

SYNERGIZING ENTREPRENEURIAL LEADERSHIP, FINANCIAL GOVERNANCE, AND THE DYNAMIC CREATIVE INDUSTRY IN BANDUNG, INDONESIA

RISWIN LUBIS ¹, MOHAMMAD BENNY ALEXANDRI ², TETTY HERAWATY ³ and PRATAMI WULAN TRESNA ⁴

^{1,2,3,4}Business Administration, Universitas Padjadjaran, Indonesia.

Abstract

This study aims to explore (1) the concept of Entrepreneurial Leadership, (2) the essence of Financial Governance, and (3) the state of the Creative Industry in the City of Bandung. The research employs a descriptive analysis method. The findings reveal that Bandung is renowned for its diverse culinary offerings, a characteristic often associated with the city. Tourists frequently associate Bandung with its rich culinary scene when prompted about their impressions of the city. Bandung's culinary landscape spans traditional, Middle Eastern, Chinese, and European cuisines. Additionally, the city has cultivated a distinctive image as a hub for the fashion industry. Bandung is commonly acknowledged as a fashion city, evident in the array of fashion businesses, ranging from malls and factory outlets to modern and traditional markets. Craft arts have also emerged as a cornerstone for Bandung, serving as a significant source of income that extends beyond the city's borders. Bandung frequently exports its crafts to other provinces, including East Java, DKI Jakarta, and Bali.

Keywords: Entrepreneurial Leadership, Financial Governance, SMEs.

INTRODUCTION

The Ministry of Trade, in the 2007 creative industry mapping study within the book "Development of the Indonesian Creative Economy 2025" (2008), defines the creative industry as an industry stemming from the utilization of individual creativity, skills, and talents aimed at creating prosperity and employment through the generation and application of creative power and individual creativity.

The creative industry economy, as categorized by the Ministry of Trade into 14 sectors, includes advertising services, architecture, the art and antiques market, crafts, design, fashion, video, film, and photography, interactive games, music, performance arts, publishing and printing, computer and software services, television and radio, and research and development. The mapping of these creative industry sectors is crucial for focusing the encouragement and support allocation from both regional and national governments, as well as the effective management of creative industries within each region. This approach ensures that regions can develop distinctive characteristics in producing creative industries, capable of competing in the current era of globalization.

Despite the initiation of creative industry development in Indonesia in 2007, many people remain unaware of the sectors constituting these businesses. It becomes the government's responsibility to raise awareness and socialize the concept of the creative industry due to the

lack of public understanding. Efforts to map the creative business in Indonesia are essential, considering the significant potential of the creative sector in boosting a region's Gross Domestic Product (GDP) and employment levels.

The British Council defines "creative industries" as businesses that produce goods using individual creativity, abilities, and skills, with the potential to generate income and jobs through the development and exploitation of intellectual property. This includes 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 where both input and output take the form of ideas. The essence of creativity revolves around the concept, considering how much financial value a creative person could derive from a single idea. Original concepts, subject to Intellectual Property Rights (IPR) protection, are created by individuals such as musicians, actors, and writers. While the creative economy is evolving into an assessable sector, defining benchmarks for measurement remains challenging due to philosophical and practical definitional issues. Measuring the creative economy remains difficult in many nations, including Indonesia, despite significant investments. Data on the creative economy in Indonesia were collected through surveys in 2016 and the compilation of the 2016 Economic Census, classifying creative economic activities using the Indonesian Standard Industrial Categorization (KBLI). Out of a total of 1,573 five-digit KBLI codes, 223 were identified as creative economic activities. This unconventional strategy encompasses idea definition, data gathering techniques, analytical strategies, and general classification schemes. This study, aiming to promote the Sustainable Development Goals, identifies issues and obstacles in data collection and the measurement of the creative economy, shedding light on the challenges in assessing Indonesia's current creative economy.

The growth within individual sub-sectors of Bandung City's creative industry, based on data from the Bandung City Creative Industry Sector, exhibits dominance in the culinary (0.57), fashion (3.07), and crafts (1.94) sub-sectors. In contrast, the film and video, as well as performing arts, show lower dominance. The workforce absorption capacity in Bandung's creative industry increased to 8,049 in 2018, with an average annual growth rate of 2%. Nationally, data from the Creative Economy Agency reveals that the absorption capacity of the creative industry sector surpasses the target of 17.20 million people, reaching 19.01 million people, achieving 110.52%. The share of the creative economy workforce, a comparison with the total working population, stands at 14.68% in 2018 based on BPS data for 2011-2018. This indicates that out of 100 residents, approximately 15 work primarily in the creative economy. The trend from 2011 to 2018 shows a continuous increase in the share of creative economy workers.

Moving to the discussion of Entrepreneurial Leadership, John C. Maxwell emphasizes the significance of leadership for success. Maxwell notes that personal and organizational effectiveness is directly proportional to leadership power, suggesting that success without leadership is limited. The history of leadership spans from the individual sphere to organizations and corporations.

Objectives

This study aims to explore (1) the concept of Entrepreneurial Leadership, (2) the essence of Financial Governance, and (3) the state of the Creative Industry in the City of Bandung.

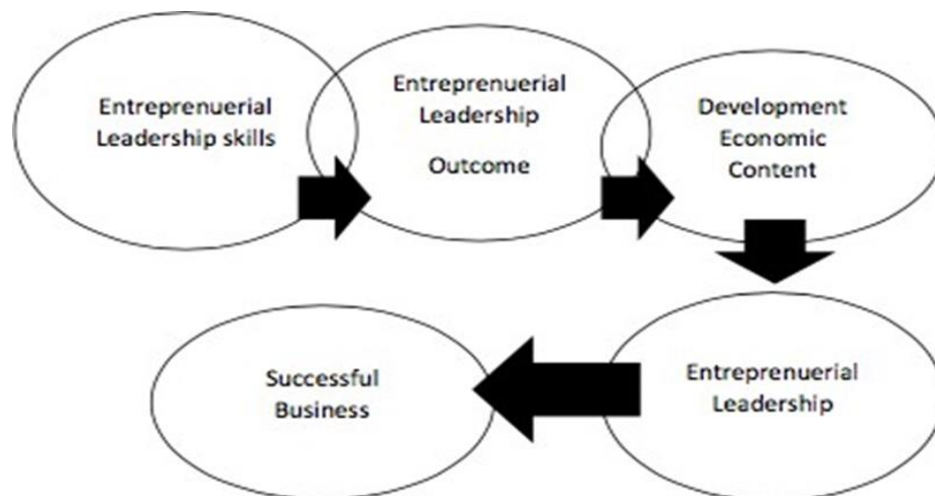
METHODOLOGY

The research employs a descriptive analysis method.

RESULTS

Entrepreneurial leadership, according to Fontana and Musa (2017), involves influencing others toward goals through effective communication, recognizing opportunities, and sharing visions for the organization's future competitiveness. It requires the ability to motivate people to continually identify and act on opportunities, fostering creativity, and adapting to change. Entrepreneurial leadership also involves effectively orchestrating resources by understanding resource allocation and organizational disciplines, linking entrepreneurship with strategic management.

Harrison, Burnard, & Paul (2018) define dimensions and indicators crucial for the successful development of the economic environment, emphasizing the importance of entrepreneurial leadership in influencing various aspects of work behavior and employee performance.



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 (Umapathy, 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.

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, Jakarta, and Bali.

CONCLUSION

- a) 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).
- b) 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) 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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