

The Role of Transformational Leadership in Moderating the Relationship of Innovation to MSME Performance in the City of Denpasar

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Abstract: The pressure of the global COVID-19 pandemic has not only resulted in a health crisis but also a crisis in the world economy. Countries in the world have implemented policies to control the spread of COVID-19, including contact tracing, isolation, quarantine, working from home, imposing restrictions on community activities, to large-scale social restrictions. Indonesia itself experienced an impact on social activities as a result of the restriction policy. COVID-19 has stopped economic activity because many companies are losing money and even closing their businesses, which has a big impact on layoffs. This study aims to examine the effect of transformational leadership on the relationship between innovation and marketing performance of SMEs in Denpasar City. Furthermore, this study further examines the extent to which transformational leadership influences the relationship of innovation to marketing performance and how this influence can be managed for SME development. Cross-sectional survey data were collected from 395 SMEs throughout Denpasar City. Quantitative methodology used with partial least squares structural equation modeling (PLS-SEM) approach with bootstrap procedure on Smart-PLS 3.2.9 software was adopted to test the hypothesis. The results show that this study contributes to the existing literature by revealing the strategic role of transformational leadership style in a direct relationship with the marketing performance of MSMEs in Denpasar City. However, theoretically the model has not shown that the relationship between transformational leadership, innovation, and the marketing performance of MSMEs are more deeply connected. Therefore, managers must be critical in their implementation when it is expected to achieve higher levels of MSME marketing performance. In addition, empirical tests and theoretical models have not been able to prove expanding the marketing performance literature in the moderating role of transformational leadership as an important resource and capability in the MSME service sector.

Keywords: Innovation, Transformational leadership, Marketing performance.

Preliminary

In both developed and developing countries of the world, local, regional and government policy makers have considered the important role of SMEs in creating jobs and prosperity and fostering innovation.(Nyoni and Bonga, 2018). The important role of MSMEs in developing countries in increasing economic growth has long been recognized (Burns, 2016). Small businesses have become a significant area of concern for many policy makers, in an effort to stimulate growth rates in low-income countries (Daniel and Fisseha, 1992). First, small-scale enterprises are a potential source of employment and income

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in many developing countries. According to Burns (2016), Small-scale enterprises employ 22% of the adult population in developing countries. They further play a useful role in ensuring income stability, growth and employment (Abor and Biekpe, 2006). Small-scale and labor-intensive enterprises are more likely to succeed in urban centers and smaller rural areas, where they can contribute to a greater distribution of economic activity in an area and can also help reduce migration flows to large cities.

The number of Micro, Small and Medium Enterprises (MSMEs) in Denpasar City as of November 2021 recorded 30,026 MSMEs registered with the Denpasar City Cooperative Office. This is a separate asset that will strengthen the foundation of the regional economy, in essence it can be a source of income for local governments, besides the participation of MSMEs can realize economic growth, equity, and increase people's income, create jobs, and alleviate poverty. MSMEs need to provide facilities to develop themselves through various kinds of facilitation in various sectors, of course. In line with the input values above, the empowerment of Small and Medium Enterprises needs to be carried out in a comprehensive, optimal and sustainable manner through the development of a conducive climate, providing business opportunities, support, protection, and business development as widely as possible, so as to increase the position, role, and potential of small and medium enterprises. Empowerment of the people's economy is to increase the income and welfare of the community as well as expand the field of workers, it is necessary to improve and strengthen the ability of SMEs to become healthy, strong and independent SMEs. Community economic development is a priority scale to realize the importance of empowering SMEs. With the synchronization between government policies on the one hand and the implementation of policies that encourage and direct community participation in empowering SMEs to improve their performance and competence and their business (Denpasar City Cooperative Office, 2021) and the potential of small and medium enterprises. Empowerment of the people's economy is to increase the income and welfare of the community as well as expand the field of workers, it is necessary to improve and strengthen the ability of SMEs to become healthy, strong and independent SMEs. Community economic development is a priority scale to realize the importance of empowering SMEs. With the synchronization between government policies on the one hand and the implementation of policies that encourage and direct community participation in empowering SMEs to improve their performance and competence and their business (Denpasar City Cooperative Office, 2021) and the potential of small and medium enterprises. Empowerment of the people's economy is to increase the income and welfare of the community as well as expand the field of workers, it is necessary to improve and strengthen the ability of SMEs to become healthy, strong and independent SMEs. Community economic development is a priority scale to realize the importance of empowering SMEs. With the synchronization between government policies on the one hand and the implementation of policies that encourage and direct community participation in empowering SMEs to improve their performance and competence and their business (Denpasar City Cooperative Office, 2021) tough and independent. Community economic development is a priority scale to realize the importance of empowering SMEs. With the synchronization between government policies on the one hand and the implementation of policies that encourage and direct community participation in empowering SMEs to improve their performance and competence and their business (Denpasar City Cooperative Office, 2021) tough and independent. Community economic development is a priority scale to realize the importance of empowering SMEs. With the synchronization between government policies on the one hand and the implementation of policies that encourage and direct community participation in empowering SMEs to improve their performance and competence and their business (Denpasar City Cooperative Office, 2021)

Despite the contribution of SMEs to economic development and social intervention, the sector faces many challenges, such as finance, resource management, strategic planning, and the lack of appropriate platforms to enable innovation in products, processes, organization and marketing capabilities. The

MSME managers of many of these companies have little or no technical or managerial experience. Most MSMEs are generally unstable and do not survive after 3 years. The survival of SMEs is affected by many constraints. These constraints include weak management capacity, lack of market information, inadequate resources such as human and financial resources, low levels of innovative capabilities, and the inability to improve innovation and performance (Pramuki and Kusumawati, 2021).

The pressure of the global COVID-19 pandemic has not only resulted in a health crisis but also a crisis in the world economy. Countries in the world have implemented policies to control the spread of COVID-19, including contact tracing, isolation, quarantine, working from home, imposing restrictions on community activities, to large-scale social restrictions. Indonesia itself experienced an impact on social activities as a result of the restriction policy. COVID-19 has stopped economic activity because many companies are losing money and even closing their businesses, which has a big impact on layoffs.

Bali as a major tourist destination in Indonesia, has been greatly affected by the pandemic. Bali is a comfortable place for tourists to vacation both at the individual and group level, large events such as concerts or conferences are often held, now it cannot be done anymore due to the pandemic and the social restriction policy where people cannot interact closely. The direct impact of the COVID-19 pandemic is that many business units have temporarily closed their businesses (including hotels, travel agencies, event planning services) or permanently closed their businesses in Bali. The tourism sector is the main pillar of economic activity in Bali, now it is temporarily suspended (Widnyani et al., 2021).

As data from Bank Indonesia (BI) Denpasar City shows that MSMEs in Denpasar City are experiencing severe pressure and paralysis caused by the drop in trading activity as a result of a 68% decline in sales, 12% capital difficulties, 10% distribution difficulties, 6% raw material difficulties and production difficulty 4%. The decline in sales turnover can also be caused by the characteristics inherent in MSMEs such as limited capital, incomplete licensing, low awareness of paying taxes, weak innovation and low technology adoption. (Kaimuddin, 2020; Pramuki, 2020; Sukarsa, 2020).

Even Indonesian Micro, Small and Medium Enterprises Industry Association (Akumandiri) (2019) released a report on the results of the Focus Group Discussion "The lack of innovation is still an obstacle for developing MSMEs" in an attempt to explain the paradoxical situation in Indonesia. The results of this discussion state that it is necessary A lot of innovation is needed from MSME actors in order to survive in the face of the wave of times in the Industrial Revolution 4.0 era in the midst of the Covid-19 pandemic.

In addition, every business survival leads to profit maximization and marketing-oriented approaches as a way to meet these expectations because businesses have marketing challenges (Dzisi and Ofosu, 2014; Van Scheers, 2011). MSME managers need to understand how important it is to understand the definition of marketing in business performance. Lam and Harker (2015) stated that the concept of marketing developed rapidly in the twentieth century. Meanwhile, Katon (2014) explains that some MSME managers do not realize the importance of marketing. Thus, some MSME managers have not seen marketing as a clear concept or misunderstood marketing only as advertising (Katona, 2014). However, several researchers have confirmed the findings of previous studies that business people have accepted marketing as a separate concept and an integrated business performance indicator (Lam and Harker, 2015). Therefore, some managers or business people use entrepreneurial procedures and untapped marketing techniques to contribute to the achievement of new projects (Jayawarna et al., 2014). Thus, the concept of marketing performance becomes important to do.

Until now, there have been many ideas by researchers in evaluating the importance of transformational leadership in the MSME sector (Northouse, 2018). Hayat and Riaz (2011) state that transformational leadership is closely related to the MSME business approach and the environment in which entrepreneurs

work. Matzler et al. (2008) emphasized that transformational leadership style is closely related to entrepreneurship and SMEs. They realized that because SMEs are small, it is the entrepreneur who guides the vision and direction, which equates to the ideal impact of transformational leadership. Thus, being able to communicate each employee's expectations regarding the inspirational and individual aspects of the transformational driving characteristics (Hayat and Riaz, 2011). Second, they argue that due to limited resources, MSMEs explicitly address staff self-motivation because MSMEs cannot use substantial resources, external rewards in transactions with staff because there is not enough commercial space. Lastly, they emphasize that MSMEs operate in a dynamic environment and a global economy characterized by unpredictable opportunities and threats; Therefore, transformational leadership may be appropriate for MSMEs in adapting to this type of environment.

Matzler et al. (2008), observed that less complex and flexible SMEs provide an enabling environment for transformational leaders to play an important role in improving organizational performance. Visser et al. (2013) suggested in their study of transformational leadership in South Africa involving 535 small and medium business owners and managers. The results showed that there was a moderate level of positive relationship between transformational leadership and entrepreneurship. This shows that South African MSME owners and managers have the characteristics of entrepreneurs and transformational leaders. These studies have agreed that transformational leadership theory applies to the small and medium enterprise business environment. Regardless of the size of the company, Leaders who effectively adopt a transformational leadership style tend to achieve positive results for their organizations. To be able to compete in the global economy, MSMEs must undergo radical changes such as becoming more entrepreneurial and having effective leadership (Hashim, 2012). If MSMEs are to grow and increase their contribution to the country's economy as planned, their leaders must be able to identify the need for rejuvenation, increase their sense of direction, be ready to make the necessary changes in their organizations, and more importantly. to improve organizational performance (Hashim, 2012). MSMEs must undergo radical changes such as becoming more entrepreneurial and having effective leadership (Hashim, 2012). If MSMEs are to grow and increase their contribution to the country's economy as planned, their leaders must be able to identify the need for rejuvenation, increase their sense of direction, be ready to make the necessary changes in their organizations, and more importantly. to improve organizational performance (Hashim, 2012). MSMEs must undergo radical changes such as becoming more entrepreneurial and having effective leadership (Hashim, 2012). If MSMEs are to grow and increase their contribution to the country's economy as planned, their leaders must be able to identify the need for rejuvenation, increase their sense of direction, be ready to make the necessary changes in their organizations, and more importantly. to improve organizational performance (Hashim, 2012). ready to make the necessary changes in their organization, and more importantly. to improve organizational performance (Hashim, 2012). ready to make the necessary changes in their organization, and more importantly. to improve organizational performance (Hashim, 2012).

Although the literature is of great interest to researchers and practitioners in the field of leadership and performance, the arguments tend to focus on the presence or absence of a relationship between innovation, transformational leadership, and marketing performance. Although associations were identified between innovation and organizational performance (Han et al., 1998) and between transformational leadership and organizational performance (West et al., 2003; Han et al., 1998), very few studies have been conducted to examine the relationship between these variables. simultaneously (Yang, 2009; Todorovic and Schlosser, 2007).

This research was developed to fill the previous research gap by using the innovation variable approach and transformational leadership as the main drivers of marketing performance. The novelty in this

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research is the addition of a transformational leadership variable that acts as a moderating variable in the hope that it can strengthen the influence of innovation on marketing performance. This study follows suggestions from several authors for future research on leadership, innovation, and marketing performance, thereby combining theoretical models of these variables together to validate the research empirically. As indicated, this study aims to explore the direct relationship between innovation type and marketing performance,

Literature Review

2.1 RBV theory

Resource Based View (RBV) theory was developed by (Barney, 1991). This theory explains that resource ownership is a critical success factor for competitive advantage. Public accounting firm (KAP) in carrying out audit services is strongly influenced by the available resources. Therefore, KAP resources need to be developed so that the company becomes superior and competitive, which in turn can improve the performance of the KAP in producing good audit quality so that the company can be trusted by clients and stakeholders.

2.2 Contingency Theory

Contingency theory states that there is no universally applicable management and control accounting system. The appropriate accounting and control techniques to use depend on the circumstances or contingent factors affecting a company. There are several key contextual factors that can affect the accuracy of the selection of accounting techniques, namely the external environment, technology (both traditional and contemporary), organizational structure, size, strategy, and national culture. (Fisher, 1995). Important ideas from Contingency Theory include: 1) There is no universal or best way to manage 2) A variety of external and internal factors must be considered and must focus on the actions that are best suited to a given situation 3) An effective organization does not only have a 'fit' right with the environment but also between subsystems 4) Organizational needs will be more satisfied when designed and appropriate management style both for the task being performed and the nature of the work group. 5) Each manager's situation should be looked at separately 6) Managers need to be developed in the skills that are most useful in identifying important situational factors (Pusparini et al., 2020)

2.3 Marketing Performance

Marketing performance is a concept to measure the marketing achievement of a company. Every company has an interest in knowing its achievements as a reflection of the success of its business in market competition. Which describes the results of implementing the company's strategy, including customer satisfaction, new product success, increased sales, and company profitability (Mardiyono and Sugiyarti, 2015). Business competition is so tight that it requires companies to further improve the company's marketing performance, because the success of a product will affect its marketing performance (Narastika and Yasa, 2017), industrial sales ((Kaleka and Morgan, 2017, Pramuki and Kusumawati; 2021)

2.4 Relationship of Innovation with Marketing Performance

Today, innovation is considered as one of the most important aspects of business studies. The OECD (2005) categorizes innovation into four types: product, process, marketing, and organizational innovation. Product innovation involves increasing customer benefits for functional or other improvements in a product or service (Zaefarian et al., 2017), moreover, process innovation refers to doing business in new and innovative ways (Akgün et al., 2014). Organizational innovation is defined as the introduction of new business practices, workplace regulations, decision making, and new ways of dealing with external relations (Polder et al., 2010). Hasan et al. (2013) describe that innovation in marketing is implementing

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new marketing methods that involve significant changes in design, placement, packaging, product promotion, and pricing strategies.

Studies show that the company's innovative performance has a positive and significant impact on the growth of SMEs (Hoang Nam, 2014). Thus, a culture of innovation has been expressed as a prerequisite for enhancing organizational, marketing, and managerial entrepreneurship in a competitive market (Aksoy, 2017). As a result, businesses need to adopt more innovative marketing activities to employ the right strategies. Innovation has a significant positive effect on the performance of micro and small businesses in Ghana (Acquaah and Agyapong, 2015). In Ghana, innovation across SMEs is necessary not only for organizational survival but also for improving business performance. Anning-Dorson (2016) states that innovation is needed to make a company different, so as to achieve a competitive advantage. The innovative ability of companies and individuals within the company has a definite causal relationship with the performance of SMEs (Agyapong et al., 2017). Innovative capabilities have a direct and positive impact on firm performance outcomes (Hsieh and Lin, 2010).

However, some MSME managers have ignored the importance of marketing or claim that they have limited funds in an effort to improve their marketing performance (Katona, 2014). On the other hand, several researchers have confirmed the findings of previous studies that entrepreneurs have accepted marketing as a separate concept and integrated business performance indicator (Lam and Harker, 2015). As a result, some managers use untapped entrepreneurial procedures and marketing techniques to contribute to the achievement of new projects or strategies (Jayawarna et al., 2014). Thus, MSME managers must identify marketing performance to determine their contribution to organizational performance. In comparison, MSME actors view the marketing concept from a certain perspective (Katona, 2014). Thus, this study believes that the level of innovation in an organization is an important factor of marketing performance. Based on the description of the theory and previous research studies, the following hypotheses can be proposed:

H1: The innovation strategy consisting of product, process, marketing, and organizational innovation has a positive and significant impact on the marketing performance of MSMEs in Denpasar City

2.5 Relationship of Transformational Leadership with Marketing Performance

Transformational leadership has become one of the most critical topics in recent decades since Burns (1978) popularized the concept (Ng, 2017). Transformational leadership has attracted the attention of researchers because of its differences from traditional leadership methods (Judge and Piccolo, 2004; Kark et al. 2018). Therefore, the influence of leadership behavior on company performance has attracted research interest among academics and leadership practitioners (Parashakti et al., 2018; Kim and Brimer, 2011). West et al. (2003) argues that leadership in small organizations is a central factor that affects a company's competitive advantage. Thus, the style of a leader has become an important focal point of creativity. Leaders who have a transformative style offer individual development,

Abishaiqah (2016) found a substantial relationship between transformational leadership and hospital performance using a sample of 227 nurses from 4 hospitals in Saudi Arabia. Furthermore, Pourbarkhordari et al. (2016) examined the direct and indirect effects of transformational leadership on job performance using data collected from 202 employees in China and found that transformational leadership has a significant impact on job performance. Khan et al. (2014) states that there is a strong relationship between transformational and corporate financial performance. The results showed that the transformational leadership style has a more significant weight on the company's financial performance. Therefore, examining the possible direct relationship between transformational leadership and marketing performance is important and will help in increasing understanding of the relationship between variables.

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Based on the description of the theory and previous research studies, the following hypotheses can be proposed:

H2: Transformational Leadership has a positive and significant effect on the marketing performance of MSMEs in Denpasar City

2.6 Transformational Leadership as Moderator

Researchers have provided perceptions of the influence of transformational leadership on the relationship between innovation and marketing performance. According to Bas (2000), a transformative leader is the type of leader he promotes by creating a vision that gives meaning and motivation. Transformational leadership theory also predicts that effective leaders can adjust their leadership behavior in more or less transformational ways to meet the demands of dynamic situations (Hannah et al., 2008). Bas et al. (2003) suggest that transformational leadership is more effective because transformational leaders empower employees by transforming them into individuals and teams with strong commitment, focus on service, quality, profitability, and high returns. Therefore, Transformational leadership practices and behaviors must have a significant impact on innovation and marketing performance. As a result, the different intrinsic characteristics of each transformational leadership style, one style can be expected to have a more significant positive impact on innovation and marketing performance.

Transformational leadership is defined as a process in which leaders are available and their employees' attention is increased (Bass, 1985). There are four transformational leadership factors: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass and Riggio, 2006). The components described below provide the basis for the perception of individual abilities as drivers in this study. Ideal effect, the expected effect that the leader with ideal effect gives his subordinates a clear purpose by activating role models in ethical behavior, building respect and identification with the leader and his particular vision, and imagining that the leader puts the interests of the group ahead of his own. Similarly, (Judge et al.,

Inspirational motivation: An inspiring leader speaks optimistically about the future and expresses his belief in achieving group goals, enthusiastically discusses what needs to be done, and articulates a clear vision for the future to motivate and inspire those who pursue goals. According to (Perkins, 2010), even in the absence of a leader, inspiring motivation often results in individual effort and performance beyond natural expectations, reinforcing their followers who can meet challenges independently of their own accord.

Intellectual stimulation: A leader with intellectual stimulation allows followers to question the status quo as well and real ways to solve problems and encourage them to see problems from a different perspective. Through intellectual stimulation and transformation, leaders do not attract followers "to promote creativity and creative thinking." Therefore, followers are encouraged to look at the case or problem from a new perspective in order to find a different way of doing things or find new solutions to problems (Bass et al., 2003).

Individual consideration: A leader with individual understanding considers and separates each group member as an individual with different needs, abilities, and ambitions and continuously works to get followers to realize their full potential (Hadden, 2003). Allison and Goethals (2013) mention that "one-to-one relationship" means empowering followers and improving communication among group members as well as between leaders and group members. Senior management is expected to provide the driving force to implement an effective product innovation strategy. Companies with leaders with strong creative tendencies are more likely to see higher performance results than those with recent leadership in innovation. Therefore,

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H3: Transformational leadership positively moderates the relationship between innovation and marketing performance

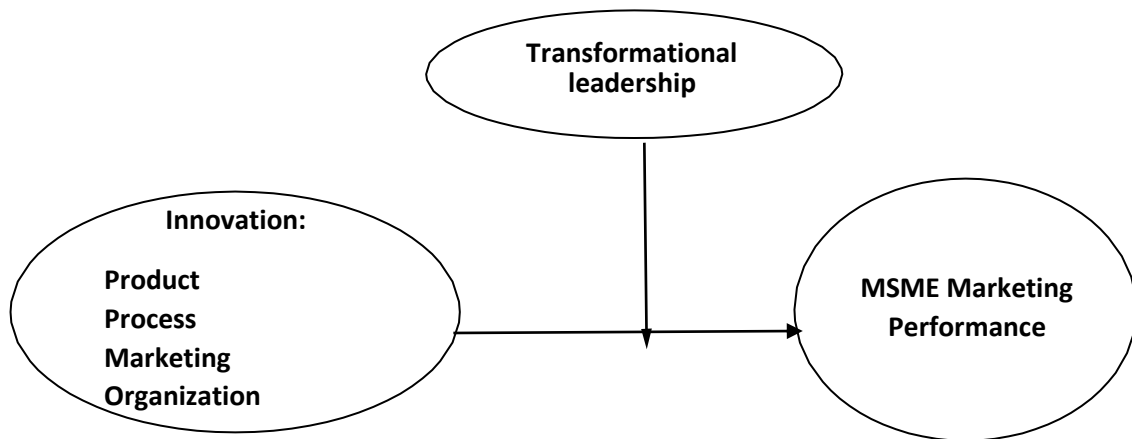


Fig 1 Research Concept Framework

Research Methods

This study has explanatory characteristics because it is intended to describe the causal relationship between several related variables through hypothesis testing in this case the influence of innovation on marketing performance with transformational leadership as moderating. The sources of data used in this study are primary data through interviews and distributing questionnaires to respondents, in this case MSME actors in Denpasar City. The population of this study is all registered SMEs in Denpasar City, which amounted to 30,850. The method of determining the sample in this study used the stratified random sampling method. The minimum sample size uses the Slovin formula as follows: By using an error threshold of 5%,

The construction of innovation as an independent variable in this study is classified into product innovation, process innovation, marketing innovation, and organizational innovation. This section includes 20 items divided into four subcategories; each measured on a seven (7) level Likert-type scale (ranging from “1 strongly disagree” to “7 strongly agree”). The product innovation dimension embraces 4 elements, the introduction of new products, the development of new product features, product repositioning, and new products to penetrate the market. Prajogo and McDermott (2014) and Vinarski-Peretz et al. (2011)). Transformational leadership as a moderator was developed by Avolio and Bass (1995) in the form of a multifactor leadership questionnaire. In this perspective, Transformational leadership is measured by indicators that describe leadership characteristics, namely, idealized influence behavior, inspired motivation, intellectual stimulation, and individual consideration. Marketing performance as the dependent variable is measured by three (3) items such as profitability, customer satisfaction, and sales. All of these items were adopted and modified from Katsikeas et al. (2016). These items were selected according to the uniqueness of each item and to maximize construct reliability and validity. In this study, the subjective perception of the owner or manager of SMEs is used to evaluate marketing performance. Marketing performance as the dependent variable is measured by three (3) items such as profitability, customer satisfaction, and sales. All of these items were adopted and modified from Katsikeas et al. (2016). These items were selected according to the uniqueness of each item and to maximize construct reliability and validity. In this study, the subjective perception of the owner or manager of SMEs is used to evaluate marketing performance. Marketing performance as the dependent variable is measured by three (3) items such as profitability, customer satisfaction, and sales. All of these

items were adopted and modified from Katsikeas et al. (2016). These items were selected according to the uniqueness of each item and to maximize construct reliability and validity. In this study, the subjective perception of the owner or manager of SMEs is used to evaluate marketing performance.

The data analysis method in this study uses descriptive analysis and inferential statistical analysis with the Partial Least Square (PLS) approach with the help of Smart.PLS 3.2.9 software. Partial Least Square (PLS) was developed by Lohmoller (1989, 1984). Partial Least Square (PLS) is a statistical software that can be used to process data in a linear structural model.

Results And Discussion

This study uses a survey method by distributing questionnaires to MSMEs in Denpasar City. A total of 395 MSMEs have responded in answering this research questionnaire. This data collection lasted 3 months and all questionnaires were filled out completely and could be processed further. Respondents in this study were dominated by respondents aged under 30 years as many as 175 respondents (44.3%), 2) the characteristics of the education level of respondents in this study were dominated by high school education level as many as 319 respondents (80.8%), 3) the characteristics of the length of business of the respondents in this study were less than 5 years as many as 233 respondents (59.0%) 4) the gender characteristics of the respondents in this research were dominated by men as many as 262 respondents (66.3%).

The results of the calculation regarding the outer loading value show that all indicators have met the valid requirements based on the convergent validity criteria, namely the outer loading value is above 0.60. The AVE value of all constructs > 0.50 and the value of The AVE of each construct ranges from 0.729 to 1,000, which is greater than the correlation value, which is between -0.175 to 0.849. so that it meets the valid requirements based on the discriminant validity criteria. the value of composite reliability and Cronbach Alpha of each construct has shown a value greater than 0.60 so that it meets the reliable requirements based on the composite reliability criteria.

Table 1 Discriminant Validity Test

Variable	AVE	AVE	IP	IPro	Ipem	IOrg	KT
Product Innovation (IP)	0.666	0.816					
Process Innovation (IPro)	0.656	0.810	0.719				
Marketing Innovation (IPem)	0.531	0.729	0.608	0.659			
Organizational Innovation (IOrg)	0.674	0.821	0.550	0.588	0.688		
K. Transformational (KT)	0.674	0.821	0.344	0.323	0.434	0.349	
Marketing Performance	0.577	0.760	0.438	0.424	0.481	0.440	0.698

Table 2. Composite Reliability Test and Cronbach Alpha

Variable	Cronbach's Alpha	Composite Reliability
Product Innovation	0.833	0.833
Process Innovation	0.833	0.833
Marketing Innovation	0.852	0.888
Organizational Innovation	0.839	0.892
Transformational leadership	0.880	0.912
Marketing Performance	0.643	0.802

Table 3 Path Analysis and Statistical Testing

Relationship Between Variables	Coefficient	Q.Statistics	P. Values	Information
Product Innovation -> MSME Performance	0.094	1,630	0.104	Not significant
Process Innovation -> MSME Performance	0.059	1.044	0.297	Not significant
Marketing Innovation -> MSME Performance	0.039	0.593	0.553	Not significant
Organizational Innovation -> MSME Performance	0.098	1,740	0.083	Significant
Transformational Leadership -> MSME Performance	0.610	14.924	0.000	Significant
IP<>KT -> MSME Performance	0.096	1,447	0.148	Not significant
IPro<>KT -> MSME Performance	-0.170	2,708	0.007	Significant
IPem<>KT -> MSME Performance	0.095	0.998	0.319	Not significant
IOrg<>KT-> MSME Performance	-0.057	0.809	0.419	Not significant

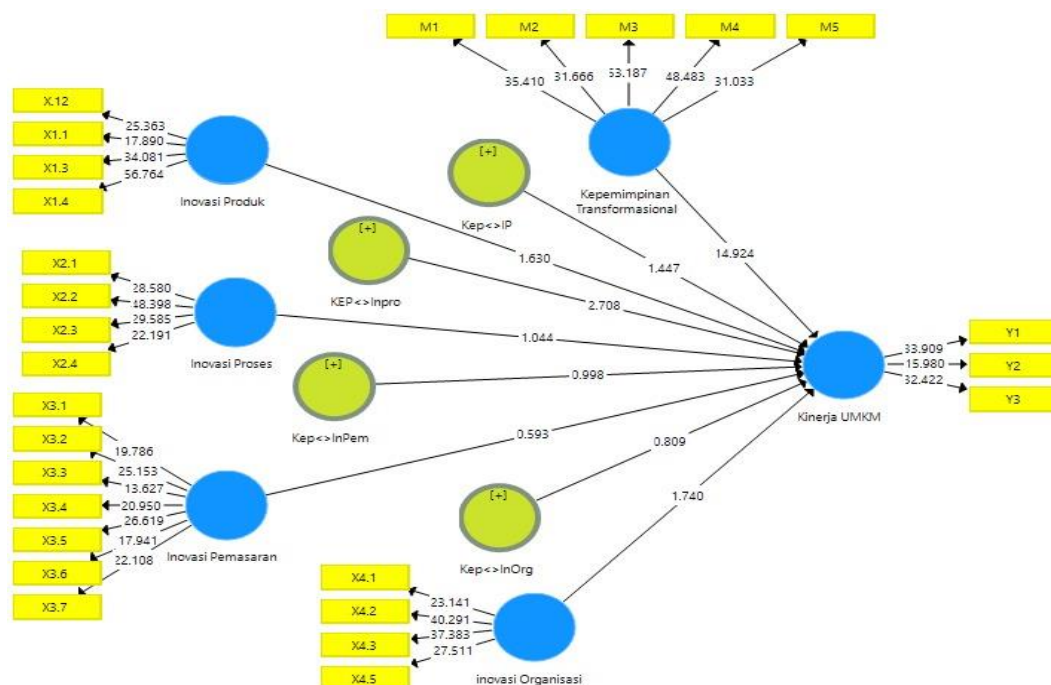


Figure 2 Bootstrapping Model

Path analysis, which is part of SEM, uses bivariate correlation to assess direct and indirect relationships between these variables. This procedure assesses the strength of each structural relationship in the path diagram (Hair et al., 2013). We used SEM-SmartPLS structural equation modeling to test our hypothesis. The results summarized in Table 8 show that the model predicts that product innovation has a positive and insignificant effect on marketing performance, as shown in Table 8 ($\beta = 0.094$, $p > 0.05$), not yet supporting H1a. This study also found no support for H1b of a positive relationship between process innovation and marketing performance. As shown in Table 8 ($\beta = 0.059$, $p > 0.05$), therefore, H1b is not supported. Hypothesis 1c predicts that marketing innovation is related to marketing performance. As shown in Table 8 ($\beta = 0.039$, $p > 0.005$), therefore this study has not found a positive and significant relationship between marketing and marketing performance, yet supports H1c. Finally, this study is able to prove that there is a positive and significant relationship for H1d between organizational innovation and

marketing performance, as described in Table 8 ($\beta = 0.08$, $p < 0.10$); therefore, H1d is supported. Hypothesis 2 predicts that transformational leadership is positively and significantly associated with marketing performance, as shown in Table 8 ($\beta = 0.610$, $p < 0.001$), therefore H2 is supported. therefore this study has not found a positive and significant relationship between marketing and marketing performance., has not supported H1c. Finally, this study is able to prove that there is a positive and significant relationship for H1d between organizational innovation and marketing performance, as described in Table 8 ($\beta = 0.08$, $p < 0.10$); therefore, H1d is supported. Hypothesis 2 predicts that transformational leadership is positively and significantly associated with marketing performance, as shown in Table 8 ($\beta = 0.610$, $p < 0.001$), therefore H2 is supported. therefore this study has not found a positive and significant relationship between marketing and marketing performance., has not supported H1c. Finally, this study is able to prove that there is a positive and significant relationship for H1d between organizational innovation and marketing performance, as described in Table 8 ($\beta = 0.08$, $p < 0.10$); therefore, H1d is supported. Hypothesis 2 predicts that transformational leadership is positively and significantly associated with marketing performance, as shown in Table 8 ($\beta = 0.610$, $p < 0.001$), therefore H2 is supported. Finally, this study is able to prove that there is a positive and significant relationship for H1d between organizational innovation and marketing performance, as described in Table 8 ($\beta = 0.08$, $p < 0.10$); therefore, H1d is supported. Hypothesis 2 predicts that transformational leadership is positively and significantly associated with marketing performance, as shown in Table 8 ($\beta = 0.610$, $p < 0.001$), therefore H2 is supported. Finally, this study is able to prove that there is a positive and significant relationship for H1d between organizational innovation and marketing performance, as described in Table 8 ($\beta = 0.08$, $p < 0.10$); therefore, H1d is supported. Hypothesis 2 predicts that transformational leadership is positively and significantly associated with marketing performance, as shown in Table 8 ($\beta = 0.610$, $p < 0.001$), therefore H2 is supported.

To test the moderating effect hypothesis, we used the interaction term by multiplication across cases of the underlying standard construct scores for the predictor and moderator variables. Both moderating latent variables and interaction terms are then entered into SmartPLS. Our results in Table 8 show that out of 4 testing the moderating effect hypothesis, only hypothesis H3b, namely the interaction of process innovation with transformational leadership, is able to support the research hypothesis. H3b.

Discussion

This study seeks to enrich the innovation and marketing performance of MSMEs in developing countries, by examining the effect of transformational leadership as a resource capability. More specifically, this study aims to answer the following research questions: to examine how innovation affects SME marketing performance and to examine the moderating role of transformational leadership in the relationship between innovation and SME marketing performance. The study findings show transformational leadership as a resource capability that plays an important role between innovation and marketing performance.

The results of this study indicate that only one dimension of the innovation process, namely organizational innovation, has a significant impact on the performance of SMEs in the market. The research findings provide many important and interesting academic and practical implications. The results of the study confirm that innovation has a positive and significant effect on the marketing performance of SMEs. This supports the study of Yildiz et al. (2014) and Afriyie et al. (2018). Thus, an increase in the level of innovation activity, especially organizational innovation, is likely to improve the marketing performance of MSMEs. Therefore, MSME managers/owners must focus and diligently invest more in innovation activities, especially in the areas of new product development, new marketing programs, process innovation, and organizational innovation, which will lead to improved marketing performance.

46	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 10 in Oct-2022 https://www.grnjournals.us/index.php/AJEBM
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This study finally examines the moderation situation of transformational leaders on the relationship between innovation and marketing performance of SMEs. The findings determine that the role of transformational leadership has not fully impacted the marketing performance of SMEs. Shows a not yet strong relationship between variables as mentioned in the study of Chen et al. (2012) and Raymond et al. (2013), they emphasize the relevance of KT support for innovation and marketing performance. Thus, the results of this study can offer opportunities for MSME managers in the city of Denpasar to understand four important attributes (ideal influence, intellectual stimulation, inspirational motivation, and individual considerations) that will always increase innovation, thus leading to MSME marketing performance. However, transformational leadership has not been able to moderate the relationship between innovation and marketing performance of SMEs. Contextually, the application of these concepts in SMEs requires careful planning and investment of resources to avoid being counterproductive.

CONCLUSION, SUGGESTIONS AND LIMITATIONS

This study contributes to the existing literature by revealing the strategic role of transformational leadership style in a direct relationship with the marketing performance of MSMEs in Denpasar City. However, theoretically the model has not shown that the relationship between transformational leadership, innovation, and marketing performance of MSMEs is deeper. Therefore, managers must be critical in their implementation when it is expected to achieve higher levels of MSME marketing performance. In addition, empirical tests and theoretical models have not been able to prove expanding the marketing performance literature in the moderating role of transformational leadership as an important resource and capability in the MSME service sector.

This study has several limitations. First, as with all cross-sectional studies and data collected from the MSME sector in Ghana, the causal relationship between the research variables and the theory remains unproven. The main limitation is that this study uses only a quantitative survey, with a structured questionnaire as it is a primary data collection tool. The structured questionnaire declined the opportunity to explore many of the relevant issues of the responses, but all checks were carried out to determine the validity and reliability of the information collected.

The second limitation of this analysis is the qualitative information for marketing performance. We tend to use qualitative information to predict a firm's marketing performance due to firm intervention to provide genuine data. However, subjective information is widely used in organizational research (Azaranga et al., 1998, Dess and Robinson Jr., 1984). Consequently, these criteria should be studied in future research as well as the application of these variables in the MSME manufacturing sector. Third, the current study examines the effects of transformational leadership based on each rank, but group-level analysis is also important (West and Anderson, 1996).

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