

# **Entrepreneurial Leadership, Financial Governance, and Creative Industry in the City Of Bandung Indonesia**

**By**

**Riswin Lubis**

Doctoral Student in Business Administration, Universitas Padjadjaran, Bandung, Indonesia  
STIE Dharma Negara, Indonesia  
Email: [riswin.lubis68@yahoo.com](mailto:riswin.lubis68@yahoo.com)

**Mohammad Benny Alexandri**

Business Administration, Universitas Padjadjaran, Bandung, Indonesia  
Email: [mohammad.benny@unpad.ac.id](mailto:mohammad.benny@unpad.ac.id)

**Tetty Herawaty**

Business Administration, Universitas Padjadjaran, Bandung, Indonesia  
Email: [tetty@unpad.ac.id](mailto:tetty@unpad.ac.id)

**Pratami Wulan Tresna**

Business Administration, Universitas Padjadjaran, Bandung, Indonesia  
Email: [pratami@unpad.ac.id](mailto:pratami@unpad.ac.id)

## **Abstract**

The aims of this study are (1) what is Entrepreneurial Leadership? (2) What is Financial Governance? (3) How is the Creative Industry in the City of Bandung?. The method used is descriptive analysis. The results of the research findings are that the city of Bandung is also synonymous with culinary delights. When asked what comes to mind when they hear the city of Bandung, tourists often say that culinary is what they remember. The culinary city of Bandung is very varied, from traditional, Middle Eastern, and Chinese to European food. Fashion is also an "image" of business in the city of Bandung. At a glance, the city of Bandung is known as a fashion city, seen from the various types of fashion businesses, from malls, and factory outlets to modern markets and traditional markets. Craft arts, or Bandung City crafts, have become a mainstay for the City of Bandung. Crafts from the city of Bandung that is a source of income for other regions. The city of Bandung often "exports" crafts to other provinces, such as East Java, DKI Jakarta, and Bali.

**Keywords:** Entrepreneurial Leadership, Financial Governance, SMEs

## **Introduction**

The city of Bandung is regarded as one of the first creative cities in Indonesia. It has won accolades on a global scale as an Emerging Creative City and was recommended as a UNESCO Creative City in 2013. The city of Bandung was proposed as a creative city in the field of graphic design and visual design, meaning that the city of Bandung became a trendsetter in design creativity so that in November 2015 the Director General of UNESCO Irina Bokova stated that Bandung was included in the world's 47 creative cities in the field of design (UNESCO, 2015) {Simatupang et.al (2008), "Policy Analysis of Creative Industry Development in the City of Bandung"}.

The definition of the creative industry according to the Ministry of Trade in the 2007 creative industry mapping study in the book *Development of the Indonesian Creative Economy 2025* (2008) is: "Industry originating from the utilization of individual creativity, skills and talents to create prosperity and employment through the creation and utilization of creative power and individual creativity."

The Ministry of Trade has divided the creative industry economy into 14 (fourteen) sectors, including "(1) advertising services, (2) architecture, (3) the art and antiques market, (4) crafts, (5) design, (6) fashion, (7) video, film, and photography, and (8) interactive games. (9), music, (10), performance arts, (11), publishing and printing, (12), computer and software services, (13), television and radio, and (14) research and development". The mapping of creative industry areas is done so that the process of encouraging and allocating support from the regional and national governments, as well as the management of creative industries from each region, is focused so that the regions have characteristics in producing creative industries and are capable of competing in the current era of globalisation. The development of the creative industries in Indonesia started to take off in 2007, but many people are still unaware of the sectors that make up these businesses. It is a separate responsibility for the government to socialise the creative industry due to the lack of public understanding, so that the government can attempt to map the creative business in Indonesia. Although the creative sector can significantly increase a region's Gross Domestic Product (GDP) and employment levels.

According to the British Council, the term "creative industries" means: According to the term "creative industries," these are businesses that produce goods using people's individual creativity, abilities, and skills with the potential to create income and jobs through the development and exploitation of intellectual property. Included are publishing, music, performing arts, advertising, architecture, art and antique markets, crafts, design, fashion designing, film and video, interactive leisure software, television, and radio.

The creative economy, according to Howkins (2005: 4 in Alexandri et al., 2020), is an economic activity whose input and output are in the form of ideas. A concept is what creativity is all about. Only think about how much money a creative person could make with just an idea. Original concepts that are subject to IPR protection, such as those created by musicians, actors, and writers. The creative economy is becoming a sector that can be evaluated, but it is still difficult to define benchmarks against which it can be measured because of a number of philosophical and practical definitional problems. Measurement of the creative economy remains difficult in many nations, including Indonesia, despite the recent large investments made by numerous organisations and governments in this area. Data on the creative economy were gathered twice in Indonesia: first, through a survey that was performed in 2016, and second, through the compilation of the 2016 Economic Census. The five-digit Indonesian Standard Industrial Categorization (KBLI) is classified as a creative economy through data collecting using a generic classification system. 223 of the 1,573 five-digit KBLI codes in total were found to be creative economic activities. This strategy is still unconventional in terms of idea definition, data gathering techniques, analytical strategies, and general classification schemes. In order to promote the Sustainable Development Goals, this study identifies issues and obstacles in data collection and creative economy measurement, highlighting the many constraints in assessing Indonesia's current creative economy.

Growth per creative industry sub-sector in Bandung City based on data from the Bandung City Creative Industry Sector is dominated by the culinary (0.57), fashion (3.07), and crafts (1.94) sub-sectors. Meanwhile, the sector with the lowest dominance is film and video, and performing arts.

The absorption capacity of the creative industry workforce increased to 8,049 in 2018 or grew by an average of 2% per year. Meanwhile, nationally, the data from the Creative Economy Agency can show the absorption capacity of the creative industry sector, that employment absorption with the Main Performance Indicator of Labor Absorption of the target of 17.20 million people has been realized as many as 19.01 million people so that the achievement is 110.52%. The absorption of the creative economy workforce has been achieved because the indicators that support this outcome have reached the target.

The share of the creative economy workforce is a comparison between the creative economy workforce and the total working population. This indicator is useful for measuring the high absorption of labor in the creative economy. Based on BPS data for 2011-2018 in Figure 1.1, it can be seen that the share of creative economy workers in 2018 was 14.68%, which means that out of 100 residents, around 15 people work mainly in the creative economy. Judging from the trend, the share of creative economy workers from 2011 to 2018 tends to continue to increase. From 2011 to 2014, the share of creative economy workers slowly increased. A sharp increase occurred in the 2014-2015 period, from 13.23% in 2014 to 13.9% in 2015. In 2018 the share of creative workers was 18.21% and the order of subsectors based on the largest number of workers was Subsector Culinary (8.31 million), fashion sub-sector (4.69 million), and craft sub-sector (3.91 million). The same pattern occurred in 2011-2018 where the largest proportion was in the Culinary, Fashion, and Craft Subsectors.

## Discussion

### *RQ1: What is Entrepreneurial Leadership?*

Leadership expert, John C. Maxwell (2001) in his book "Laws of Leadership", once said that leadership is part of success. Success without leadership will have limited effectiveness. The higher an individual or organization rises, the more leadership is needed. Adding leadership will increase effectiveness by up to 700%. According to Maxwell, personal and organizational effectiveness is directly proportional to leadership power.

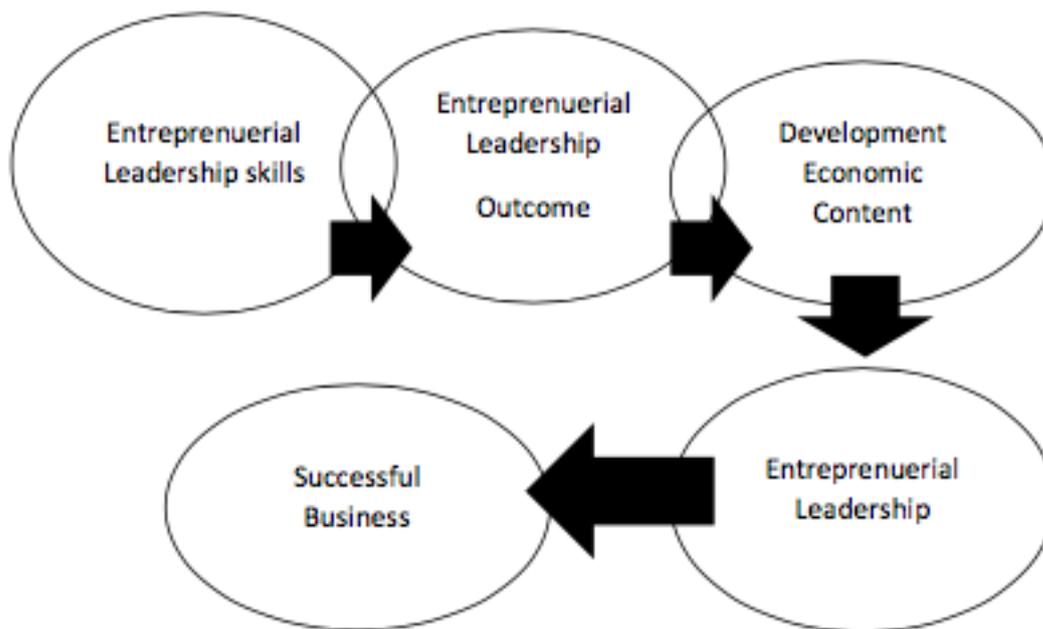
The history of leadership starts from the individual sphere then the organization and corporate or company. Leadership regarding entrepreneurship itself begins with several events, even research on the Law of Leadership Values from Maxwell states that organizational effectiveness is driven by 2 things, namely (1) The level of service to customers and (2) Leadership from superiors. Leadership has consistently been suggested as an inspiring and enabling factor that influences various aspects of work behavior and employee performance. (Park, Kim, Yoon, & Joo, (2017); "The most important thing any leader can do is develop more leaders. It sounds simple, but if that were the case, we wouldn't find ourselves constantly looking for more and better leaders." Kathy Caprino (2020)

A number of research findings have also examined the important effects of leadership styles on employee innovation work behaviour, their capacity to recognise opportunities and, as a result, innovative capabilities, competitiveness, and growth of various businesses "(Chen, Li, & Leung, 2016), (De Jong & Den Hartog, 2010), (Koryak et al., 2015), (Weng, Huang, Chen, & Chang, 2015)". Entrepreneurial leadership is about influencing, according to Fontana and Musa (2017).

Others toward goals through effective communication to recognize opportunities and share visions of possible futures that the organization can leverage to maintain competitiveness. Entrepreneurial

Leadership must also have the ability to motivate people to continually recognize and act on opportunities, to be creative, and to be agile in adapting to change. Furthermore, entrepreneurial leadership also has the ability to effectively orchestrate resources by understanding resource allocation and organizational disciplines to link entrepreneurship with strategic management.

Harrison, Burnard, & Paul (2018) formulate dimensions and indicators of entrepreneurial leadership that are important for the successful development of the economic environment.



According to Harrison, Burnard, & Paul (2018), there is a link between successful businesses from economic content development. Economic development guided by entrepreneurial leadership will lead to successful businesses.

There has been empirical research on the effects of entrepreneurial leadership on employee behaviour in a number of works of literature (Fontana & Musa, 2017). Afsaneh Bagheri notes that there aren't many empirical studies that look at how SME owners' entrepreneurial leadership techniques affect their ability to innovate and see opportunities for their staff (2017).

According to Renko et al. (2015), entrepreneurial leaders have a variety of influences on innovation and opportunity recognition, particularly in SMEs. First, they play a crucial part in creating an entrepreneurial vision that is motivating for businesses (“Chen, 2007, Freeman, 2014, Guo, 2009, Karol, 2015”) and in coming up with creative solutions to issues and enhance the performance of their firms (“Chen, 2007; Fontana & Musa, 2017, Guo, 2009, Gupta et al., 2004”). In fact, innovation is one of the core competencies of entrepreneurial leaders (“Chen, 2007, Kuratko, 2007, Surie & Ashley, 2008”).

To increase the success and efficiency of their task performance, leaders also employ entrepreneurial leadership abilities (innovation, risk-taking, and proactivity) (“Chen, 2007, Karol, 2015”). Second, entrepreneurial leaders realise their vision by identifying and developing the potential of people and teams of workers, boosting their self-efficacy,

encouraging them to come up with new ideas, and modifying their attitudes, beliefs, and actions to put those ideas into action (“Fontana & Musa, 2017, Freeman, 2014, Gupta et al., 2004, Kang et al., 2015, Karol, 2015, Leitch et al., 2013, Renko et al., 2015”).

Entrepreneurial leaders foster a culture and atmosphere where all staff members view innovation as one of their responsibilities and persevere in the face of inherent difficulties in innovation activities (“Freeman, 2014, Karol, 2015”).

Additionally, they set up the systems and procedures required for continuous innovation processes in their company (“Leitch & Volery, 2017, Surie & Ashley, 2008”). Previous studies have largely focused on large companies; therefore, their findings might not be applicable to the extremely difficult and uncertain situation of SMEs (“Leitch et al., 2013, Leitch & Volery, 2017”).

This study investigates the hypothesis of the influence of entrepreneurial leadership on creativity and the opportunity recognition behaviour of staff members of high-tech SMEs. This study supports the idea that different innovation-related behaviours are impacted by leadership differently (Kang et al., 2015), and it emphasises the critical role that entrepreneurial leaders play in fostering employee innovation work behaviour, particularly in high-tech SMEs.

### ***RQ2: What is Financial Governance?***

How businesses gather, handle, monitor, and control financial information is referred to as financial governance. Accounting for financial transactions, managing performance, and overseeing data, compliance, operations, and disclosure are all aspects of financial governance (tagetik.com). The majority of MSMEs today face issues with financial management. This is one of the key reasons MSMEs in Indonesia cannot compete successfully. The issue is often that many MSMEs do not maintain accurate financial records. Because they employ both company and household financing, it is inevitable that they will struggle to turn over their corporate capital.

“Governance in any organization is complex and multi-faceted. Governance usually has many different dimensions including clinical governance, corporate governance, and financial governance. Financial governance is only one aspect of overall governance and has a strong relationship with other aspects of governance (Prowle & Harradine, 2014). The specific characteristics of an organization can determine to a large extent how its financial governance through a financial management system will be implemented and operationalized (Fiador, 2013)”.

“Financial governance, essential for all successful organizations, can be defined as the legitimate use of power and authority in the management of the financial resources of an entity (Fiador, 2013). Good financial governance, while seen as a significant contributor to good fiscal management, and effective and efficient use of resources, is also seen as a basis for transparency and accountability (Status Report on African Financial Governance, in Fiador, 2013)”.

It is, therefore, necessary to have an effective financial governance system in an effort to maximize the efficient use of resources, create the highest level of transparency and accountability in an organization's finances, and ensure long-term economic success.

The issue of corporate governance, since Cadbury (in (Prowle & Harradine, 2014), has been defined and debated. The Cadbury Report itself defines corporate governance as simply

"the system by which companies are directed and controlled" whereas Solomon (in Prowle & Harradine, 2014) broadens this is to define corporate governance as: "a system of checks and balances, both internal and external to companies, that ensure that companies discharge their accountability to all their stakeholders and act in a socially responsible manner in all areas of their business activities".

"Criteria The key elements identified for good financial governance are as follows (NHS, in Prowle & Harradine, 2014): The

- a. financial objectives for the organization are clearly defined and approved by the Board
- Board-level responsibilities for financial management are clearly defined
- b. The Audit Committee oversees the financial aspect. Inst Standing Financial Ructions, adopted by the Board and announced throughout the organization.
- c. The financial risk management process exists throughout the organization. Internal controls - there are effective and documented systems in place for all financial management systems.
- d. Finance function - There is a sufficient, trained, and competent finance function.
- e. Financial management - all employees, including managers and the Board, are provided with adequate information, instructions, and training.
- f. Internal control review - The board reviews the effectiveness of its system of internal financial controls at least annually.
- g. Performance - The Board receives regular reports on performance and financial activity.
- h. Risks - The Board is aware of the significant risks and determines and takes action accordingly."

"Meanwhile, the elements of financial governance above are quite clear and precise, and are built on the principles of good governance. Understanding and applying these guidelines is an important boundary for systems, processes, skills, and more within the company. The stakeholders involved enabling the governance system to protect the interests of all parties. While the content of the guidance above is a necessary attribute of good governance, it does not adequately describe the status of certain key issues that underpin good financial governance. Browse & Harradine (2014) reviewed good practices in various sectors and conducted discussions with senior financial managers in the sectors so as to formulate key aspects of good financial governance in any organization that also need to be considered".

The budget preparation process, which is at the core of the financial management function, is broadly defined as the process of quantitatively expressing an organisational strategy or financial perspective of what an organisation wants to achieve over a specific period of time (Horngren et al., 2006). Typically, the budget or financial plan produced by the budget preparation process serves as the foundation for evaluating subsequent performance. NGOs can continuously evaluate their revenues and costs to make sure that cash flows support activities, as demonstrated by Gaist (2009), by creating a budget and generating frequent financial reports. With regard to budget preparation, there are often specific aspects that must be present in order to connect financial planning and budget preparation with the organization's strategic goals. Completeness is essential among these (Umaphy, 1987). The authorised exercise of power and authority in the management of an entity's financial resources is known as financial governance, and it is a necessary component of all successful organisations. A foundation for openness and accountability, excellent financial governance is recognised as a major factor in successful fiscal management and the effective and efficient use of resources (Status Report on Financial Governance of Africa,

2011). In order to maximise resource efficiency, generate the maximum level of openness and accountability in an organization's finances, and guarantee long-term economic success, it is imperative to have an effective financial governance structure. Recent literature has also emphasised the significance of effective financial management practises for service delivery, poverty reduction, and the accomplishment of the millennium development goals (Pretorius and Pretorius, 2008).

The budget preparation process is at the centre of the financial management function and is generally defined as the process of quantitatively expressing an organisational strategy or financial perspective of what an organisation wants to achieve over a specific period of time (Horngren et al., 2006). Typically, the budget or financial plan produced by the budget preparation process serves as the foundation for evaluating subsequent performance. NGOs can continuously evaluate their revenues and costs to make sure that cash flows support activities, as demonstrated by Gaist (2009), by creating a budget and generating frequent financial reports. With regard to budget preparation, there are often specific aspects that must be present in order to connect financial planning and budget preparation with the organization's strategic goals. Completeness is essential among these (Umapathy, 1987).

Financial information collection, management, monitoring, and control are all terms used to describe financial governance in businesses. Financial governance refers to how businesses monitor financial activity, control performance, and manage data, compliance, operations, and disclosure. Organizations can more quickly identify hazards thanks to financial governance. Finance can recognise when financial data points to a business risk through regular monitoring and control.

How does financial governance affect your company? The rules and practises that businesses adopt to regulate and guarantee the accuracy of their company data are known as financial governance. The following are components of financial governance: “(1) Internal control, (2) Financial policy, (3) Internal and external audit, (4) Workflow, (5) Financial control, (6) Data tracking and validation, (7) Data security, and why is financial governance so important? (8) Effective financial governance makes guarantee that financial”.

### ***RQ3: How are the Creative Industries in the City of Bandung?***

The city of Bandung has enormous creative industry potential. Based on the SE 2016 KBLI Creative Economy (Ekraf) conducted by the Central Statistics Agency (BPS), the number of creative economy players was recorded at 126,184. “Of these, 16 creative sub-sectors are engaged, namely application and game development, architecture, product design, fashion, interior design, visual communication design, performing arts, film, (animation and video), photography, craft, culinary, music, publishing, Fisheries, Fine Arts, Television and Radio”.

Efforts to encourage the growth of creative industries in the city of Bandung are in line with the wishes of President Joko Widodo (Jokowi) to make the city of Bandung a mainstay area in the creative economy sector. Currently a good ecosystem. Meanwhile, the matter of regulation can work with what currently exists. Because with too many settings, it will not be creative anymore.

The creative industry will still be West Java's mainstay in moving the economy into a new normal phase or in West Java it is called New Habit Adaptation (IMR). The key is adaptation and innovation.

It is undeniable that the COVID-19 outbreak has affected all economic sectors including the creative industry. Many shows or music concerts are canceled because they have to avoid crowds. Artists and cultural figures have lost their jobs, including event organizers and production houses that manage or produce creative industries.

However, with its nature that relies on creativity, human intelligence, and intellectual property, the creative industry is actually the most prospective sector and it is even possible for ordinary people to do it.

The creative industry in Indonesia is growing very rapidly. According to the 2020 focus economic outlook data, this industry has contributed Rp. 1,100 Trillion in Indonesia's Gross Domestic Product (GDP) (Akbar and Silaban (2021)).

Alexandri et al (2019) stated that three out of 17 (seventeen) sub-sectors of the creative economy are the largest contributors to the structure of Gross Domestic Product (GDP) and exports, these three sub-sectors namely fashion, culinary, and craft arts.

The first rank was won by the culinary sub-sector by 41%, fashion at 17%, and craft arts at 14.9%. Meanwhile, according to the Central Statistics Agency (BPS), the culinary sector contributed 41.69% or around IDR 382 trillion, and fashion by 18.15% or IDR. 166 trillion, and 15.70% of craft arts or Rp. 142 trillion.

The city of Bandung is also synonymous with culinary delights. When asked what comes to mind when they hear the city of Bandung, tourists often say that culinary is what they remember. The culinary city of Bandung is very varied, from traditional, Middle Eastern, and Chinese to European food. Fashion is also an "image" of business in the city of Bandung. At a glance, the city of Bandung is known as a fashion city, seen from the various types of fashion businesses, from malls, and factory outlets to modern markets and traditional markets.

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## **Conclusion**

1. Leadership in business. A focus of research in the leadership literature is entrepreneurial leadership, one of the new leadership philosophies. In comparison to other leadership philosophies, it is thought that entrepreneurial leadership greatly increases organisational success (Kavithaselvaraja & Pihie, 2017). According to the definition of entrepreneurial leadership, it refers to leadership used in entrepreneurial efforts; hence it is based on several leadership philosophies (Li, Bao, & Jiang, 2013). Accordingly, the entrepreneur's vision determines which leadership style is adopted in business endeavours (Nwachukwu, Chladkova, & Zufan, 2017). Entrepreneurial leadership in particular is frequently described as an authentic, charismatic, and transformational leadership style (Leitch & Volery, 2017).

The junction of the character traits of entrepreneurs and leaders is how entrepreneurial leadership, a relatively new term, is frequently defined. He, Standen, and Coetzer (2017) Entrepreneurial leadership and the performance of SME businesses are positively correlated, according to research that blends entrepreneurial orientation with leadership qualities and uses the construct to quantify entrepreneurial leadership style (Mgeni, 2015; Pieper, 2014;

Chandrakumara et al., 2009 in Nwachukwu et al., 2017) However, the idea of entrepreneurial leadership hasn't been as well defined in terms of its sustainability, thus further research is needed (He et al., 2017; Leitch & Volery, 2017)

2. Financial management in Bandung City's creative industries. You can be sure your finance staff is using the correct data to generate reports, budgets, plans, and other financial documents when your firm establishes control over financial data. Controls may comprise 1. Software that maintains data structure and formatting. 2. Has a single data hub for all information that can accommodate both current and past data. 3. A programme that verifies data once it is entered. 4. Systems with audit trails and logs to keep track of who changed the data, when, and what was changed. 5. One system that handles every financial transaction, from disclosure through closure. 6. Financial governance is essential for creating disclosures and reports that comply with regulations. 7. One aspect of financial governance is the capacity to keep up with compliance mandates, such as IFRS and GAAP revisions. If your business practises good financial governance, it will gather, compute, and present financial data in line with legal standards. The documents executives use to strategy and establish direction are based on a greater understanding of the financial realities of an organisation as financial governance produces more accurate information. Faster closing and quicker completion of other financial operations are outcomes of financial governance.

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