



# The Influence OF Situational Leadership, Transformational Leadership, AND Competence ON Business Performance IN Micro, Small AND Medium Enterprises IN Pematang Siantar

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## ARTICLE INFO

## ABSTRACT

The failure of a business is often caused by improper business management. Therefore, paying attention to what must be done when running a business is necessary. This research wants to test whether situational, transformational, and competency leadership influence the performance of micro, small, and medium enterprises (MSMEs). The data collection method in this research used quantitative description with 372 samples from micro, small, and medium entrepreneurs in Pematang Siantar. The research results show that Situational Leadership, Transformational Leadership, and Competency significantly influence Business Performance in the Micro, Small and Medium sectors. So, it is concluded in this research that all research variables have a positive and significant influence on business performance.

**Keywords:** Situational Leadership, Transformational Leadership, Competency, Business Performance, MSMEs

## INTRODUCTION

Most micro businesses in Indonesia still need to pay more attention to management. Existing facts show that almost 90% of SMEs in Indonesia started their business because of an accident rather than a plan (Prayitno et al., 2018). This problem prevents SMEs from developing and prevents many of them from surviving. As a result, they may close or switch to other products shortly. This fact also applies to Pematang Siantar City in North Sumatra Province. So far, micro, small, and macro business actors (MSMEs) in Pematang Siantar City must know how to improve their business performance (Siregar et al., 2020). One of the problems faced by MSMEs in Pematang Siantar City is that they need to understand and apply the concept of entrepreneurship correctly. As a result, they only concentrate on sales that generate profits rather than entrepreneurship to increase productivity or business development.

Leadership improves business performance (Okyerere, 2017; Purba et al., 2019). Situational leadership is a leadership style that has been shown to improve company performance. In this leadership model, the leader adapts to the circumstances of the followers. Situational leadership theory needs to be more supportive, even though this type of leadership is widely known (Thompson & Vecchio, 2009). Situational leadership consists of four styles: instruction, consultation, participation, and delegation (Thoha, 2015). Previous studies (Silverthorne & Wang, 2001) found that situational leadership influences company success.

Transformational leadership is another leadership style that can influence company performance besides situational leadership. In transformational leadership, a leader moves members to ignore their interests through ideal influences, such as charisma, inspiration, motivation, or individual consideration. According to Erkutlu (2008), this leadership increases members' maturity and concern for achievement, self-actualization, and welfare. Transformational leadership can positively impact small and medium businesses (Okyerere, 2017; Stephen & Ie, 2020).

It is hoped that, apart from transformational leadership, the capabilities possessed by business actors will improve business performance. A leader's abilities, skills, and behaviors when carrying out their job duties are called competencies (Amin et al., 2021; Swanson et al., 2020). Competency combines knowledge, abilities,

skills, and other traits to achieve successful performance (Kaur & Bains, 2013). Leaders must demonstrate competence in uncertain and uncertain situations. This competency includes skills, knowledge, attitudes, and ways of working together to achieve achievements (Vlok, 2012; Purba et al., 2018). Business success depends on the leader's ability to manage resources and consider everything needed to achieve goals (Siahaan et al., 2022; Fitriyah & Suliyadi, 2018). It is essential to determine whether situational leadership, transformational leadership, and competence have an impact on business performance with creativity as a governing variable in micro, small, and medium enterprises (MSMEs) in Pematang Siantar City based on the topics and problems that have been described.

## RESEARCH METHOD

This research investigates a specific population or sample using quantitative descriptive analysis. Research instruments are used to collect data and then carry out statistical analysis. These studies use causal relationships, or cause and effect, based on how the independent and dependent variables interact. Three independent variables were used in this research: situational leadership, transformational leadership, and competence. Creativity is a moderating variable, and business performance is the dependent variable in this research. To check the validity and reliability of the results, the study used Structural Equation Modeling (SEM). Processing questionnaire data to measure the relationship or influence between variables, which are usually latent, requires indicators to explain the variables. This study will be carried out in Pematang Siantar. The population and sample for this research are all MSMEs registered with the Coordinating Ministry for SMEs and operating in the food sector with 372 businesses.

### Data collection technique

Searching, obtaining, collecting, and recording primary and secondary data used to compile research is a data collection method. Next, factors related to the problem are analyzed to ensure the correctness of the data obtained. A questionnaire method was used to collect data. Opinions, attitudes, or perceptions of a person or group about social events can be measured using a Likert scale. According to Sugiyono (2019), the research measurement scale will be divided into alternative answers from very good to very bad, on a scale of 1-5. Testing research instruments are needed to determine the validity and reliability of research data. Reliability and validity are test components.

## RESULT AND DISCUSSION

### Characteristics of Respondents Based on Business Type

Based on the data obtained, it can be concluded that the types of businesses in Pematang Siantar City are as follows :

**Table 1. Description of Respondents Based on Business Type**

<b>Sales results</b>	<b>Person</b>	<b>(%)</b>
Micro business	226	60,8
Small business	109	29,3
Medium Business	37	9,9
<b>Total</b>	<b>372</b>	<b>100</b>

Source: data processing (2022)

### Results of Respondents' Answers

#### Situational Leadership

For question 1 about how tasks are delivered to members, 15 (4.03%) respondents answered very not well, 20 (5.38%) respondents answered not well, and 62 (16.67%) respondents answered quite well. ), 130 respondents answered good (34.95%), and 145 respondents answered very well (38.98%). For question 2, how is your ability to give orders to members, 13 (3.49%) respondents answered very bad, 30 (8.06%) respondents answered not good, 67 (18) respondents answered quite well 01%), 117 respondents answered good (31.45%) and 145 respondents answered very well (38.98%). For question 3, what are the examples of work given to members, 8 (2.15%) respondents answered very bad, 34 (9.14%) respondents answered not good, 63 (16) respondents answered quite good, 94%), 142 respondents answered good (38.17%), and 125 respondents answered very well (33.60%). For question 4, how are members directed at work, 6 (1.61%) respondents answered very not well, 36 (9.68%) respondents answered not well, 60 (16.13%) respondents answered relatively healthy %), 149 respondents answered good (40.05%), and 121 respondents answered very well (32.53%).

For question 5, how is appreciation given to members who work well, there were 6 (1.61%) respondents answered very not well, 37 (9.95%) respondents answered not well, 82 respondents answered quite well (22.04%), 107 respondents answered good (28.76%), and 140 respondents answered very well (37.63%). For question 6, how is the support with each member, 8 (2.15%) respondents answered very not well, 36 (9.68%) respondents answered not good, 67 (18.01%) respondents answered quite well ), 169 respondents answered

good (45.43%), and 92 respondents answered very well (24.73%). For question 7, how is the trust given to members, 12 (3.23%) respondents answered very bad, 29 (7.80%) respondents answered not good, 99 (26.61%) answered relatively healthy (%), 136 respondents answered good (36.56%), and 96 respondents answered very well (25.81%). For question 8, what are the job responsibilities given to members, 14 (3.76%) respondents answered very not well, 29 (7.80%) respondents answered not well, 77 (20) respondents answered quite well (70%), 158 respondents answered good (42.47%) and 94 respondents answered SS (25.27%). From all the answers, it can be seen that the highest average score is in question 1 (how to deliver tasks to members) with a score of 3.99, and the lowest average score is in question 7 (how is the trust given to members) with a value of 3.74 and the total average value is 3.88.

### **Transformational Leadership Tabulation**

For question 1, how is attention to the needs of each member, 11 (2.96%) respondents answered very not well, 27 (7.26%) respondents answered not well, 67 (18.01%) respondents answered relatively healthy (%), 178 respondents answered good (47.85%), and 89 respondents answered very well (23.92%). For question 2, what are the demands on members in working to achieve goals? 8 (2.15%) respondents answered very or not well, 33 (8.87%) respondents answered not well, and 63 respondents answered quite well (63). 16.94%), 157 respondents answered good (42.20%), and 111 respondents answered very well (29.84%).

For question 3, how is the acceptance of ideas from members for business development, 4 (1.08%) respondents answered very not well, 36 (9.68%) respondents answered not well, 79 (21) respondents answered quite well .24%), 158 respondents answered good (42.47%) and 95 respondents answered very well (25.54%). For question 4, how is the ability to encourage members to find solutions together when there is a problem, 4 (1.08%) respondents answered very not well, 34 (9.14%) respondents answered not well, as many as 108 (29.03%), respondents answered good as many as 136 (36.56%). Respondents answered very well, as many as 90 (24.19%).

For question 5, how is the support for members to contribute to the business, 3 (0.81%) respondents answered very not well, 32 (8.60%) respondents answered not well, and 65 respondents answered quite well (65)? 17.47%), 163 respondents answered good (43.82%), and 109 respondents answered very well (29.30%). For question 6, how are the benefits of work explained to members, 5 (1.34%) respondents answered very not well, 32 (8.60%) respondents answered not well, 95 (25) respondents answered quite well, 54%), 154 respondents answered good (41.40%), and 86 respondents answered very well (23.12%).

For question 7, how much attention is paid to each member, 6 (1.61%) respondents answered very not well, 29 (7.80%) respondents answered not well, 75 (20.16%) respondents answered quite well ), 189 respondents answered good (50.81%), and 73 respondents answered very well (19.62%). For question 8, 9 (2.42%) respondents answered very not well, 24 (6.45%) respondents answered not well, 60 (16.13%) respondents answered quite well, 60 (16.13%) respondents answered good, 176 (47.31%) and 103 (27.69%) respondents answered very satisfactorily. The overall answers show the highest average value is in question 5 (how is the support for members to contribute to the business) at 3.92. The lowest average value is in question 4 (how is the ability to encourage members to find solutions together when there is a problem), which has a value of 3.74. The overall average value is 3.83.

### **Competency Tabulation**

For question 1, how are your skills in doing your job, 13 (3.49%) respondents answered very bad, 23 (6.18%) respondents answered not good, 54 (14.52%) answered relatively healthy (%), 121 respondents answered good (32.53%) and 161 respondents answered very well (43.28%). For the second question, how are your skills in influencing members, 11 (2.96%) respondents answered very not well, 25 (6.72%) respondents answered not well, 55 (14.78%) respondents answered relatively healthy (%), 135 (36.29%) respondents answered good and 146 (39.25%) answered very satisfactorily.

For question 3, how do you set your business goals, 9 (2.42%) respondents answered very not well, 34 (9.14%) respondents answered not well, 54 (14) respondents answered quite well .52%), 162 respondents answered good (43.55%), and 113 respondents answered very well (30.38%). For question 4, how is your ability to create a good influence on your business, 6 (1.61%) respondents answered very not well, 30 (8.06%) respondents answered not well, and 69 respondents answered quite well (69). 18.55%), 159 respondents answered good (42.74%), and 108 respondents answered very well (29.03%).

For question 5, how is your ability to deal with every business problem, there were 6 (1.61%) respondents who answered very not well, 35 (9.41%) respondents answered not well, 61 (16) respondents answered quite well 40%), 161 respondents answered good (43.28%) and 109 respondents answered very well (29.30%). For question 6, how is your ability to direct members always to behave well, 5 (1.34%) respondents answered very not well, 35 (9.41%) respondents answered not well, 55 respondents answered quite well (14.78%), 166 respondents answered good (44.62%), and 111 respondents answered very well (29.84%).

For question 7, how is your cooperation with each member, 8 (2.15%) respondents answered very bad, 28 (7.53%) respondents answered not good, 90 (24.19%) answered quite healthy (%), 135 respondents answered good (36.29%) and 111 respondents answered very well (29.84%). For question 8, how is your cooperation with parties outside the business, 12 (3.23%) respondents answered very not well, 32 (8.60%) respondents answered not well, 53 (14) respondents answered quite well .25%), 177 respondents answered good (47.58%),

and 98 respondents answered very well (26.34%). The overall answers show that the highest average score is in question 1 (how are your skills in doing the job), with a score of 4.06. The lowest average score was on question 7 (how is your cooperation with each member), with a score of 3.84. The overall average value is 3.92.

### **Creativity Tabulation**

For question 1, what business-related talents do you have, 9 (2.42%) respondents answered very not well, 35 (9.41%) respondents answered not good, 52 (13) respondents answered quite well 98%), 125 respondents answered good (33.60%) and 151 respondents answered very well (40.59%). For question 2, how is your ability to use your talents in business? 10 (2.69%) respondents answered very not well, 35 (9.41%) respondents answered not well, 47 respondents answered quite well (47). 12.63%), 129 respondents answered good (34.68%), and 151 respondents answered very well (40.59%).

For question 3, what are your ideas for creating new things for your business? 5 (1.34%) respondents answered very not well, 43 (11.56%) respondents answered not well, 43 (11.56%) respondents answered quite well, 93 (25.00%), 149 (40.05%) respondents answered good, and 82 (22.04%) answered very satisfactorily. For question 4, how is your ability to find ideas to solve problems that arise in your business, 4 (1.08%) respondents answered very not well, 41 (11.02%) respondents answered not well, as many as 63 (16.94%), respondents answered well as many as 179 (48.12%). Respondents answered very well, as many as 85 (22.85%).

For question 5, how is your ability to create creative products, 2 (0.54%) respondents answered very bad, 49 (13.17%) respondents answered not good, 72 (19.35%) answered relatively healthy %, 178 respondents answered good (47.85%), and 71 respondents answered very well (19.09%). For question 6, how is your ability to innovate products? 3 (0.81%) respondents answered very or not well, 43 (11.56%) respondents answered not well, and 70 (18) respondents answered quite well. 82%), 174 respondents answered good (46.77%), and 82 respondents answered very well (22.04%).

For question 7, how do you strive to continually increase creativity within yourself through your efforts, 4 (1.08%) respondents answered very not well, 42 (11.29%) respondents answered not well, 42 (11.29%) respondents answered quite, 56 (15.05%) respondents answered good as many as 170 (45.70%) and 100 respondents answered very well (26.88%). For question 8, how do you try to increase your creativity with help from other people, 9 (2.42%) respondents answered very not well, 37 (9.95%) respondents answered not well, as many as 68 (18.28%), respondents answered good as many as 182 (48.92%) and respondents answered very well as many as 76 (20.43%). The total answers show that the highest average score is in questions 1 (how are your talents related to your business) and 2 (how are your abilities to use your talents in your business) 4.01. The lowest average score was on question 3 (what are your ideas for creating new things for your business), which was 3.70. The overall average value is 3.83.

### **Business Performance Tabulation**

For question 1, how have sales of your business products increased, 1 (0.27%) respondent answered very not well, 31 (8.33%) respondents answered not well, 75 (20.16%) respondents answered relatively healthy %, 144 respondents answered good (38.71%), and 121 respondents answered very well (32.53%). For question 2, how do you add products to increase sales, 1 (0.27%) respondent answered very not well, 25 (6.72%) respondents answered not well, and 93 respondents answered quite well (93). 25.00%), 174 respondents answered good (46.77%), and 79 respondents answered very well (21.24%).

For question 3, how is the growth of your business capital, 2 (0.54%) respondents answered very not well, 29 (7.80%) respondents answered not well, 86 (23.12%) respondents answered quite well ), 174 respondents answered good (46.77%), and 81 respondents answered very well (21.77%). For question 4, what are your efforts to increase business capital for future development, 31 (8.33%) respondents answered not well, 67 (18.01%) respondents answered quite well, and 166 respondents answered good (18.01%). 44.62%) and 108 respondents answered very well (29.03%).

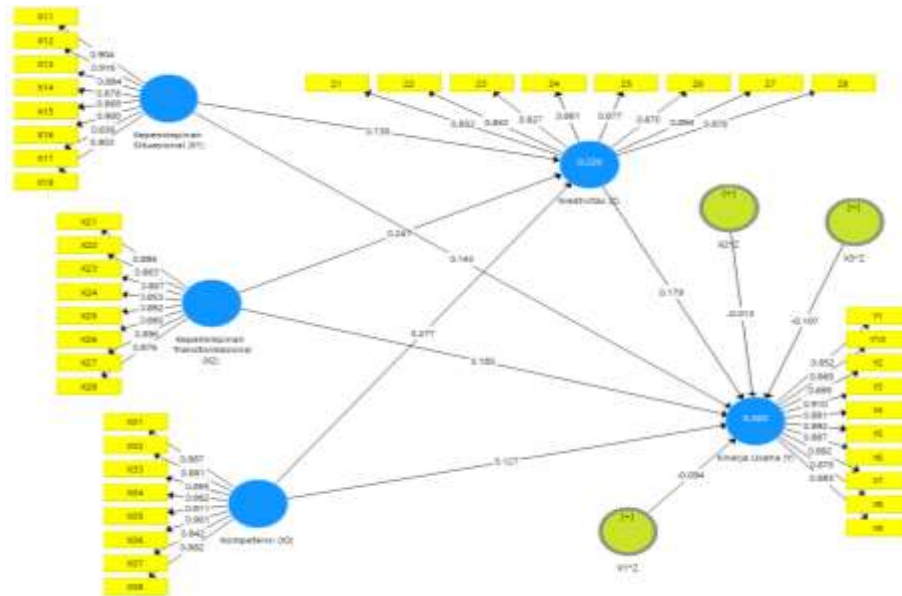
For question 5, how is the potential development of your members, 2 (0.54%) respondents answered very not well, 28 (7.53%) respondents answered not well, 74 respondents answered quite well (19.89%) ), 192 respondents (51.61%) answered good and 76 (20.43%) answered very satisfactorily. For question 6, how is your commitment to increasing business productivity, 26 (6.99%) respondents answered not good, 81 (21.77%) respondents answered quite well, 190 (51.08%) respondents answered good ) and 75 respondents answered very well (20.16%). For question 7, how has the number of your consumers increased, 33 (8.87%) respondents answered not good, 80 (21.51%) respondents answered quite well, 179 (48.12%) respondents answered good, and 80 respondents answered very well (21.51%). For question 8, how is your customer loyalty, 25 (6.72%) respondents answered not good, 108 (29.03%) respondents answered quite good, 165 (44.35%) respondents answered good, and 74 (19.89%) answered very well.

For question 9, how is your business profit growth? 30 (8.06%) respondents answered not good, 104 (27.96%) respondents answered quite well, 161 (43.28%) respondents answered good, and 77 respondents answered very well (20.70%). For question 10, what are your efforts to increase business profits in the future, 1 (0.27%) respondent answered very well, 32 (8.60%) respondents answered not well, and 58 respondents answered quite well (58). 15.59%), 192 respondents answered good (51.61%), and 89 respondents answered very well (23.92%). From all the answers, it can be seen that the highest average score is in question 1 (how to increase



sales of your business products), with a score of 3.95. The lowest average score was in questions 8 (how is your consumer loyalty) and 9 (how is your business profit growing) of 3.77. The overall average value is 3.85.

**Measurement Model Testing**  
**Validity test**



**Figure 1. Validity Testing Based on Factor Loadings**

Source: Data Processing with Smart PLS 3.0 (2022)

Based on testing the validity of the factor loadings in Figure 1, it is known that all loading values are > 0.7, which means they have met the validity requirements based on the loading values.

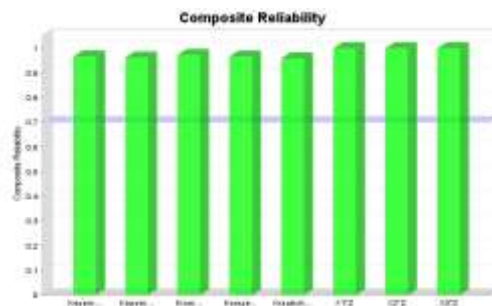
**Reliability Test**

Next, reliability testing was carried out based on the composite reliability (CR) value and can be seen in Table 2 below.

**Table 2. Based on Reliability Testing**  
**Composite Reliability (CR)**

	Composite Reliability
Situational Leadership (X1)	<b>0.967</b>
Transformational Leadership (X2)	<b>0.963</b>
Business Performance (Y)	<b>0.973</b>
Competency (X3)	<b>0.967</b>
Creativity (Z)	<b>0.959</b>
<b>X1*Z</b>	<b>1.000</b>
<b>X2*Z</b>	<b>1.000</b>
<b>X3*Z</b>	<b>1.000</b>

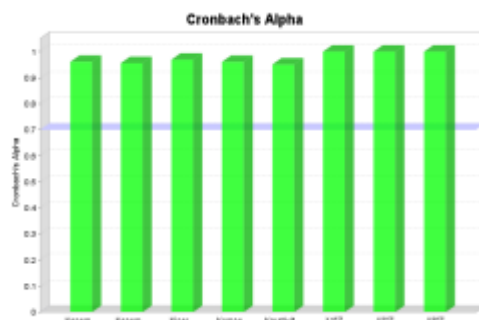
Source: Data Processing with Smart PLS 3.0 (2022)



**Figure 2. Reliability Testing based on Composite Reliability (CR)**

Source: Data Processing with Smart PLS 3.0 (2022)

The recommended CR value is above 0.7 (Sholihin & Ratmono, 2013). All CR values are known to be  $> 0.7$ , which means they have met the reliability requirements based on CR. Next, reliability testing was carried out based on Cronbach's alpha (CA) value, and the results can be seen in Figure 3 below :



**Figure 3. Reliability Testing based on Cronbach's Alpha (CA)**

Source: Data Processing with Smart PLS 3.0 (2022)

The recommended CA value is above 0.7 (Sholihin & Ratmono, 2013). It is known that all CA values are  $> 0.7$ , which means they meet the reliability requirements based on Cronbach's alpha.

### Analysis of Hypothesis Test Results

#### The Influence of Situational Leadership on Business Performance

The analysis results show that situational leadership positively and significantly impacts business performance. Hersey states that the situational leadership model is more than a theory. What is appropriate to use to achieve work goals is this leadership focus. By using this leadership model, leaders can find out how ready their members are to perform tasks so they can adapt them to the leader's actions (Schermerhorn Jr., 1997; Northouse, 2013; Thompson & Glasø, 2015; Ingyas et al., 2021). Previous studies have also shown that situational leadership can influence venture performance (Thompson & Vecchio, 2009; Silverthorne & Wang, 2001; Sembiring et al., 2023).

The age of food MSMEs in Pematang Siantar City is the youngest and most productive. They are between 17 and 40 years old. In general, these business actors have extensive knowledge because they understand how to communicate with their members correctly about the tasks that must be carried out. Apart from that, the business members are dominated by the same generation so that they can understand each other's messages. Most micro, small, and medium enterprises (MSMEs) in Pematang Siantar City can provide direction and communicate what work needs to be done. To set a good example, they will usually practice the tasks that members must do.

Leadership that organizes members based on situations, such as employees, tasks, and environment, is known as situational leadership. The phenomenon of micro-businesses in the food sector in Pematang Siantar always faces various conditions, such as post-pandemic conditions, intense competition, different numbers of employees, and various tasks. Situational leadership helps business people adapt their leadership style to the situation they are facing to achieve their goals and overcome problems better. In facing unexpected changes or challenges, leaders can also become more flexible and flexible. Changes in the food industry, such as new food trends or grocery supply problems, can occur suddenly and unexpectedly. Situational leadership allows business actors to adjust their actions and strategies according to changes that occur so that their business performance becomes higher.

#### The Influence of Transformational Leadership on Business Performance

The analysis results show that transformational leadership has a positive and significant impact on business performance. Transformational leadership is a leadership style that emphasizes how a leader can motivate and inspire his subordinates to transform for the better to achieve common goals (Kirwan, 2014; Yukl, 2007; Yukl, 2013; Odumeru & Ogbonna, 2013). It is known that this leadership style benefits organizational performance, including the performance of small businesses (Erkutlu, 2008; Amal et al., 2022; Chen et al., 2019). As previously mentioned, most of the owners of micro, small, and medium enterprises (MSMEs) in the food sector in Pematang Siantar City come from the same age group as their employees. This is an advantage when the relationship can run well. This shows that transformational leadership can have a positive impact on company performance. Transformational leadership is a leadership style that focuses on employee development, creating an inspiring work environment, and encouraging employees to achieve common goals. First, it can increase employee motivation; second, increasing employee loyalty; third, it can improve product quality and innovation; and fourth, it can increase consumer confidence.

Transformational leadership can help improve a company's image through good product quality, satisfactory service, and other added values. In the context of the city of Pematang Siantar, transformational leadership helps micro businesses in the food sector to improve their business performance by creating a positive work environment, increasing employee motivation and loyalty, increasing innovation and product quality, and

increasing consumer trust. This can help micro businesses to win competition in an increasingly tight market and achieve long-term success.

### **The Influence of Competency on Business Performance**

The analysis results show that capabilities positively and significantly impact business performance. Competency is the collection of knowledge, skills, and attitudes required to perform a specific task successfully. Because the competence of members and business actors can provide overall business productivity and effectiveness, the influence of competence on small business performance is significant (Kaur & Bains, 2013; Swanson et al., 2020; Vlok, 2012). Previous research has shown that competence can influence business performance (Kaur & Bains, 2013; Hashim et al., 2018; Sidek & Mohamad, 2014). Most of the MSMEs engaged in the food industry in Pematang Siantar City have exceptional skills in running a business, especially in the culinary sector. They usually inherit their parents' business, so they have been educated to carry out their business activities, taught themselves based on their preferences for the products produced, or have become experts in making food since childhood. Some are also influenced by trends, such as the popularity of baristas in society, which encourage them to work in the field.

With several programs carried out by the Pematang Siantar City Government through the Department of Cooperatives, MSMEs and Trade by forming assisted MSMEs and routinely carrying out direct training, coaching, and mentoring activities, it is possible to increase the competence of business actors, especially in the food sector. Some of the abilities of business actors that have increased are managing finances, marketing, and using technology. With the competence of MSME actors in Pematang Siantar City being formed, competence can improve the business's performance.

### **The Influence of Situational Leadership on Creativity**

Previous studies show that creativity is influenced positively and significantly by situational leadership. The creativity of business actors will increase with higher situational leadership (Hermann & Felfe, 2014; Kark et al., 2017). Leadership that is adapted to the situation of followers or members is called situational leadership. This includes directing and assigning tasks. Understanding the nature of members certainly encourages an MSME actor to produce innovative ideas in various conditions in the company consistently he leads (Zhao & Guo, 2018; Koseoglu et al., 2017; Nasib et al., 2023). In general, the condition of members who help small and medium enterprises (MSMEs) in the food industry of Pematang Siantar City has a very high turnover rate. This means that employees will usually change within a short time. In situations like this, it is clear that companies must constantly adapt to the nature, personality, and characteristics of each new employee hired. Situational leadership can encourage micro-entrepreneurs to innovate and find new ways to solve problems.

Leaders with a situational leadership style must maintain good communication as micro-business actors with employees, customers, the community, and business partners. In this case, leaders must be able to provide feedback that motivates and facilitates creativity. With situational leadership that influences creativity, micro business actors in the food sector in Pematang Siantar City can think more creatively in developing the products or services they offer to the market. This can increase the competitiveness of micro-businesses and ultimately improve overall business performance. Therefore, leaders in the food sector need to develop a situational leadership style that increases the creativity of micro-businesses in Pematang Siantar City.

### **The Influence of Transformational Leadership on Creativity**

According to the analysis carried out in this research, transformational leadership has a positive and significant impact on creativity (Abderraouf, 2017; Appelbaum, 2021). A transformational leader can make his followers respect, admire, and be loyal to him. They will be motivated to do more than expected. Transformational leaders typically use individual attention, intellectual stimulation, inspiration, and idealized influence to influence their members (Yukl, 2013; Bass & Riggio, 2006; Yukl, 2013).

Although, in theory, these four dimensions are not directly known to MSME actors in the food sector in Pematang Siantar City, they understand these things in practice. In Table 5.10, the support given to members to contribute to the business has the highest average value. Business actors generally think of practical ways to encourage their members to be productive. Examples of strategies include providing additional compensation, verbal appreciation, holidays, joint recreation, and other support. Thus, the transformational leadership possessed by MSME actors in the food sector in Pematang Siantar City influences them to think creatively to create something new to support their members. So, it can be concluded that increasing transformational leadership can positively influence creativity.

### **The Influence of Competence on Creativity**

Previous analysis results show a positive and significant relationship between competence and creativity (Sumawidjaja, 2019; Arniti, 2019; Fedchenko et al., 2019). Competency is an effort to achieve performance results through developing our skills, knowledge, and perspectives. One vital resource that a person can use in his efforts is competence. Because someone can always find new ways to run their business, the company they lead will be able to gain profits (Swanson et al., 2020).

MSME food businesses in Pematang Siantar City continue to strive to improve their competence by deepening their skills and knowledge about the business they run. By creating assisted MSMEs, the Pematang Siantar

City government, through the Department of Cooperatives, SMEs, and Trade, and Dekranasda, is increasing the capabilities of MSME actors. The Pematang Siantar City Dekranasda Building is a facility that can accommodate all MSME products and introduce them to the public. Workshops, exhibitions, socialization, training, mentoring, and even preparing a place to sell MSME products in the Dekranasda building really help business people to be able to further boost their business skills, develop products, and be encouraged to think of new, creative ways to their business. This proves that competence influences the creativity of MSME actors in Pematang Siantar City.

### **The Influence of Creativity on Business Performance**

The analysis results show that creativity has a positive effect on business performance. A more creative business actor can find new ways to develop and improve their business (Jung et al., 2016; Nwachukwu et al., 2017). Creativity is a person's ability to generate new ideas to solve problems and take advantage of opportunities. These ideas can generate competitive advantages and make the companies they lead productive and perform well (Zimmerer et al., 2008). Most micro, small, and medium enterprises (MSMEs) in the food industry of Pematang Siantar City consist of the young generation, who are very interested in learning and following the latest developments.

From the results of interviews conducted with business actors, the majority said that they deepened their knowledge of their business activities through the help of social media such as Instagram, YouTube, TikTok, Whatsapp, and Facebook. With their talents, they generally always try to find new breakthroughs in the products and services offered so that they can still maintain high value in the market. During the pandemic, they are trying to create products that meet market needs and replace business concepts that can adapt to threats.

### **The Influence of Situational Leadership on Business Performance Moderated by Creativity.**

Previous data shows that situational leadership influences business performance, which is moderated by creativity negatively and significantly. This shows that creativity reduces the relationship between situational leadership and business performance (Hendrawan et al., 2019; Wahjono, 2010). The relationship between business actors and their members is usually less than harmonious because of their creativity. One of the factors that influences the relationship between situational leadership and business performance is creativity. In the food industry in Pematang Siantar City, MSMEs usually think of creative ways to improve their leadership style. By considering the following phenomena, creativity may reduce the impact of situational leadership on the performance of micro-businesses in the food sector in Pematang Siantar City:

1. Lack of support from leaders. Company leaders will stifle the creative efforts of their employees if they do not support or understand the importance of creativity.
2. Lack need more time and resources. To be creative, you need time and space. Creativity can be hampered in a busy, resource-starved business environment.
3. Fear of impending danger. Taking risks is often part of creative ideas. Some leaders may be reluctant to take risks for fear of failure.

Leaders in situational leadership must understand the circumstances and adapt their leadership style to them. However, MSMEs in Pematang Siantar City, although creative, cannot accept change due to a lack of communication about new innovative explanations, which causes polarization of relations. Therefore, adequately supported by situational leadership that is flexible and open to innovation, creativity can improve business performance. Leaders who use a situational approach wisely can encourage employees to be more innovative and help their organizations succeed.

### **The Influence of Transformational Leadership on Business Performance Moderated by Creativity**

The analysis results show that creativity cannot control the relationship between transformational leadership and business performance. The results of interviews in the field show that small and medium enterprises (MSMEs) in Pematang Siantar City need to work together better. Members are usually considered simply "machines" that work according to directions. The results of filling out the questionnaire show that business actors still need to collaborate with their members. Business actors' distrust of members is also one of the reasons why they do almost all important work independently.

Creativity can hurt company performance if a leader can provide support, guidance, and open feedback (Appelbaum, 2021). The lowest mean score indicates how the leader encourages group members to work together to find solutions to problems. This means that small and medium enterprises (MSMEs) in Pematang Siantar City usually act individually when facing problems. They will only invite their members to talk about the problem if they believe they will understand it. However, members usually also understand market conditions and competition. This non-involvement reflects the characteristics previously explained by MSME actors in Pematang Siantar City. Thus, it is explained why creativity does not moderate the influence of transformational leadership on business performance.



### The Influence of Competency on Business Performance Moderated by Creativity

The results of previous data processing show that competence has a negative and significant effect on business performance, which is moderated by creativity. The influence of competence on business performance will decrease with increased creativity (Vasconcellos et al., 2018; Esch et al., 2016). When you look for solutions to problems, you have to be creative. In the following situations, creativity can hurt the relationship between the competence of MSME actors in Pematang Siantar City and their business performance. Even though entrepreneurs have extraordinary abilities in managing a business and understanding the market, their inability to implement their ideas effectively can hinder the progress of their business (Syaifuddin et al., 2019). If creative ideas are not implemented well or are seen as too risky by business actors, then the innovation potential that can improve business performance may not be realized.

Small and medium-sized businesses (MSMEs) that typically rely on old skills and proven techniques may struggle and need help to adapt to market changes and new trends. The ability to adapt quickly is a creative trait, and a company's failure to do so can result in it falling behind more innovative and flexible competitors. Often, people become creative by collaborating and exchanging ideas with people from different perspectives and backgrounds. Entrepreneurs may fail to exploit the potential for innovation and creativity that emerges from collaboration if they focus on their views and avoid involving others. Experimentation and taking risks are usually part of creativity. Entrepreneurs may have difficulty finding and developing new ideas if they cannot tolerate failure or deal with the pressure to achieve quick and specific results.

### CONCLUSION

Based on the research results, several conclusions were obtained :

1. There is a positive and significant influence between situational leadership and business performance.
2. There is a positive and significant influence between transformational leadership and business performance.
3. There is a positive and significant influence between competence and business performance.
4. There is a positive and significant influence between situational leadership and creativity.
5. There is a positive and significant influence between transformational leadership and creativity.
6. There is a positive and significant influence between competence and creativity.
7. There is a positive and significant influence between creativity and business performance.
8. Creativity weakens the influence of situational leadership on business performance.
9. Creativity is unable to moderate the influence of transformational leadership on business performance.
10. Creativity weakens the influence of competence on business performance.

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