Business Sustainability within the Dynamic Business Climate Change in Indonesia: The Role of Leadership Style and Innovation Culture

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ABSTRACT

In this day and age, with the process of globalisation still in progress and dynamic change occurring in firms, it is essential to preserve the organisational culture by guiding it in the appropriate direction in order to achieve business sustainability. However, modern organisations require leaders more than ever since their focus is almost exclusively on short-term gains at the expense of any consideration of the future. To effectively navigate the business environment and meet the needs of its customers, leadership is an indispensable instrument. As a result of all of these changes, it is abundantly evident that the leaders who run firms confront major challenges when attempting to adapt to the new conditions. The purpose of this article is to set out to do two things: create a map of the leadership research landscape and make a contribution to the refinement of a conceptual model based on that landscape. Contingency or situational theory has been proposed to support the whole body of study. Any future study topic or scenario variables may be incorporated into the suggested framework. It will be a significant factor in the continued success of Indonesian enterprises.

Keywords: component, business sustainability, transformational leadership, transactional leadership, innovation culture, Indonesia

I. INTRODUCTION

In this day and age, with the process of globalisation still in progress and dynamic change occurring in firms, it is essential to preserve the organisational culture by guiding it in the appropriate direction in order to achieve business sustainability. Every company has its own singular corporate culture that sets it apart from others. According to Adam and Alarifi (2021), every culture contains deeply ingrained values that are resistant to transformation. However, a leader is able to alter the culture of an organisation by drawing on their own authority and influence as well as making use of their creative abilities. Because a human being spends the majority of their
time at work, it is essential that they have a positive experience there, are productive in their profession, and do not experience any unpleasant emotions (Streimikiene et al., 2021). Throughout the course of business history, the majority of managerial success has been measured through the utilisation of financial metrics. In addition, return on sales, return on assets, and return on equity are discussed (Mishra & Mohanty, 2014). Indicators of financial health reveal whether or not the goals of a multinational corporation (MNC) in terms of its monetary and economic resources have been met (Ahmed, Hizam, & Sentosa, 2020).

Understanding this is vital for determining whether or not an organisation has been successful. In addition, market-based financial indicators highlight or implicate risk factors, such as cumulative abnormal returns, market-to-book ratio, and excess value (Richter et al., 2017). These indicators include cumulative abnormal returns, market-to-book ratio, and excess value. According to the findings of these researchers, all of these measures make up the most constrained picture of how well a business is doing, with operational performance acting as the mental boundary between the two. According to Kasmani et al. (2022), performance is an essential factor in determining the accuracy of the estimates. The other methodology is a relative method that evaluates intellectual capital by using a scorecard to measure the organization's internal performance in addition to other criteria (Habib, 2022). The ability of an organisation to maintain its culture through time is one of their most valuable intangible assets and a key factor in their level of competitiveness. Through an empirical investigation in a network of business enterprises in Indonesia, the author of this article intends to accomplish the goal of revealing the role that various forms of leadership play in the process of developing organisational culture. Because the competitive environment and leadership both have significant implications on sustainability challenges, this topic was chosen for the conceptual study on assessing leadership impacts.

The results of the research conducted by Kasmani and colleagues (2022) have been successful in generating the components that influence performance and sustenance. At the moment, the component that stands out the most is the incentive system. An incentive system is a structure that promotes members of an organisation to act in a manner that is in the best interests of the organisation, according to the fields of organisational psychology, economics, and business. The supply chain is one of the factors that affect performance. Other factors that affect performance include financial risk, gender diversity, traditional interests, environmental factors, organisational ambidexterity, critical success, external factors, an unorganised facility, job dissatisfaction, a diversity commission, efficiency managers and leadership style, ostracism, supply chain, incentive systems, safety initiatives, and how a company implements its strategy (Rengiah & Sentosa, 2016).

The culture of an organisation is a powerful force that influences and moulds individual behaviour inside the organisation, while also revealing personal characteristics of a leader, such as the ability to reflect on the emotions of other people, a high level of emotional intelligence, and determination. According to Yang et al.'s research from 2020, the primary responsibility of organisational leaders is to create an atmosphere in which members of the organisation are driven to acquire new information, as well as to develop, apply, and share it in order to achieve the
organization's common goals. According to Hofstede (2001), leadership has an effect, both directly and indirectly, on the culture of an organisation, including its values, symbols, heroes, and rituals.

Given all of these changes, it is abundantly evident that the leaders of commercial enterprises confront major challenges when attempting to adapt their operations to the new environment (Taba, 2002). They need to have action plan This viewpoint is rarely considered in research on effective leadership (Northouse, 2015), despite the fact that a large body of evidence demonstrates that leaders can improve crucial metrics such as employee job satisfaction and commitment by tuning in to and responding to the needs of their followers. There is no other way for the members of a team to function properly in their jobs other than in an environment at work in which positive emotions predominate and in which compassion and gratitude are promoted. This is the only way that this can happen. Also, the cultivation of a positive sense of work at the organisational level, with an emphasis on the fact that the work of the entire team leads to performance at the organisational level; the creation of positive relationships through the engagement of the leader in human relationships; also, the creation of positive relationships through the engagement of the leader in human relationships. According to Yan (2015), the purpose of successful leadership communication is to encourage the team while simultaneously supporting constructive feedback.

Moreover, modern organisations require leaders more than ever since their focus is almost exclusively on short-term gains at the expense of any consideration of the future. To effectively navigate the business environment and meet the needs of its customers, leadership is an indispensable instrument. According to BedruleGrigoruta, et al. (2019), leadership qualities that contribute to a business sustainability have been identified by researchers. Organisational success is tied to the quality of life for workers (Wang et al., 2020), so it's no surprise that environmental culture creation has a direct impact on business performance and competitiveness (Sharin, Shamsudin & Sentosa, 2023).

The primary focus of the study is on the personal characteristics of leaders and how those characteristics have an effect on business sustainability. The researchers are also interested in the effect that innovation culture has on companies and how the personal characteristics of leaders have an effect on the long-term development goals of a company. This study aims to solve these issues and challenges by quantifying the relationship between different types of leadership and business sustainability. By looking at the effects of different kinds of leadership at once, this approach may make up for the limitations of earlier studies that mainly concentrated on the effects of a single kind of leadership (Conțu, 2020). The following goals are outlined to help readers grasp the study's overarching goal of delineating leadership style and its defining features in order to improve company management practises and, by extension, advance human knowledge. The researcher also intends to investigate the quality of leadership style and innovation culture in business companies in Indonesia. In particular, the study intends to explore the measurement of leadership style that influence business sustainability and intends to answer the following questions:

**RQ1:** Is transformational leadership validated as an important indicator of business sustainability mediates by innovation culture?
RQ2: Is transactional leadership validated as an important indicator of business sustainability mediated by innovation culture?

RQ3: Is the innovation culture validated as an important indicator of business sustainability?

II. LITERATURE REVIEW

A. Business Sustainability

In the past, governments, institutions, and corporations who wanted to engage with their communities and increase awareness all placed a significant emphasis on sustainability. Assist businesses in the responsible management of their small and medium-sized enterprises (SMEs) and in organising for a more equitable and just society (Shepherd & Patzelt, 2011). The concept of sustainability requires not only interdisciplinary collaboration, but also collaboration across industries and interests. It is abundantly clear that governments do not possess either the motivation or the ability to accomplish sustainability all by themselves. The private sector must be active in the attempts to achieve sustainability (Cahigas et al., 2022). This is because the private sector is the primary driver of economic activity around the world and a significant source of creativity, innovation, and entrepreneurialism. whereas Kanayo, Agholor, and Olamide (2021) establish the role of contextual variables on sustainable entrepreneurship in the services industry in South Africa.

Kanayo, Agholor, and Olamide (2021) also establish the influence of contextual variables on sustainable entrepreneurship. In addition to that, it is illustrative of the connection that exists between environmental concerns and economically viable firms. According to the findings of the study, sustainable entrepreneurship is characterized by a combination of factors including start-up capital (a financial base), management experience, a favourable engagement with stakeholders, and features of SMEs. According to the findings of the logistic regression, only three of the variables had a meaningful impact on whether or not there was an increase in sustainable entrepreneurship among the players who represented SMEs. According to Roomi, Saiz-Alvarez, and Coduras (2021), a standardized tool has been developed to enable firms to generate a comprehensive report on their sustainability by adopting the 2030 Agenda. This was made possible by the creation of the tool. These tools make it easier to establish rules and public policies that increase the quality of entrepreneurship while simultaneously encouraging eco-innovation and corporate sustainability, as demonstrated in Figure 1.1 (society, economy, and the environment). They also help in determining the extent of sustainable entrepreneurship and its impact, which is in line with the Sustainable Development Goals (SDGs).
Recently, business practices in the West have begun to move away from being solely motivated by profits and towards being more environmentally responsible (Yusoff, 2022). According to Hossin, Ali and Sentosa (2020), this finding demonstrates that the entrepreneurial field is comprised of effective methods for earning income and is seen as a catalyst for change, innovation, and the advancement of the economy. A large number of classes and other events pertaining to entrepreneurialism have been organised by a wide variety of local and international organisations in an effort to entice more people to pursue careers in this field.

B. Leadership Role in Corporate World

Leadership is more of a social phenomenon than it is an individual quality or characteristic. To paraphrase Knezevich (1984), it is possible that a leader will be most effective if he or she first assists the group in formulating and articulating their goals, and then leads the group to achieve those goals. Stogdill (1948) arrived at the conclusion that leadership is not the result of innate features but rather of the behaviours of an individual in relation to the characteristics of the group that is being led. The majority of data from previous studies on leadership styles point to the possibility that a situational approach may be required for effective leadership in commercial settings. This conclusion is based on the findings of those studies. This theory is compatible with earlier research on situational leadership, which supports the necessity for a leader to adjust his or her style dependant on the scenario and followers, particularly in complex organisations such as small to medium enterprises or corporate organisations (Khan, 2017). This idea is supported by the fact that the leader needs to adapt his or her style depending on the scenario and followers.

Leadership plays a crucial role in promoting and achieving business sustainability. Effective leadership is essential for planning, developing, and implementing sustainable strategies, fostering a culture of environmental, transparency, accountability and social responsibility, and driving long-term value creation (Taba, 2021). Here are some key points highlighting the role of leadership in business sustainability,
1) Setting a Clear Vision and Strategy

Leaders play a vital role in establishing a clear vision and sustainability strategy for the organization. They need to articulate the business case for sustainability, define the goals and objectives, and align them with the overall strategic direction. By providing a compelling vision, leaders inspire and engage employees, stakeholders, and investors in the pursuit of sustainable practices (Bansal & Roth, 2000).

2) Driving Innovation and Change

Leadership is essential in fostering a culture of innovation and driving sustainable change within the organization. Leaders need to encourage and support experimentation, promote the adoption of new technologies and processes that reduce environmental impacts, and encourage employees to generate and implement sustainability ideas (Linnenluecke & Griffiths, 2013).

3) Engaging Stakeholders and Building Partnerships

Leaders play a crucial role in stakeholder engagement and building partnerships to enhance sustainability performance. They need to communicate effectively with internal and external stakeholders, involve them in decision-making processes, and build collaborative relationships with suppliers, customers, communities, and NGOs to address sustainability challenges (Lozano et al., 2016).

4) Embedding Sustainability into Corporate Culture

Leadership is instrumental in embedding sustainability principles and values into the corporate culture. Leaders need to demonstrate their commitment to sustainability, led by example, and ensure that sustainability considerations are integrated into decision-making processes, performance management systems, and daily operations (Delmas & Toffel, 2008).

5) Measuring and Reporting Performance

Leaders are responsible for establishing appropriate metrics, measuring sustainability performance, and reporting progress to stakeholders. By tracking key sustainability indicators and communicating performance transparently, leaders promote accountability, enhance credibility, and demonstrate the business's commitment to long-term sustainability (Epstein et al., 2019).

The leader needs to familiarise themselves with the people they are leading, ascertain the requirements and preferences of those followers, and modify their leadership style accordingly (Northouse, 2015). This lends credence to the idea that strong leaders should be able to adapt their approach to different situations using a number of different leadership styles (Avolio & Bass, 2002). According to Knezevich (1984), the actions that leaders take might vary greatly depending on the nature of the problems at hand, the personalities of people engaged, and other external circumstances. There is often a distinguishing trait shared by persons in positions of leadership, despite the fact that the strategies that leaders employ could shift. The authors of this study (Khan, Nawaz, and Khan, 2016) studied both transformational and transactional styles of leadership.
C. Transformational leadership

In order to inspire their followers, motivate them to succeed, boost their confidence in their own abilities, and help them grow as people, transformational leaders place a premium on building meaningful relationships with them. However, there are other factors outside leadership that affect creativity and new ideas. Positive personal and professional outcomes are linked to leadership that focuses on transformation (House & Shamir, 1993). A transformational leader is one who inspires their followers to put the needs of the group above their own (Avolio & Bass, 2002). Taking people as unique individuals and appreciating their unique contributions to the workplace is at the heart of transformational leadership (Fuller et al, 1996). These bosses care about their workers and have the experience and knowledge to foster positive habits in the office. Their involvement might be anywhere from passive to dominant. Reassuring, caring, and coaching individuals, as well as maintaining an approachable and cooperative demeanour, are all components of individualised consideration.

Mentoring is an important part of a transformative leader's duty in preparing their followers to take on those responsibilities themselves. These heads of state are avid students, too. Providing followers with a sense of purpose, meaning, self-esteem, self-determination, emotional control, and confidence through role modelling, articulating, and values creation are main markers of idealised influence (Samad, 2012). The trait that makes a leader inspiring to others who look up to them. Charisma is another word for desirable influence. The ideals generated by idealised influence motivate, give meaning to, and give people a sense of purpose in life. Idealized influence is intrinsically inspiring. It helps one focus on what's truly important in life. Idealized impact and charismatic leadership: an examination of the connection (Yunus, 2008). People follow leaders who exude charisma.

Based on the descriptive and supporting literature above, the researcher formulates the below hypothesis:

**Hypothesis 1.** Transformational leadership is validating as a significant indicator towards Business Sustainability mediated by innovation culture.

D. Transactional Leadership

According to the findings of several studies, a management style known as transactional management has the potential to limit creative expression and has a negative impact on the happiness of people in the workplace (Khan, 2017). The concept of "management by exception," which places an emphasis on the prompt and accurate identification of followers' deviations from the norm, can be used to make sense of the activities of leaders within the context of the framework. A leader who operates on the transactional model relies on a system of dependent rewards to communicate clearly what is expected of the members of their team and to encourage them to remain committed to achieving the team's objectives. According to Bass and Avolio (1997), leaders that use a transactional approach to leadership view contracts as the primary source of motivation for their followers and rely on extrinsic rewards to motivate their teams. Depending on the particulars of the situation, each variety can be utilised in a variety of different ways.
In circumstances that call for a high level of precision, technical skill, and time-constraints, as is often the case in technologically intensive workplaces, we will prioritise transactional leadership as the most effective kind of management. However, transformational leadership will be the preferred choice in human-intensive enterprises where the emphasis is placed on influencing followers through motivation and honouring their feelings on the basis of shared goals, beliefs, and values (McGregor, 2003). This type of leadership is characterised by a focus on creating a sense of shared purpose, beliefs, and values among members of the organisation. The management by exception (active) strategy, the management by exception (passive) strategy, and the contingent reward (passive) strategy make up the three pillars of the transactional leadership model.

The researcher comes up with the following hypothesis after taking into account the aforementioned descriptive and supportive literature:

**Hypothesis 2.** Transactional leadership is validating as a significant indicator towards Business Sustainability mediates by innovation culture.

**E. Innovation Culture**

It is possible to describe the culture of an organisation as the collection of standard practises, behaviours, and representations that are shared by its members. Because of this culture, the life of the organisation is held together by a strong social bond. It is also a powerful management tool that gives individuals of the organisation the ability to act autonomously while being true to the organization's values (Streimikiene et al., 2021).

The term "innovation culture" refers to a certain configuration that fosters an environment within an organisation that makes innovative thinking intuitive and that stimulates inventive actions at every level of employee participation. An examination of the relevant literature reveals that an innovative culture must exhibit certain traits across five dimensions in order to be successful. These traits include: the presence of innovative leaders and managers; the presence of innovative teams; the presence of innovative individuals; an organisational context that is conducive to innovation; multiple and easy links with those who are located outside of the organisation; and a conducive environment for innovation overall. According to Deans and Kane (1992), the innovation brought about by information technology has historically played an essential part in the success of a corporation, even during times of economic instability and tragedy.

The research that was conducted by Cai et al. (2016) came to the conclusion that digitalization is an important factor that contributes to the success of organisations. There have been a number of studies (Pratono, 2016) that have come to the conclusion that innovation through digitalization is a strategic direction that can have a significant positive impact on the success of a firm. The process of innovation has played a key role in the accomplishment of significant socio-economic as well as sustainable development goals, such as greater well-being and global wealth. In spite of this, innovation processes, which are primarily driven by economies and the participants and organisations with the most resources, are characterised by vast inequities.
According to Sentosa, Shamsudin and Sharin (2021), the culture of an organisation is essential since it shows the decisions that the company considers to be the appropriate ones. This makes organisational culture very important. Furthermore, it demonstrates what workers value, what behaviour is considered acceptable in the organisation, and how they interact with one another within the organisation; it defines the speed and effectiveness with which tasks are performed, as well as the organization's openness to change, which is important for the opinion that external stakeholders have regarding the organisation (Taba, 2019). To put it another way, a society's culture can either foster or discourage the display of initiative or the accomplishment of personal ambitions. Indeed, the personality of a manager is quite significant because, as a rule, they are the ones who are responsible for developing the culture of a business.

Based on the aforementioned descriptive and supplementary literature, the researcher develops the following thesis:

**Hypothesis 3.** Innovation Culture has a direct effect towards Business Sustainability.

### III. CONCEPTUAL DEVELOPMENT

Contingency theorists argue that employees have an important role in defining the leader-subordinate relationship. Although the leader is the focal point of the leader-subordinate interaction, employees play an important role in defining the connection. The contingency approach still places a significant amount of focus on the leader, but it also places a strong emphasis on the relevance of group dynamics. These studies of group dynamics and leadership have contributed to the development of some of the most important ideas that are prevalent in these fields today (Al-Shami & Rashid, 2022).

According to Bass and Avolio's (1997) theory of situational leadership, the strategy that a leader takes should change based on the maturity level of the people he or she is leading (Bass & Avolio, 1997). Due to these reasons, the researcher decides to use the Contingency Theory, which is also known as the Situational Theory, in order to strengthen the total body of research for the study. It has been proposed in the past that the method that a leader takes should be altered dependent on the maturity level of their followers (Khan, Nawaz, and Khan, 2016). Since its conception in 1969, the situational leadership paradigm has advanced the idea that there is no one optimal way to lead, and that effective leaders must be flexible enough to adjust their approach from task-oriented to relationship-oriented depending on the circumstances. This idea has been pushed forward by the idea that there is no one optimal way to lead, and that there is no one optimal way to lead.

In 1977, Greenleaf goes on to extend this situational theory further by approaching it from a different aspect. According to the idea of contingency, there is no one leadership strategy that can be relied upon as a universal truth because the method that is taken depends on elements such as the quality of the followers, the nature of the circumstance, and the number of variables that are in play. According to this view, there is no one best way to lead since a leader always needs to modify their style to match the specific conditions of any given situation. Leaders have the ability to influence not only the structure and culture of an organisation, but also the members of that
organisation (Crawford, 2005). It is the opinion of theories of contingency, which is a subfield of behavioural science, that there is no universally ideal way of leadership or organisational structure, and that a leadership style that works well in one context may backfire in another (Greenleaf, 1977). This idea is based on the observation that different situations call for different approaches to leadership and organisational structure.

The author of the study recommended using the conceptual framework described above in order to quantify important aspects that play a role in determining whether or not a company in Indonesia would be successful in the long run. Researchers are able to confirm the demonstrable connection between an exogenous factor (transactional and transformational leadership) and an endogenous factor (innovation culture and business sustainability) through the application of further survey instruments. For a general overview of how this study provides the groundwork for future research on leadership styles and the implications on business sustainability.

In addition to this, the technique takes into account the potential roles that business organisations, particularly those based in Indonesia, could play in enhancing the effectiveness of the enterprises that were researched. The adoption of a holistic perspective enables one to comprehend and offer explanations for complex and well-organized happenings, in which all of the components have important linkages to one another and contribute substantially to the whole, and in which all of these components have significant links to one another and contribute substantially to the whole. Because they are a representative sample of the population of interest (Avolio & Bass, 2004), managers in Indonesian enterprises will make up the participants in this study's sample. There is a clear distinction between the various components in terms of their ability to manage resources and accomplish the organization's goals (Klofsten, Urbano & Heaton, 2020). In addition, the framework functions effectively with any kind of management system and can be easily adapted to fit into new management structures with relative ease.
IV. DISCUSSION AND RECOMMENDATIONS

Leadership and culture are sometimes compared to the two sides of a coin; yet, just looking at one side does not give the whole story. Cultural norms demonstrate how an organisation defines what leadership is by indicating who will be promoted and for what reasons, as well as who will attract the attention of the followers. Similarly, it is possible to demonstrate that the primary responsibility of a leader is to establish and maintain an innovation culture, and that the extraordinary ability of a leader is the capacity to comprehend and integrate that culture into their achievement on performance. Related on business sustainability, one of the most important functions of leadership is the ability to dismantle dysfunctional cultures (Sarango-Lalangi, 2022).

Every company possesses its own unique culture, which is the product of a concoction of factors such as the founders, previous leadership, current leadership, disasters, processes, history, and size (Akthar, 2022). As a result, innovation culture is a phenomenon that involves multiple dimensions across time. The purpose of this article is set out to do two things: create a map of the leadership research landscape and make a contribution to the refinement of a conceptual model based on that landscape. Any future study topic or scenario variables may be incorporated into the suggested framework. It will be a significant factor in the continued success of Indonesian enterprises. Research in the future will be able to bridge this knowledge gap by focusing on the connection between leadership and sustainable performance and using a methodical approach to studying leadership style, innovation culture, and the sustainability of businesses. In addition, several conclusions concerning the effect of a specific leadership style on the long-term viability of businesses, as well as the impact of the underlying mechanism and conditional factors, are anticipated to be presented. Future research directions are discussed, including terminological clarity, a unified view of sustainable performance across industries, the engagement of scholars from different countries, and deeper interdisciplinary cooperation. The data offered here can be used by practitioners in leadership development and decision-making.

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