and employee creativity. The results of this study indicate that intrinsic motivation does not contribute to increasing employee creativity with an entrepreneurial leadership approach in the craft industry. Theoretically, this research provides a new perspective on mediator testing using intrinsic motivation. Practically, this research is very useful for the craft industry in increasing the creativity of its employees. Considering that employee creativity is something that can provide an advantage for the craft industry, it is very important to improve it, but if managers apply entrepreneurial leadership, it is necessary to consider intrinsic motivational intervention. So this finding can help policy makers in the craft industry to understand the factors used to foster creativity. Through understanding related to the factors of creativity, it is possible to make policies that suit the needs effectively and later foster employee creativity. In addition, this study also provides social implications about the importance of determining behavior and attitudes when interacting with employees so that they can provide a positive attitude at work. The findings of this study do not support the results of previous studies (Shin & Zhou, 2003; Su et al., 2020; Laraib, 2018; Tu & Lu, 2016) find the intrinsic motivation of leadership in increasing creativity.

## **CONCLUSION AND RECOMMENDATION**

The export craft industry must improve its performance through increased productivity in a global environment. From the employee context, transformational leadership can increase employee motivation and creativity. Meanwhile, entrepreneurial leadership has a strong goal orientation by fostering employee creativity. So the research has several findings, first, transformational leadership can increase employee intrinsic motivation and creativity. Furthermore, the personal approach taken by the leader directly has a motivational impact and can further encourage employees to be more creative. Second, entrepreneurial leadership has an impact on innovation both in the process of goals, products, and others related. However, it does not have an impact on intrinsic motivation because it tends towards the values that are believed by employees. Contributed researchers conducted, firstly, research findings related to leadership, especially transformation and entrepreneurship, making it easier for researchers to explore. Second, this study investigates the mechanisms of transformational leadership and entrepreneurship in influencing employee creativity. Third, this research can be connected to previous research related to the influence of transformational leadership and entrepreneurship in increasing creativity. At the same time, this study also provides an assessment of the results of research where entrepreneurial leadership is not related to intrinsic motivation. Fourth, considering that employee creativity tends to arise due to individual feelings, intrinsic motivation plays an important role in increasing creativity, especially in the export handicraft industry sector in Bali.

Based on the findings of this study, the researcher can suggest some practical experiences for owners, managers, and employees as additional insights. Focus findings lead to suggestions and potential solutions to foster employee creativity involving leadership styles. First, leaders in developing creativity are very important to apply transformational leadership and entrepreneurial leadership. Because these two leaderships are proven in fostering employee creativity in the craft industry. Second, employee creativity is determined by personal, so an approach is needed that can make employees feel comfortable and have satisfaction. Note that transformational leadership is more appropriate than entrepreneurial leadership. This is because leaders with entrepreneurial orientations are more focused on organizational goals, so they tend to have weaknesses in building personal relationships with subordinates. Third, this finding is also very important for a leader to increase intrinsic motivation so that employees participate in contributing their creative ideas.

Like previous studies, this study also has some limitations. First, the sample used is still very limited to one IKM in Bali, the results of this study may offer different findings if carried out on a larger regional generalization because larger sample size is beneficial for differences in results. Second, efforts to increase employee creativity only focus on transformational leadership, entrepreneurial leadership, and intrinsic motivation. While there are still many other variables that have not been included such as other leadership styles, not depending on knowledge, organizational culture, and commitment to creativity which might increase employees. Finally, this study uses a causal approach so that the data reported is self-assessment. So this has some limitations such as a very strong bias, in the future, it is important to conduct a longitudinal study to answer the problem more comprehensively.

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# LEADERSHIP AND EMPLOYEE CREATIVITY: THE MEDIATION ROLE OF INTRINSIC MOTIVATION

## Abstract

This study aims to analyze the effect of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employee creativity and to investigate the role of intrinsic motivation as a mediation. This research was conducted in the export craft industry, with a quantitative approach. Collecting data using a questionnaire distributed to 114 employees, then the data is evaluated with SmartPLS 3.2.9. The results of the analysis show that transformational leadership is related to intrinsic motivation and employee creativity. While entrepreneurial leadership is related to creativity but not related to intrinsic motivation. Intrinsic motivation has been shown to mediate transformational leadership and not to mediate entrepreneurial leadership. These results can practically provide leaders with paying attention to intrinsic motivation to increase employee creativity.

**Keywords:** Transformational Leadership, Entrepreneurial Leadership, Intrinsic Motivation, and Employee Creativity.

**JEL Classification:** A13, D23, D91

## INTRODUCTION

The global competition presents free competition for existing companies, including small and medium industries (Helmy et al., 2019). This situation makes this industry to be more innovative and develops sustainable competitive advantages (Arsawan et al., 2022; Ghosh, 2015; Hon & Lui, 2016; Rasheed et al., 2021), which in turn can improve the performance of SMIs (Aristana et al., 2022; Tajasom et al., 2015). However, currently, small and medium-sized export industries are said to be not yet innovative (Bodlaj et al., 2020), despite various empirical evidence that provides references that creativity can increase innovative performance (Aichouni et al., 2015; Ghosh, 2015; Poordanjani et al., 2015; Shih & Susanto, 2010; Valaei et al., 2017; Zivkovic, Snezana & Veljkovic, 2016). In addition, creativity can increase the competitiveness of SMEs (Amabile, 1988; Cekmecelioğlu & Günsel, 2013; Hon, 2013). Creativity is the generation of new and useful ideas (Liu et al., 2011; Miao & Cao, 2019). Therefore, it is very important to increase the creativity of employees effectively.

Several studies have been conducted to explore factors and methods to foster creativity. Based on previous studies on employee creativity, one cannot ignore the role of a leader in carrying out his functions (Gu et al., 2013; McMahan & Ford, 2013; Sintaasih et al., 2015). However, the leader's approach to increasing creativity has not been thoroughly studied (Amabile et al., 2004). Mittal & Dhar (2015) believe that transformational leadership is a determinant of creativity development. The adoption of generative and exploratory thinking processes produces creative ideas, this adoption is more effective if it is driven by transformational leadership (Y. S. Chen & Chang, 2013; Jyoti & Dev, 2015). Many studies that reveal transformational leadership and employee creativity have been carried out, but have not been fully developed. Although transformational leadership plays an important role in accelerating and slowing the growth of employee creativity (Liu et al., 2013; Mainemelis et al., 2015), especially in the craft industry.

This study also tries to explore the relationship between entrepreneurial leadership and employee creativity. Today entrepreneurial leadership always follows the growth of employee

creativity (Cai et al., 2019). Task creativity is significantly increased with the support of entrepreneurial leadership (Newman et al., 2016; Riana et al., 2020). In addition to enhancing individual creative abilities, entrepreneurial leadership can help team creativity (Chen, 2007). In addition, entrepreneurial leadership always encourages employees to be able to determine and take advantage of opportunities (Lee et al., 2020), this aims to motivate employees to contribute through creative activities (Cai et al., 2019; Chen, 2007). Newman et al. (2018) argue that self-efficacy can increase depending on the extent to which the leader can demonstrate entrepreneurial behavior. Like transformational leadership, this leadership has not consistently been able to increase creativity (Aristana et al., 2022). When viewed conceptually, the industry makes an entrepreneurial approach to take advantage of every opportunity that exists.

In addition to leadership, individual motivation to grow new ideas or ideas is also very influential. Cognitive evaluation theory introduces intrinsic motivation into a leadership influence (Su et al., 2020). Motivation is indicated by individual awareness, attitudes, and cognitive abilities that can directly influence behavior (Song et al., 2020). So intrinsic motivation is always related to factors that can develop employee engagement through understanding the values held by employees (Adornes & Muniz, 2019). Besides being proven to increase creativity, intrinsic motivation can also improve leadership by encouraging employee creativity (Minh-Duc & Huu-Lam, 2019). Conceptually, intrinsic motivation is a strong predictor of creativity (Zhang, 2010). The key is that intrinsic motivation is a driving factor for creativity (Zenk et al., 2021). So to test the previous findings, intrinsic motivation in this study is placed as a mediator of leadership.

This study seeks to cover what happened from the results of previous studies. First, previous studies show the role of transformational leadership as a predictor of employee creativity (Mittal & Dhar, 2015). However, its role in the craft industry needs to be investigated further. Considering that practically the handicraft industry is a business in the conventional category that still has shortcomings in managerial terms, so it is seen that it does not need a specific type of leadership. On the other hand, so that employees want to show their creativity, a touch of leadership is needed that can take a personal approach (Chen & Chang, 2013; Jyoti & Dev, 2015), considering that the craft industry has experts. Second, previous studies on intrinsic motivation emphasized the motives why employees can be motivated without getting encouragement from outside themselves (Fischer et al., 2019). Realizing that creativity is something that is personal so special treatment is needed to keep it awake.

This research was conducted on the export-oriented handicraft industry for several reasons. First, the craft industry is an industry that relies on creativity to develop the resulting products. In addition, the existence of the export craft industry can contribute to the economy, such as overcoming the problem of unemployment and generating foreign exchange for the country. Second, the high level of global competition requires the handicraft industry to always improve in order to survive in a dynamic environment. Third, it requires the development of employee creativity through a leadership-based approach that can foster motivation (A. Lee et al., 2020; Minh-Duc & Huu-Lam, 2019). Through these reasons, a research model can be built to accommodate the relationship of transformational leadership, entrepreneurial leadership, intrinsic motivation and employee creativity.

Based on this background, the broad outline of this research is to measure and explain the direct influence of transformational leadership, entrepreneurial leadership, and intrinsic motivation on employees and to determine the role of intrinsic motivation in the relationship between transformational leadership and entrepreneurship and employee creativity.

## **LITERATURE REVIEW**

### **Transformational leadership**



According to Burns (1978) and Simola et al. (2012) transformational leadership is defined as a type of leadership that can inspire followers through the articulation of a vision toward goals. Bass (1985) and García-Morales et al. (2012) describe transformational leadership as leadership that can create positive change and cost. In addition, transformational leadership can increase self-confidence and help employees show their potential (İşcan et al., 2014). On the other hand, transformational leaders can organize all interests leading to collective goals (Simola et al., 2012). The individual approach is the key to transformational leaders in leading their followers (Ryan & Tipu, 2013; Buil et al., 2019). Recent studies of transformational as a driver of intellectual capacity by inspiring followers (Grošelj et al., 2021). Another skill that transformational leaders possess is being able to manage uncertainty in creative work (Watts et al., 2020). In the previous literature, there has been much discussion about the role of transformational leadership in influencing follower creativity (Gumusluoglu & Ilsev, 2009; Jaiswal & Dhar, 2015; Jyoti & Dev, 2015; Khalili et al., 2015; Mittal & Dhar, 2015). So based on the existing empirical, to be able to grow the creativity of followers who need transformational leaders in organizations.

### **Entrepreneurial Leadership**

The concept of entrepreneurship develops and is adopted in all sectors and is combined with various interests. Entrepreneurial behavior is described as a process, practice, and decision-making (M. H. Chen, 2007; Lumpkin & Dess, 1996). So entrepreneurship is often used by a leader, today's behavior is often called entrepreneurial leadership. Huang et al. (2014) define entrepreneurial leadership as a facilitator of subordinates' belief in facing environmental uncertainty. With an entrepreneurial approach that is more dominant in creating creative ideas (Sintaasih et al., 2020; Soriano & Huarng, 2013). Through entrepreneurial leadership, it is more effective in supporting the development of ideas (Aristana et al., 2022; Fontana & Musa, 2017). As stated that the ability of a leader with an entrepreneurial approach positively motivates to increase creativity (Riana et al., 2020). Leader support can be related to skill development and increased intrinsic motivation (Aristana et al., 2021; Smith-Jentsch et al., 2001). However, leaders who provide leadership legitimacy are not only based on the power hierarchy (Kansikas et al., 2012). Sarabi et al. (2020) conclude that entrepreneurial leadership can empower all aspects of a company to improve overall performance.

### **Intrinsic Motivation**

Literature on motivation has been widely discussed, especially intrinsic motivation to give empirical reasons related to employee creativity. The motivation that employees have in formulating each behavior is shown (Zhang et al., 2008). As a result, if employees do not work, employees will not feel the urge to do something (Bastari et al., 2020; Su et al., 2022). Wang et al. (2012) revealed that motivation can arise from intrinsic and extrinsic, both of which are very dependent on the reason or purpose for taking activity. Intrinsic motivation leads to pleasure, satisfaction, and happiness when they are involved in an activity (Su et al., 2022). While extrinsic motivation leads to individuals acting because of external pressures and this tends to make them not act (Zhang & Zhang, 2017). Studies show that intrinsic motivation plays a more important role in increasing goals (Shafi et al., 2020; Yousaf et al., 2022). This research is about intrinsic motivation and the assumption that intrinsic motivation has a very important role in organizations.

### **Employee Creativity**

Creativity in the workplace is mentioned as a cognitive and behavioral thought process that is applied to generate creative ideas (Hughes et al., 2018; Minh-Duc & Huu-Lam, 2019; Zhang, 2010). However, recently creativity has been expressed as an out-of-the-box behavior that already exists in a system (Liu et al., 2020). The focus of creativity is on developing and adopting the necessary new ideas related to knowledge, strategy, and coordination (Khessina

et al., 2018; Tse et al., 2018). By knowing other words, creativity is an activity of possibilities that can be done in the form of problem-solving, finding information and finding ideas, and finding alternative solutions (Cheung & Wong, 2011; Matsuo, 2022). Creativity is also explained as something new to the organization and donating something that did not exist before (Suifan et al., 2018). Da Costa et al. (2015) mention creativity as an absolute novelty that includes the implementation of new ways of processes and products.

## **Hypothesis Development**

### **Transformational leadership and employee creativity**

Various studies have been conducted to determine and understand the influence of leadership on employee creativity. Most of the studies conducted provide new and valuable insights and provide direction studies to study the role of transformational leadership to enhance creativity. Empirically proves that leadership significantly increases creativity (Jyoti & Dev, 2015; Mittal & Dhar, 2015). The creativity of employees increases with the support of transformational leadership (Chaubey et al., 2019). Other findings also explain that transformational leadership has an important effect on individual and organizational creativity (Gumusluoglu & Ilsev, 2009). At the same time, transformational leadership can foster a climate of innovation and the same time encourage employee creativity (Jaiswal & Dhar, 2015). A transformational leadership approach can be an effective strategy for increasing employee creativity (Tse et al., 2018). Based on the direction of the previous findings, the researcher formulated the first hypothesis as follows:

H1: Transformational leadership has a positive effect on employee creativity

In addition, transformational leadership can also affect employee motivation, especially intrinsic motivation. The findings of Al-Mansoori & Koç (2019) and Minh-Duc & Huu-Lam (2019) provide an understanding that transformational leadership provides a level of satisfaction which in turn affects the level of employee participation. Further studies reinforce previous results where transformational leadership affects intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001). On the other hand, it is stated that the better the practice of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009). As with the first hypothesis, where the direction of the findings of previous research, the researcher formulates the second hypothesis as follows:

H2: Transformational leadership has a positive effect on intrinsic motivation

### **Entrepreneurial leadership and employee creativity**

The concept of entrepreneurship is the most important determinant, this ability includes factors of creation and services by integrating production such as labor, technology, capital, and other resources (Esmer & Dayi, 2017; Kuratko, 2007; Lee et al., 2020). This collaborative process is widely adopted by leaders in identifying opportunities to develop creativity (Liao et al., 2007; Nguyen et al., 2021). Creativity is an important factor in creating a competitive advantage (Riana et al., 2020). Success in realizing creative ideas, organizations can create something new (Aristana et al., 2022). Previous studies of winning entrepreneurial leadership relate to individual and team creativity (Cai et al., 2019). In addition, entrepreneurial leadership has been shown to strengthen the self-creativity of employees and teams (Mittal & Dhar, 2015; Newman et al., 2018). Based on the existing empirical, the writer formulates the third hypothesis as follows:

H3: Entrepreneurial leadership has a positive effect on employee creativity.

Seeing this, the ability of entrepreneurial leaders is always associated with individuals in the organization. Olutade et al. (2015) attention to leadership and motivation as well as what causes it does not provide a view, leadership theory is the most fundamental and

decisive for understanding this problem. Although empirically specifically shows the relationship of entrepreneurial leaders with intrinsic motivation, in general leadership significantly increases intrinsic motivation (Shareef & Atan, 2019). This cannot be separated from goal-oriented leadership showing an effect on motivation, which is caused by employee values (Graves & Sarkis, 2018; Jensen et al., 2019). These findings develop a theory about how leaders can increase employee motivation and creativity. Based on the existing empirical, we formulate the fourth hypothesis as follows:

H4: Entrepreneurial leadership has a positive effect on intrinsic motivation.

### **Intrinsic Motivation and Employee Creativity**

Motivation has been considered the driving force of each individual to achieve every goal they have. Motivation itself is explained as a person's motive to do something (Fischer et al., 2019), motivation is divided into two perspectives, namely intrinsic and extrinsic motivation (Ryan & Deci, 2000, 2020). Recent studies have discussed intrinsic motivation in determining individual behavior (Ayalew et al., 2021; Giurge & Woolley, 2022). Similarly, creative behavior is predicted by intrinsic motivation (Zhang, 2010). González-González & García-Almeida (2021) support previous findings that intrinsic motivation plays a strong role in encouraging employee creativity. Motivation is intrinsically significant to employee creativity (Minh-Duc & Huu-Lam, 2019; Saether, 2019). Based on the existing empirical, we formulate the fifth hypothesis as follows:

H5: Intrinsic motivation has a positive effect on employee creativity

### **The mediating role of intrinsic motivation**

As far as this influence directly shows intrinsic motivation to the variable measuring employee creativity. This study tries to measure the role of intrinsic motivation as a mediator of transformational leadership and entrepreneurship. Shafi et al. (2020) proved that intrinsic motivation significantly had a moderating effect on transformational leadership and employee creativity. In addition, intrinsic motivation shows control over the positive effect of spiritual leadership on employee work effectiveness (Lin et al., 2021; Wang et al., 2019). In theory, it is proposed that personal control as the basis of motivation for creative efforts, as well as employee creativity, is widely supported by intrinsic motivation theory (Fischer et al., 2019; Hughes et al., 2018). Then the sixth hypothesis is formulated as follows:

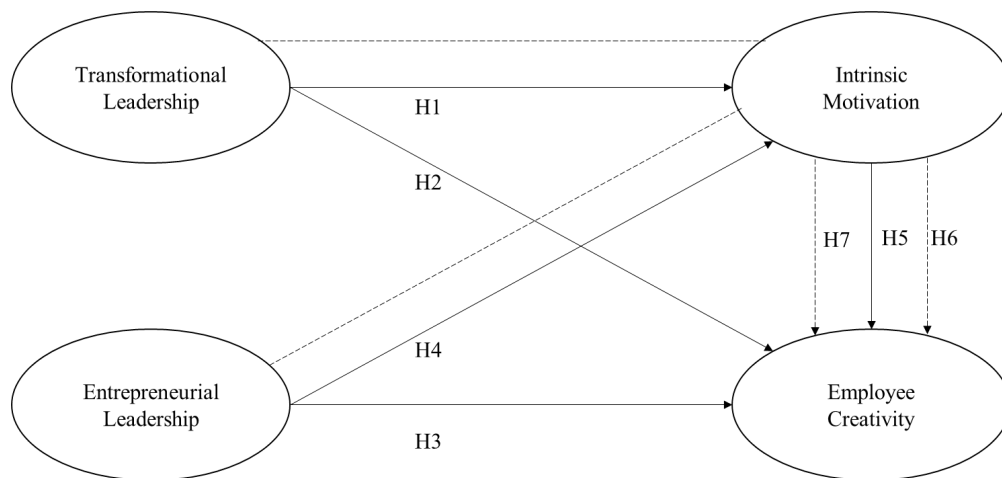
H6: Intrinsic motivation to act as a mediation of transformation leadership of employee creativity

Furthermore, intrinsic motivation can help the leader role to foster innovative/creative behavior (Shin & Zhou, 2003; Su et al., 2020). The role of intrinsic motivation in mediating the influence of leadership on employee creativity (Minh-Duc & Huu-Lam, 2019). The same finding shows that intrinsic motivation is proven to mediate leadership in increasing self-efficacy (Laraib, 2018; Tu & Lu, 2016). In previous studies, the intrinsic motivational intervention on the relationship between entrepreneurial leadership and creativity has not been specifically investigated, but it is believed that intrinsic motivation plays a significant role. In previous studies, the intrinsic motivation intervention on the relationship between entrepreneurial leadership and creativity has not been specifically investigated, but it is believed that intrinsic motivation plays an important role. This is reinforced in previous studies, intrinsic motivation has also been proven in various studies to increase the role of leaders. Therefore, the writer formulates the seventh hypothesis as follows:

H7: Intrinsic motivation acts as a mediation of entrepreneurial leadership on employee creativity

### **Research Conceptual Framework**

This study examines the effect of transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. In addition, this study also uses intrinsic motivation as a mediating variable. The conceptual framework can be seen in Figure 1.



**Figure 1.** Conceptual Framework

## RESEARCH METHODS

### Population and Sample

This research was conducted on export-oriented small and medium-sized industries (IKM) in Bali, the number of SMIs spread across nine regencies/municipalities. The criteria for the IKM involved are those that have business consistency for the last five years, have a permit, and are registered with the Bali Province Trade Office for 42 industries. Seeing the limited population, determining to sample using (Krejcie and Morgan, 1970) proposed the number of samples involved as many as 38 IKM where the number was chosen randomly. The research respondents were selected from three employees from each industry with the assumption that these employees need creativity in doing their work. So the number of respondents involved as many as 114 respondents. The distribution of the questionnaires uses two methods, namely, online using the google form and manually during visits to SMEs. This research was conducted from June to August 2022. Data collection was carried out in two stages, the first stage was validity and reliability testing by distributing questionnaires to 30 respondents who were analyzed with SPSS IBM 21. The second stage, continued with the targeted collection after the instrument was valid and reliable. Based on data collection, information on the characteristics of respondents involved in the study is presented in Table 1.

### Measurement

This study uses four variables, namely transformational leadership, entrepreneurial leadership, intrinsic motivation, and employee creativity. To assess the research variables using a five-point Likert scale (1 strongly disagree – 5 strongly agree). Leadership is measured by 7 statements made from previous research (Sudibjo & Prameswari, 2021), namely; explain the vision and mission, invite cooperation, demonstrate creativity, value organizational behavior, be responsible, provide opportunities, and motivate employees.

Assessing the leadership variable as measured by nine statement items adopted from previous research (Aristana et al., 2022), namely; demonstrated by the ability to make changes, creative thinking, looking for new ideas, positive responses, seeing opportunities, responding to changes, taking advantage of opportunities, finding solutions, answers to results.

The intrinsic motivation variable is measured through four statements adopted from the research (Lin et al., 2021), namely; fun work, enjoying every process, work is a fun experience, and getting satisfaction when participating.

The employee creativity variable is measured by 5 statement items referred to in previous research (Zhang, 2010), namely; suggest new ways to achieve goals, generate new ideas, seek technologies, processes, techniques, and products, suggest new ways to improve quality, and seek sources of creative ideas.

Table 1  
Respondents Characteristics

## Data Analysis

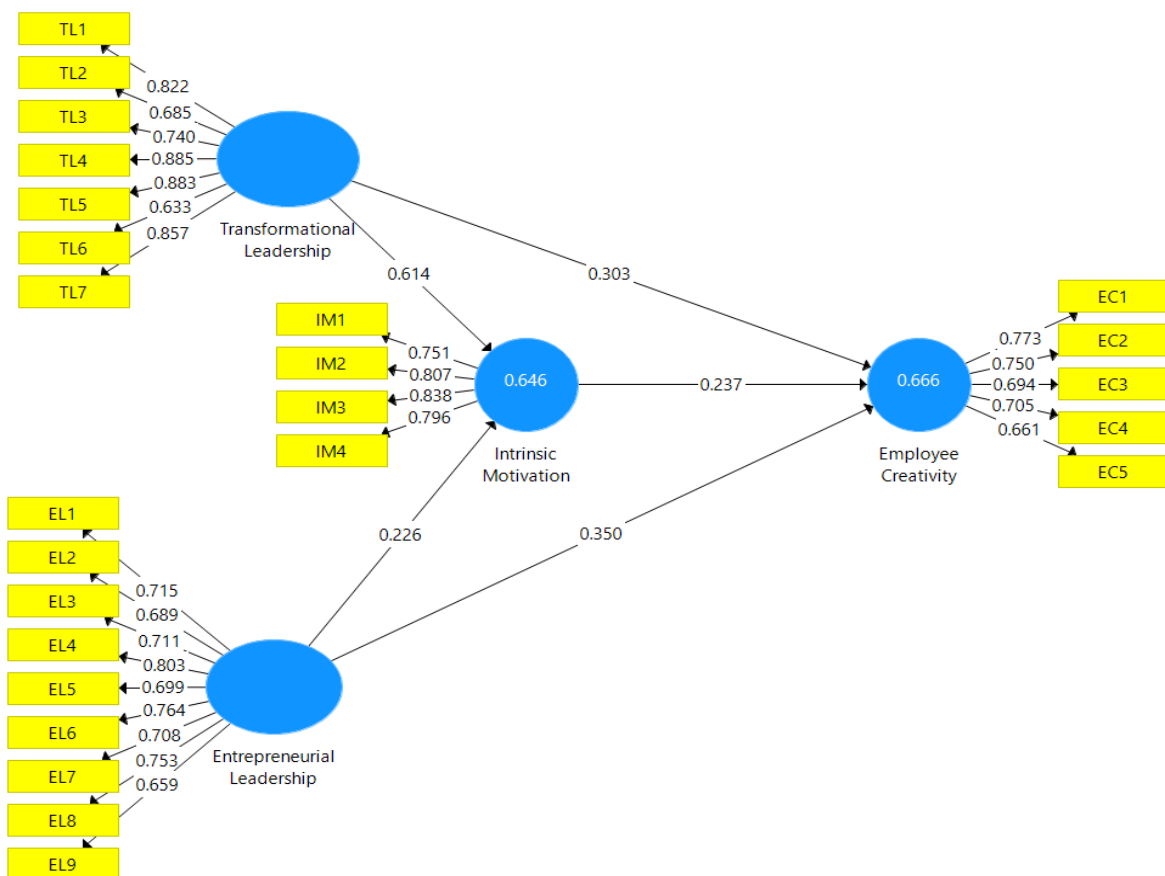
After the data as been collected in accordance with the target, then proceed with data analysis using SmartPLS 3.2.9 through two stages, the first is the evaluation of the measurement model by measuring convergent validity, discriminant validity and composite reliability. Second, evaluation of the structural model with R-square, hypothesis testing, and mediation testing using Sobel Test.

## RESULT AND DISCUSSION

### Result

#### Evaluation of model measurement

The evaluation analysis of the measurement model was carried out to test the quality of the data from the constructs used, the results of the validity test are seen in Figure 2 dan Table 2:



**Figure 2. Measurement and stuctural model result**

The test is done by looking at the convergent validity which is indicated by the loading value above 0.6 ( $OL > 0.6$ ). Furthermore, the discriminant validity test measures the validity of the indicator by comparing the value of the average variance extract ( $\sqrt{AVE}$ ) with other constructs ( $sig. > 0.5$ ). Followed by measuring the value of construct loss seen from Cronbach's alpha greater than 0.7 ( $CA > 0.7$ ) (Hair et al., 2013).

Table 2 Item Validity and Construct Reliability

Variables and Indicators	Outer Loading	Cronbach's	rho_A	Composite
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		Alpha		Reliability
Employee Creativity		0.763	0.764	0.841
EC1	0.773			
EC2	0.750			
EC3	0.694			
EC4	0.705			
EC5	0.661			
Entrepreneurial Leadership		0.886	0.889	0.908
EL1	0.715			
EL2	0.689			
EL3	0.711			
EL4	0.803			
EL5	0.699			
EL6	0.764			
EL7	0.708			
EL8	0.753			
EL9	0.659			
Intrinsic Motivation		0.812	0.820	0.875
IM1	0.751			
IM2	0.807			
IM3	0.838			
IM4	0.796			
Transformational Leadership		0.897	0.905	0.921
TL1	0.822			
TL2	0.685			
TL3	0.740			
TL4	0.885			
TL5	0.883			
TL6	0.633			
TL7	0.857			

Resource: Author Calculation, 2022

Table 3 Discriminant Validity

Variables	AVE	√AVE	Employee Creativity	Entrepreneurial Leadership	Intrinsic Motivation	Transformational Leadership
Employee Creativity	0.515	0,718	0.717			
Entrepreneurial Leadership	0.524	0,724	0.753	0.724		
Intrinsic Motivation	0.638	0,799	0.723	0.706	0.798	
Transformational Leadership	0.627	0,792	0.763	0.781	0.791	0.792

Resource: Author Calculation, 2022

The test results show that the outer loading value is greater than 0.6 (see Table 2) and the AVE value is greater than 0.5 (see Table 3). The next finding is that the composite reliability value and Cronbach's alpha are greater than 0.7 (in Table 2), so the results obtained are free from random errors (Hair et al., 2013).

### Evaluation of the structural model

After the model measurement criteria are met, it is continued with the structural model evaluation test. First, assess the research model by looking at exogenous variables with

endogenous variables, this assessment uses the analysis of the results of R square ( $R^2$ ). The  $R^2$  value has three categories according to (Hair et al., 2013), the  $R^2$  value is 0.02 (weak), 0.19 (moderate), and 0.35 (strong). The results of the analysis can be seen in Table 4.

Table 4 Research Model Feasibility Construction

Variable	R Square	R Square Adjusted
Employee Creativity	0.666	0.657
Intrinsic Motivation	0.646	0.639
Average	0.656	0.648

Resource: Author Calculation, 2022

Table 4 The  $R^2$  value of the model is greater than 0.35 so the research model is relatively strong (Hair et al., 2013). While the average value of  $R^2$  is 64.8 percent and the other 35.2 percent is explained by other variables that are not included in this study. The value of  $R^2$  was adjusted and increased by adding other constructs in further research in the future.

### Hypothesis Testing

The next test is to find out the direct and indirect effects of exogenous and endogenous variables. This test is carried out by looking at the path coefficient values, p values and t-statistics can be shown in Table 5.

Table 5 The Direct Relationship Between Variables

Relationship variables	Original Sample	Sample Mean	Deviation	T Statistics	P Values	Supported
TL -> EC	0.303	0.297	0.125	2.430	0.015	Yes
TL -> IM	0.614	0.617	0.110	5.568	0.000	Yes
EL -> EC	0.350	0.354	0.091	3.830	0.000	Yes
EL -> IM	0.226	0.229	0.123	1.835	0.067	No
IM -> EC	0.237	0.244	0.101	2.355	0.019	Yes

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

Based on the analysis in Table 5 shows that transformational leadership has a positive and significant effect on employee creativity with a path analysis coefficient of 0.303 with a p-value of 0.015 below 0.05 and a t-statistic of 2.430 greater than 1.96 so hypothesis 1 is supported. Subsequent testing shows that transformational leadership has a positive and significant effect on intrinsic motivation, by looking at the path coefficient value of 0.614 with a p-value of 0.000 less than 0.05 and a t-statistic of 5.568 greater than 1.96, so that hypothesis 2 is supported. Entrepreneurial leadership also shows a positive and significant influence on employee creativity. This result is based on the path coefficient value of 0.350 with a p-value of 0.000 less than 0.05 and a t-statistic of 3.830 greater than 1.96. Thus, hypothesis 3, which is stated to be supported. Entrepreneurial leadership shows no significant positive effect on intrinsic motivation. The results of the analysis show the path coefficient value of 0.226 with a p-value of 0.067 greater than 0.05 and a t-statistic of 1.835 less than 1.96. So this result states that hypothesis 4 is not supported. Furthermore, intrinsic motivation has a positive and significant effect on the creativity of employees, with coefficients of 0.237 a p-value of 0.019, and a t-statistic of 2.355. The results of this analysis show that hypothesis 5 is supported.

In the next stage, researchers measure the indirect effect by involving mediating variables by the provisions of structural equation modeling (SEM). By the conceptual



framework, this research has two mediation paths which are measured using the Sobel Test. To find out whether the mediator variable has an intervention on the relationship between variables, it is done by comparing the value of t-statistics with the t-table. If the t-statistic is greater than the t-table (t-statistic > t-table) the hypothesis is accepted or the mediating variable has an intervention. Vice versa if the t-statistic is smaller than the t-table (t-statistic < t-table), then it is rejected or the mediating variable has no intervention in the relationship between variables. The results of testing the mediating variable (intrinsic motivation) are shown in Table 6.

Table 6  
Indirect Effect With Sobel Test

Relationship variables	Calculation	T Statistics	T Table	Supported
TL->IM-> EC	$\frac{0,614 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,110^2) + (0,614^2 \cdot 0,101^2)}} = 2,1631$	2,214	1,96	Yes
EL->IM-> EC	$\frac{0,226 \cdot 0,237}{\sqrt{(0,237^2 \cdot 0,123^2) + (0,226^2 \cdot 0,101^2)}} = 1,4467$	1,314	1,96	No

Resource: Author Calculation, 2022

Notes: Transformational Leadership (TL), Entrepreneurial Leadership (EL), Intrinsic Motivation (IM), and Employee Creativity (EC).

After calculating using the Sobel Test formula, it can be seen the mediation position variable. This study has two calculated mediation pathways, the results of testing the mediating variable of intrinsic motivation (in Table 6). Our findings show that the first variable of motivation has an intervention relationship between transformational leadership and employee creativity with a z-value of 2.1631 and t-statistics 2,214, which is greater than a t-table of 1.96, so hypothesis 6 is supported. Second, intrinsic motivation is not proven to interfere with the relationship between entrepreneurial leadership and employee creativity with z-value 1,4467 and t-statistic 1,314 smaller than t-table 1.96 with hypothesis 7 not supported.

## Discussion

Transformational leadership has a significant positive effect on employee creativity, this shows that the better the implementation of transformational leadership, the more creativity of employees in the craft industry. To be able to survive in the midst of increasingly fierce competition requires the craft industry to have a competitive advantage (Mittal & Dhar, 2015). This situation requires every organizational leader to be more concerned and have in-depth knowledge of the relationship between transformational leadership and employee creativity. Therefore, managers/owners of the craft industry should be able to adopt transformational leadership considering that this type of leadership is one way to increase employee creativity. Transformational managers also have the ability to be an example for their subordinates, where they can act as creative role models and this can encourage subordinates to be creative. Furthermore, transformational leadership can provide useful and relevant guidance or training to hone the creativity of subordinates. In addition, the guidance and training provided can develop capabilities in terms of developing generate new ideas, seek technologies, processes, techniques, and products. So that the research results provide support for previous research, where transformational leadership can increase employee creativity (Jaiswal & Dhar, 2015; Mittal & Dhar, 2015). The application of transformational

leadership can increase employee creativity (Chaubey et al., 2019; Gumusluolu & Ilsev, 2009; Tse et al., 2018). Transformational leadership fosters a climate of creativity and innovation (Jaiswal & Dhar, 2015).

Transformational leadership has a significant positive effect on intrinsic motivation, this explains that the better the application of transformational leadership, the greater the intrinsic motivation felt by employees of the craft industry. Intrinsic motivation is called a motive, so this motive does not require stimulation (Bastari et al., 2020). However, the quality of the transformational leadership style shown by the crafts industry managers can be the underlying motive for employees to feel motivated. The quality of transformational leadership style is shown by managers through being able to cause emotional feelings for subordinates, having the ability to articulate a vision that makes employees interested in doing something for the future. In addition, managers can build conducive communication, improve a safe work climate, have the ability to provide coaching, support and last but not least empower subordinates. Managers can also listen more to the ideas or ideas that employees have so that they feel valued and this can increase the intrinsic motivation of craft industry employees. This provides support for previous research, which found leadership can increase intrinsic motivation (Al Harbi et al., 2019; Ivashkevich et al., 2001), by increasing employee satisfaction (Al-Mansoori & Koç, 2019; Aristana et al., 2022), so that employees voluntarily participate in each activity (Minh-Duc & Huu-Lam, 2019). These results also imply that the better the application of transformational leadership, the higher the intrinsic motivation of employees (Chen et al., 2009).

Subsequent testing shows that entrepreneurial leadership has a positive and significant effect on employee creativity. This finding explains that the application of entrepreneurial leadership can increase the creativity of employees. Entrepreneurial leadership is often assumed as a strategy with the ability to take advantage of every opportunity that is created (Aristana et al., 2022). This ability often inspires subordinates to always do creative things. If you look at the workforce owned by the craft industry, they are those who have skills so it is very easy to bring out their creativity. To increase competitive advantage requires employee creativity, it is very important for managers/owners to adopt entrepreneurial leadership to develop creativity. The findings show support for (Cai et al., 2019; Mittal & Dhar, 2015; Newman et al., 2018; Riana et al., 2020) who also find entrepreneurial leadership has an impact on increasing employee creativity. This is inseparable from the concept of entrepreneurship which has an important role which includes the creation of new products (Esmer & Dayi, 2017; Kuratko, 2007; Kuratko et al., 2017; Lee et al., 2020; Riana et al., 2020). Liao et al. (2007) and Nguyen et al. (2021) the ability to identify opportunities owned by leaders can encourage employee creativity.

The test results of entrepreneurial leadership have a positive and insignificant effect on intrinsic motivation. This finding can be explained that entrepreneurial leadership does not affect intrinsic motivation in the craft industry. Prior to explaining intrinsic motivation as a motive owned by employees and not influenced by external factors, so that entrepreneurial leadership has an orientation to organizational goals. So this cannot be synchronized with the intrinsic motivation of subordinates. In other words, the ability of entrepreneurial leadership in encouraging the overall performance of the craft industry does not increase the intrinsic motivation of employees. This is because the approach leads to organizational strategy so that it is not focused on any of the existing resources. Leaders who have a goal orientation have no impact on the values believed by employees (Graves & Sarkis, 2018; Jensen et al., 2019). Olutade et al. (2015) leaders must pay attention to what causes employees to be unmotivated. So this finding does not support previous research (Shareef & Atan, 2019) leadership significantly increases intrinsic motivation. Leaders with an entrepreneurial approach align

goals and pay attention to the values needed by subordinates. So that later it can give maximum contribution to each activity.

Intrinsic motivation has a significant positive effect on employee creativity, this finding shows that employees' intrinsic motivation can increase the creativity of craft industry employees. Handicraft industry managers in Bali should promote a more physically and emotionally comfortable work environment to foster employee tolerance. In addition, the handicraft industry must also invest in technology, thereby increasing employee engagement. With the support that makes it easier for employees to realize the ideas they have, it can later encourage employees' motives to show creativity. Furthermore, crafts industry managers to further build a friendly and conducive work environment as a step to encourage employee creativity (Minh-Duc & Huu-Lam, 2019). This finding provides support for previous research which states that intrinsic motivation has an impact on increasing employee creativity (González-González & García-Almeida, 2021; Minh-Duc & Huu-Lam, 2019; Saether, 2019). Motivation has employees who determine every behavior shown by employees (Ayalew et al., 2021; Giurge & Woolley, 2022), as well as the creative behavior of employees (Zhang, 2010). It can be said that motivation is a person's motive to do something (Fischer et al., 2019). So it can be recommended to pay attention to the motives of employees to be able to grow their creativity.

Mediation testing shows that intrinsic motivation is significantly proven as a mediator of transformational leadership and creativity. So it can be explained that intrinsic motivation has an intervention on the relationship between transformational leadership and employee creativity in the craft industry. Previous studies conducted studies on the moderating role of intrinsic motivation and still found mixed results (Shafi et al., 2020). The results of this study provide evidence that intrinsic motivation plays a more important role in increasing the influence of leadership with a transformational approach in an effort to increase the creativity of the craft industry employees. Finding Minh-Duc & Huu-Lam (2019) provides empirical evidence that intrinsic motivation is a mediator of transformational leadership and employee creativity. Therefore, if the crafts industry managers practice a transformational leadership style to encourage employee creativity, of course it is necessary to pay attention to intrinsic motivation which can also contribute to the transformational relationship and employee creativity. The results of this study provide support for previous findings (Fischer et al., 2019; Hughes et al., 2018; Lin et al., 2021; Wang et al., 2019).

Subsequent mediation tests showed that intrinsic motivation was not proven to mediate entrepreneurial leadership and employee creativity. The results of this study indicate that intrinsic motivation does not contribute to increasing employee creativity with an entrepreneurial leadership approach in the craft industry. Theoretically, this research provides a new perspective on mediator testing using intrinsic motivation. Practically, this research is very useful for the craft industry in increasing the creativity of its employees. Considering that employee creativity is something that can provide an advantage for the craft industry, it is very important to improve it, but if managers apply entrepreneurial leadership, it is necessary to consider intrinsic motivational intervention. So this finding can help policy makers in the craft industry to understand the factors used to foster creativity. Through understanding related to the factors of creativity, it is possible to make policies that suit the needs effectively and later foster employee creativity. In addition, this study also provides social implications about the importance of determining behavior and attitudes when interacting with employees so that they can provide a positive attitude at work. The findings of this study do not support the results of previous studies (Shin & Zhou, 2003; Su et al., 2020; Laraib, 2018; Tu & Lu, 2016) find the intrinsic motivation of leadership in increasing creativity.

## **CONCLUSION AND RECOMMENDATION**

The export craft industry must improve its performance through increased productivity in a global environment. From the employee context, transformational leadership can increase employee motivation and creativity. Meanwhile, entrepreneurial leadership has a strong goal orientation by fostering employee creativity. So the research has several findings, first, transformational leadership can increase employee intrinsic motivation and creativity. Furthermore, the personal approach taken by the leader directly has a motivational impact and can further encourage employees to be more creative. Second, entrepreneurial leadership has an impact on innovation both in the process of goals, products, and others related. However, it does not have an impact on intrinsic motivation because it tends towards the values that are believed by employees. Contributed researchers conducted, firstly, research findings related to leadership, especially transformation and entrepreneurship, making it easier for researchers to explore. Second, this study investigates the mechanisms of transformational leadership and entrepreneurship in influencing employee creativity. Third, this research can be connected to previous research related to the influence of transformational leadership and entrepreneurship in increasing creativity. At the same time, this study also provides an assessment of the results of research where entrepreneurial leadership is not related to intrinsic motivation. Fourth, considering that employee creativity tends to arise due to individual feelings, intrinsic motivation plays an important role in increasing creativity, especially in the export handicraft industry sector in Bali.

Based on the findings of this study, the researcher can suggest some practical experiences for owners, managers, and employees as additional insights. Focus findings lead to suggestions and potential solutions to foster employee creativity involving leadership styles. First, leaders in developing creativity are very important to apply transformational leadership and entrepreneurial leadership. Because these two leaderships are proven in fostering employee creativity in the craft industry. Second, employee creativity is determined by personal, so an approach is needed that can make employees feel comfortable and have satisfaction. Note that transformational leadership is more appropriate than entrepreneurial leadership. This is because leaders with entrepreneurial orientations are more focused on organizational goals, so they tend to have weaknesses in building personal relationships with subordinates. Third, this finding is also very important for a leader to increase intrinsic motivation so that employees participate in contributing their creative ideas.

Like previous studies, this study also has some limitations. First, the sample used is still very limited to one IKM in Bali, the results of this study may offer different findings if carried out on a larger regional generalization because larger sample size is beneficial for differences in results. Second, efforts to increase employee creativity only focus on transformational leadership, entrepreneurial leadership, and intrinsic motivation. While there are still many other variables that have not been included such as other leadership styles, not depending on knowledge, organizational culture, and commitment to creativity which might increase employees. Finally, this study uses a causal approach so that the data reported is self-assessment. So this has some limitations such as a very strong bias, in the future, it is important to conduct a longitudinal study to answer the problem more comprehensively.

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Semarang, November 24<sup>th</sup>, 2022

To :

I Nengah Aristana  
Universitas Mahasaraswati Denpasar, Indonesia

Ni Made Dwi Puspitawati  
Universitas Mahasaraswati Denpasar, Indonesia

Tjokorda Istri Tuty Ismayanthi  
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Re : Letter of Acceptance

Dear Author

I am glad to inform you that your paper entitled "Leadership and Employee Creativity :  
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Thank you for your attention and cooperation



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