International Journal of Economics, Business and Accounting Research (IJEBAR)
Peer Reviewed – International Journal
Vol-7, Issue-4, 2023 (IJEBAR)
E-ISSN: 2614-1280 P-ISSN 2622-4771
https://jurnal.stie-aas.ac.id/index.php/IJEBAR

CREATIVITY AND INNOVATIVE BEHAVIOR TO ENHANCE COMPETITIVE ADVANTAGE WITH THE MODERATING ROLE OF DIGITAL LEADERSHIP

Yohanes Susanto[1], Bukman Lian[2], Fitria Marisya[3]
Bina Insan University, Lubuk Linggau, Indonesia[1]
PGRI University, Palembang, Indonesia[2]
Politeknik Darusalam, Palembang, Indonesia[3]
Email: susantoyohanes60@gmail.com[1], drbukmanlian@univpgri-palembang.ac.id[2]
fitriamarisya@gmail.com[3]

Abstract: The purpose of this study is to better understand the value of creativity and creative work practices in boosting competitive advantage, starting with psychological empowerment via the mediating impact of digital leadership. In this study's quantitative methodology, 300 SMEs in Palembang City, South Sumatra, Indonesia, were given questionnaires to complete. Path analysis using SEM-PLS is the analysis method employed. The study's findings indicate that psychological empowerment directly influences creativity and innovative work behavior but has no impact on competitive advantage. While creativity promotes new work practices, competitive advantage is unaffected. Competitive advantage is impacted by innovative work practices. Innovative work practices and competitive advantage are mediated by creativity, although competitive advantage is not one of them. Digital leadership does not mediate psychological empowerment and creativity into a competitive advantage, but it does mediate creativity into innovative work behavior and innovative work behavior into a competitive advantage. As a result, it will be simple to mold employees' innovative behavior. Creativity is required to compete in the modern world, and it must be based on the desires of the employees themselves. This creative conduct will encourage the growth of small and medium-sized businesses. Leaders must keep up with trends and technical advancements and be able to help staff members advance their IT literacy. As a result, it will quicken behavioral adjustments necessary to be creative and successful in the contemporary technological era.

Keywords: *Competitive Advantage; Sustainability Strategy; SMEs*

Submitted: 2023-12-14; Revised: 2023-12-20; Accepted: 2023-11-22

1. Introduction

In this day and age, consumer needs have changed drastically due to the great degree of originality and inventiveness. The creativity and innovation that has been carried out by organizations/companies has changed consumer lifestyles and made consumers have many choices in buying a product or service. (Nugroho., 2020). The development of information technology in the globalization era is growing complexly in today's dynamic environment (Harkoff et al., 2019; Uddin et al., 2020). These changes have an impact on the growth of

small and medium-sized businesses (SMEs).For small and medium-sized businesses to succeed, be able to compete, and thrive in the modern world, they require strategies for sustainable company development (Elidemir et al., 2020; Ferreira et al., 2020; Turulja, L., & Bajgoric, N. 2018) It is almost impossible to excel without creative and innovative ideas and optimal use of technology. SMEs with the best classification are creative, innovative-oriented and capable of utilizing technology; this will create new markets and added value that will differentiate them from their competitors (Munir & Beh., 2019; Wasono & Furinto., 2018; Buli., 2017).

SMEs can gain greater benefits if they develop, communicate, embracing and exploring innovation orientation (Udriyah et al., 2019). Many researchers conclude that dynamic abilities such as creativity and To gain a competitive advantage, creative work practices are required and sustain business growth (Lee et al., 2019; Singh & Sarkar., 2019) In other words, being creative and innovative and utilizing technology is a sustainable strategy for SMEs to increase competitive advantage. Following Jogaratnam (2017) explains that entrepreneurial orientation is conceptualized as a uni-dimensional and three-dimensional construct that is most commonly learned from EOs is innovativeness, proactiveness, and risk-taking

The use of information technology opens new avenues to transform the current global economy. Transformation can accelerate business development to become organizations capable of exploiting core competencies and exploiting innovation (Jackson & Dunn-Jensen., 2021). Change in an organization is inseparable from the role of the leader through his actions or decisions, so knowledge, digital leadership skills are needed to lead in the current era of disruption (Miharjo & Rukmana., 2018), digital leadership ensures business remains competitive, maximizes business achievements (Deluca et al. al., 2017) and able to improve employee performance (AIAjmi., 2022), besides that digital leadership contributes to increasing business innovation (Benitez et al., 2023; Wasono & Furinto., 2018)

The model for developing competitive advantage with inventive thinking and creativity behavior has been extensively researched and developed by practitioners (Elideir et al., 2020; Ferreira et al., 2020; Safari et al., 2020) and there is psychological empowerment that precedes it (Afsar & Badir., 2016; Gautam., 2018; Singh & Sarkar., 2019) and has been studied on SMEs (Chaithanapat et al., 2022; Munir & Beh., 2019; Sriboonlue & Puangpronpitag,. 2017) and developed by (Calakoglu et al., 2019; Friedman & Carmeli., 2017; Lin & Sanders., 2017) they see creativity and innovative behavior as an essential SMEs practice with technological involvement in it (Duluca et al., 2017; uddin et al., 2020) in Indonesia this study was developed by (Miharjo & Rukmana., 2018; Wasono & Furinto., 2018) explaining the need for business acceleration in digital transportation to support competitiveness. Therefore, it is very important to explore an innovative business development model that focuses the significance of digital leadership, and in this research, it is developed on psychological empowerment, creativity, creative behavior and digital leadership to increase the competitive advantage of SMEs.Several previous studies have only focused on how to increase the creativity and innovative

Behavior of employees. In order to obtain more comprehensive information, this research considers the impact of leadership on the terms so that the findings in this study will be more comprehensive. Leadership brings the organization to excellence (Stanescu et al., 2020) and innovative employees will complete their work in new ways creating strategies to beat the competition (Sing & Sarker., 2019). Every entrepreneur seeks to minimize the impact of price wars, drive sustainable cost efficiency and at the same time seek to maximize new market opportunities (Masa'deh et al., 2018). In addition, new competitive challenges

continue to emerge and force SMEs to re-examine their internal environment to improve performance and maintain competitive advantage (Almajali et al., 2016).

This research shows the importance of strategy to increase competitive advantage by investigating the effect of creativity (CR) and innovative work behavior (IWB) preceded by psychological empowerment (PE) on competitive advantage (CA) through the mediating effects of the creativity, innovative work behavior, and moderation of digital leadership (DL). With this study, it is hoped that it can help increase creativity and increase employees' innovative behavior with the contribution of organizational leaders as well as become a sustainable strategyby following the trends of the current era.

2. Literature Reviews

2.1. Linking Psychological Empowerment, Creativity, Innovative Work Behavior to CompetitiveAdvantage

Psychological Empowerment, PE measures the extent to which employees take initiative and are able to self-assess their work (Gautam, 2018). Organizations can understand their competence by studying and knowing the psychology of their employees (Fahlevi SI & Satrya, 2020). Generally, PE individuals feel free to develop new ideas, know the substance of their work, and carry out business activities effectively (Afsar & Badir., 2016; Safari et al., 2020; Stanescu et al., 2020). There is an interesting relationship between creativity and innovation in SMEs because SMEs implement creative ideas into new products which are considered the main challenges of innovation (Castillo Vergara & García Pérez-de Lema, 2020) SMEs depend on creativity to enhance their innovation performance, but a lack of resources hinders this process in developing countriesThe formation of employee behavior starts in the organizational environment, where the atmosphere will guide employee psychology (Singh & Sarkar, 2019). In other words, IWB can be formed from PE and supported by a creative environment. PE will also give employees the perception that their work is beneficial to others (Ghosh et al., 2029) and that IWB can overcome challenges at work; PE is a prerequisite for IWB (Iqbal et al., 2020). PE for employees is an added value for management, which can increase CA levels (Gautam, 2018). Employees with PE are always working to improve their performance and become skilled. Highly skilled employees can assist organizations in developing CA (Widyanesti & Masyithah, 2018). Based on this, this study proposes the following hypothesis:H1a-c: Psychological empowerment has an effect on a. creativity, b. innovative work behavior, and c. competitive advantage. *Linking Creativity to Innovative Work Behavior and Competitive Advantage*Several studies have developed about how important it is to study employee attitudes and behavior to encourage the effectiveness of achieving organizational goals, two of which are CR and IWB. CR often occurs when skills are in line with employees' intrinsic interests, CR will also be higher if intellectual skills and creative thinking skills increase (Bednall et al., 2018; Colakoglu et al., 2019). CR is often equated with the concept of innovation in an organizational context, but the two are not the same. Innovation is defined as the application of something new in work, products, processes, or procedures in a job carried out by employees that aim to benefit the organization (Ferreira et al., 2020). Even though SMEs are classified as small organizations, to face the SME market, peacocks must have employees who are creative and able to turn creative ideas into innovations in creating products and business processes (Elidemir et al., 2020; Lee et al., 2019). All innovation starts with an idea, and creative employees are therefore indispensable because there will be potential for innovation with their creativity (Groselj et al., 2020), explaining that a creative environment is involved in the formation of

an IWB.

The CR and CA models developed (Amabile et al., 1988) explain that creative ideas that are successfully implemented are the main contributors to achieving CA in a dynamic environment. IWB is the capacity of staff to develop and use new ideas that are helpful in the workplace. The ability of employees like this helps business performance to remain superior in a sustainable manner (Montani et al., 2017; Newman et al., 2018; Cemosa & Soelaiman., 2020; Zabelina., 2018). Creativity is defined as a component of a system or in relation to a model that outlines its various types and facets. (Georgiouet al., 2022). The ability of an organization to generate, develop, and implement new ideas that have commercial value is what is known as innovation, and it can be regarded as a vital component of an organization's performance and excellence (Colakoglu et al., 2019; Grecia & Puspitowati., 2022; Lorensa & Hidayah., 2022). By building an IWB, employees can create and maintain the advantages of SMEs. (Sumiati., 2018) Based on this, this study proposes the following hypothesis:

H2a-b : Creativity influences a. Innovative work behavior; and b. Competitive advantage

H3 : Innovative work behavior influences competitive advantage

2.2. Mediating Role of Creativity and Innovative Work Behavior

Innovation is the key to success for the company. Innovation can bring CA to companies of different sizes (Chaithanapat et al., 2022) and ensure sustainable development for these companies (Singh & Sarkar, 2019). The thing that is needed is the method on which this innovation becomes part of an employee's behavior. This is because employees who have IWB will turn CR into practical actions or results. Even Taherparvar et al. (Taherparvar et al., 2014) explain that the employees' ideas are more creative than those of the business owners. This is because employees rate the products produced in the field more and get feedback. After all, they interact directly with customers.

CR and IWB are two dynamic capabilities that enable SMEs to achieve CA. This dynamic capability turns creative ideas into products and improves service quality (Yasa et al., 2021) which is very much needed for business continuity to be superior among competitors (Chatzoglou & Chatzoudes, 2017; Stojcic & Orlic, 2018). Innovation is significant for the speed of growth of SMEs. Banmaiuroy (Banmairuroy et al., 2021) suggest that it is possible to recruit young people to quickly form an innovative climate in the business environment because the concept of innovation is seeking knowledge from the wider external sector; this is more competent when assigned to the younger generation. IWB will be formed when the connectivity between SMEs owners and their subordinates is high, starting from stimulating employees to work creatively and encouraging working conditions that are suitable for creativity to supporting the process and stages of innovation (Colakoglu et al., 2019; Friedman & Carmeli, 2017). More importantly, employees in an organizational environment that supports creative thinking will feel psychologically secure, ready to take risks, and better equipped to solve problems (Kamp et al., 2018; Mafabi et al., 2015). This study suggests the following on the basis of its findings:

H4a-b : Creativity mediates psychological empowerment against a. Innovative work behavior; and b. Competitive Advantages

H5a-b : Innovative work behavior mediates a. psychological empowerment; and b. Creativity against competitive advantage

2.3. Moderating Role of Digital Leadership

Before SMEs try to improve the innovation process, the field of leadership needs to be

changed first because technology-based leadership is very much needed in today's era. DL is a leadership that uses a digital approach to optimize modern technology and technology platforms to improve business performance (Wasono & Furinto, 2018). In other words, DL closely relates to technological knowledge and mastery of technology platforms where technology will make business superior. Elidemir et al. (Elidemir et al., 2020) explain that a superior business not only has unique resources, but the combination, configuration, and adaptation with technology can also provide sustainable CA-where competitors cannot imitate these advantages (Banmairuroy et al., 2021).

To master DL is to master digital competence (Christopoulos & Sprangers, 2021), implement technology vision and strategy (AlAjmi, 2022), find and strive for organizational ambidexterity (Jackson & Dunn-Jensen, 2021), set high standards of innovation, and curiosity with technology and responsive with creative things (Mihardjo & Rukmana, 2018). DL can transfer technology understanding to employees; technology-savvy employees tend to be creative and engage in creative work (Mihardjo & Rukmana, 2018; Song et al., 2015; Uddin et al., 2020). Schuckert et al. (Schuckert et al., 2016) added that creativity will be easily formed if the leader has psychologically empowered his employees. Therefore, PE is carried out to increase employee trust and social bonds with the leadership (Carmeli et al., 2014; Liu & Huang, 2020). So that employees who have high confidence will quickly absorb the understanding of technology transferred by their leaders, form a creative mindset, and become innovative.

Many leadership approaches have played a role in the formation of IWB, including transformational leadership (Bednall et al., 2018; Liu & Huang, 2020; Wang et al., 2014), participatory leadership (Newman et al., 2018), and entrepreneurial leadership that motivates employees to get creative ideas and apply them in the workplace (Bagheri & Akbari, 2017). This study will examine the DL approach that will support IWB employees to achieve CA. In light of this, this study puts up the following theory:

H6 : Digital Leadership affects competitive advantage

H7 : Digital Leadership moderates' creativity against innovative work behavior

H8a-c : Digital Leadership moderates a. psychological empowerment; b. Creativity; and c. Innovative work behavior against competitive advantage.

Research instrument grid

Table 1. Research instrument grid

No	Variabel	Dimensi	Indikator
1	*Psychological Empowerment* (PE)	Meaning	PE1
			PE2
		Competence	PE3
			PE4
		Autonomy	PE5
			PE6
		Influence	PE7
			PE8
2	*Creativity* (CR)	Fluency	CR1
		Fleksibilitas	CR2
		Originalitas	CR3
		Elaborasi	CR4
		Brainstorming	CR5

		motivation	CR6
3	*Innovative Work Behavior* (IWB)	Creating ideas	IWB1
			IWB2
		Promote ideas	IWB3
			IWB4
		Realizing ideas	IWB5
			IWB6
4	*Competitive Advantage* (CA)	Resources	CA1
			CA2
		Ability	CA3
			CA4
		Strategy	CA5
			CA6
5	*Digital Leadership* (DL)	Communication	DL1
		Vision	DL2
		Update on the digital word	DL3
		Adaptation	DL4
		Strategy	DL5
		Inovation	DL6
		Risk taking	DL7

3. Research Method

Surveys are given out to SMEs in Palembang City, South Sumatra, Indonesia, as part of this study's quantitative methodology. Based on data from the Central Statistics Agency 2020, there are 37.000 SMEs in Palembang city, South Sumatra. With the slovin formula, the questionnaire was distributed to 370 SMEs and only 300 respondents returned the questionnaire or a 81,08% survey response rate. region sampling is the method of sampling, and it bases the sample on the quantity of SMEs in the region. Path analysis using the Structural Equation Model - Partial Least Square (SEM-PLS) created by Hair et al. is the analysis method used. (Hair et al., 2014). The study computes average extracted variance, composite reliability, and factor loading (AVE), discriminant validity, and structural model.
All variables use five scales on the Likert scale PE measurements were taken from (Safari et al., 2020). Likewise, CR is taken from (Horkoff et al., 2019). For IWB measurements, this study follows measurements by (Taherparvar et al., 2014). DL follows the measurement developed by (Mihardjo & Rukmana, 2018). CA followed the measure of (Ferreira et al., 2020).

4. Results and Discussion

4.1. Results

Measurement Model

Table 2 describes the Fornell-Larcker Criterion, Average Variance Extracted (AVE), Cronbach Alpha, and Composite Reliability to determine the validity and reliability of the instrument, and the coefficient determination value (R2) in testing the contribution of variables:

Table 2. Measurement Model

	CA	CR	DL	IWB	PE	Cronbach Alpha	Composite Reliability	AVE	R^2
CA	0,866					0.928	0.943	0.735	0.830

CR	0,749	0,857				0.865	0.900	0.607	0.676
DL	0,826	0,812	0,625			0.789	0.834	0.520	0.284
IWB	0,880	0,879	0,887	0,887		0.946	0.957	0.788	0.490
PE	0,828	0,842	0,870	0,811	0,815	0.918	0.933	0.638	

It can be seen that The Average Variance Extracted (AVE) value of the construct is greater than the cutoff value of 0.5, and the AVE value of discriminant validity is more significant than the square of the correlation between the constructs. Additionally, the composite dependability value for all constructs is greater than 0.7. All reliability values are well above the Cronbach threshold of 0.7. Therefore, all research constructs meet the requirements (Hair et al., 2014)

Structural Model and Hypothesis Testing

SEM-PLS was utilized to test for the direct effect, and the bootstrapping method was employed to estimate the direct, indirect, and overall effects. Bootstrapping uses 300 subsamples with 95%interval bias-corrected evidence.

Table 3. Hypothesis Testing Result

Path Coefficients Direct Effect	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Result
PE -> CR	0.822	0.821	0.021	39.249	0.000	Supported
PE -> IWB	0.267	0.266	0.077	3.467	0.001	Supported
PE -> CA	0.049	0.051	0.045	1.094	0.275	Not Supported
CR -> IWB	0.381	0.374	0.074	5.132	0.000	Supported
CR -> CA	0.008	0.006	0.049	0.158	0.875	Not Supported
CR -> DL	0.533	0.534	0.044	12.032	0.000	Supported
IWB -> CA	0.832	0.832	0.029	28.414	0.000	Supported
DL -> CA	0.131	0.132	0.037	3.547	0.000	Supported
DL -> IWB	0.597	0.602	0.038	15.652	0.000	Supported

Direct Effects: The hypothesized model looks like a good fit. H1a-c states that PE affects CR, IWB, and CA. Table 2 explains that H1a is found to be 0.822 (PV 0.000), H1b is 0.267 (PV 0.001) and H1c is 0.249 (PV 0.275). It can be concluded that PE affects CR and IWB but does not affect CA. PE tends to increase the CR and IWB of employees but PE is not enough to increase business competitiveness. Thus, H1a-b is supported and H1c is not supported. In H2a- b, it is stated that CR affects IWB and DL but doesnot effect CA. However, table 2 shows that CR affects IWB with a value of 0.381 (PV 0.000), and CR affects DL value of 0,533 (PV 0,000) CR does not affect CA with a value of 0.008 (PV 0.875). Still, the creativity of individual employees supports the formation of innovative behavior and achieves business excellence; it is not only individual creativity that requires a process of forming innovative behavior first so that employees implement these ideas in their business activities. This is supported by H3, which states that IWB affects CA with a value of 0.832 (PV 0.000). Furthermore, H6 was supported where DL affects CA and IWB with a value 0.131 (PV 0.000). DL affect IWH with a vaue 0,597 (PV.0,000) Thus, H2a- b, H3, and H6 were supported and H2c and H1c was not.

Mediation Effects: In the bootstrapping analysis with a 95% confidence interval bias, it can be seen (Table 3) that CR mediates PE against IWB but does not mediate PE against CA. This

means that employee creativity plays a role in supporting the formation of innovative behavior with psychological empowerment as an antecedent of creativity. Still, creativity alone does not support competitive advantage even though it is preceded by good psychological empowerment. On the other hand, IWB mediates psychological empowerment and creativity toward competitive advantage. Therefore, it can be concluded that innovative behavior is a crucial factor in achieving a competitive business advantage. In contrast, H4a states the mediating role of CR between PE and IWB was supported (PV 0.000), and H4b was not supported (PV 0.875). Similarly, H5a-b which states the mediating role of IWB between PE (PV 0.037) and CR (PV 0.039) on CA was supported.

Moderation Effects: We examined the moderating effects of digital leadership (Table 3). First, the moderating effect of DL between CR on IWB (β 0.056, PV 0.186) indicates that DL strengthens CR against IWB, meaning that digital leadership accelerates the formation of innovative behaviors based on mature creativity. On the other hand, the role of DL in moderating competitive advantage shows that PE (β 0.044, PV 0.084) and CR (β 0.121, PV 0.005) are significant, meaning that digital leadership strengthened business

Tabel 4. Spesific Indirect Effect (Standard)

Path Coefficients Indirect Effects	Original Sample	Sample Mean	ST. Dev	T Statistics	P Values
Mediating effects					
PE-> CR -> IWB	0.313	0.307	0.062	5.044	0.000
PE -> CR -> CA	0.006	0.005	0.040	0.158	0.875
PE-> IWB-> CA	0.223	0.221	0.065	3.442	0.001
CR -> IWB-> CA	0.317	0.311	0.063	5.024	0.000
Moderating effects					
CR -> IWB	0.056	0.059	0.042	1.324	0.186
PE -> CA	0.044	-0.044	0.026	1.732	0.084
CR -> CA	0.121	0.121	0.043	2.838	0.005
IWB -> CA	0.022	0.02	0.32	0.69	0.491

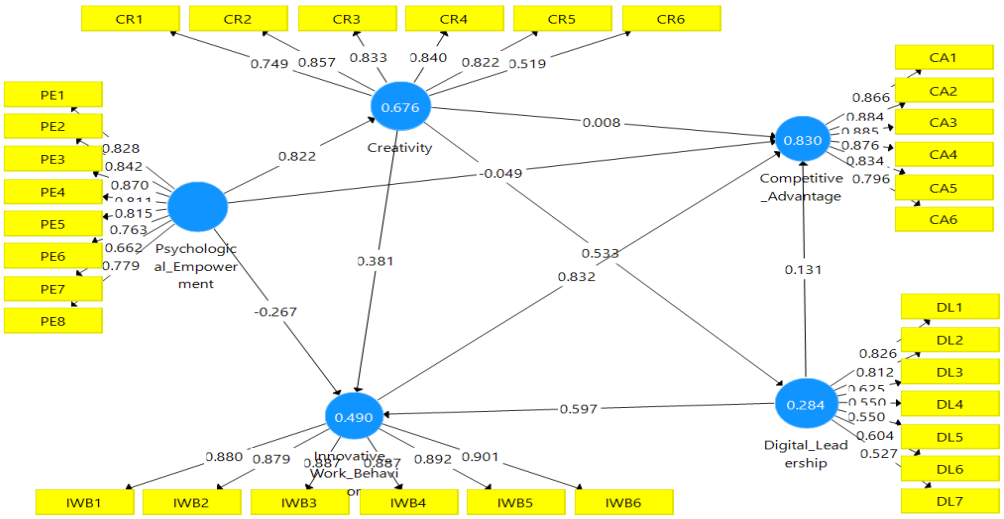

Figure 1. Result and Finding

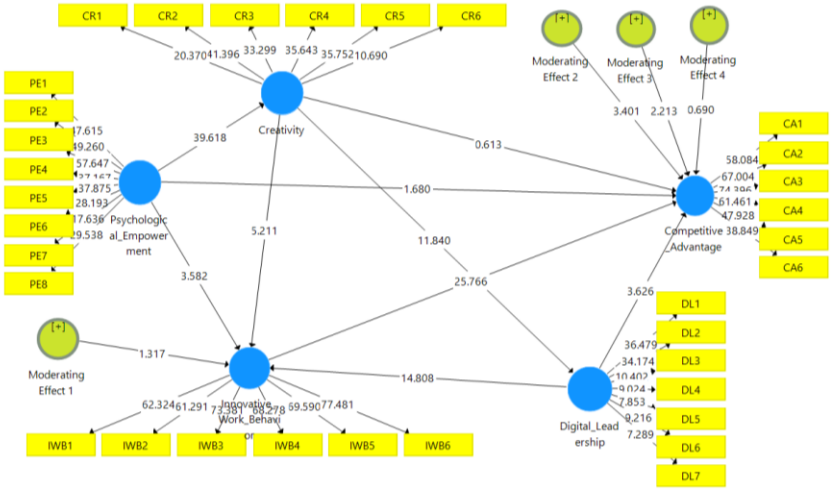

Figure 2. Result Fit Effect Moderation

4.2. Discussion

Some literature shows that PE has a significant effect on CR (Liu & Huang, 2020; Safari et al., 2020), this study adds to the view that psychologically empowering employees will make employees more creative because employees feel that their opinions, ideas, and concepts they offer are accepted. The leader is the person that will affect psychological satisfaction. Other literature explains that PE significantly affects IWB (Ghosh et al., 2019; Grošelj et al., 2020; Iqbal et al., 2020; Singh & Sarkar, 2019; Stanescu et al., 2020) which this study also adds the contribution of this IWB literature. Apart from increasing CR, PE also accelerates the process of employees behaving innovatively; innovative behavior is very beneficial for SMEs where employees will work innovatively and simplify business activities. However, this study has not proven that PE affects CA directly. In other words, empowering employees' psychology has not been able to make SMEs excel in the current era. This study also contributes to the development of CR literacy, where CR has a significant effect on IWB, supporting several studies (Ferreira et al., 2020; Munir & Beh, 2019; Newman et al., 2018; Uddin et al., 2020). CR is the foundation for forming IWB; by growing CR in employees, the IWB will be well-formed. However, CR alone is not enough to increase the competitive advantage of SMEs. CR must be formed into IWB in employees to achieve a competitive advantage in today's dynamic environment; this supports studies where IWB has a significant effect on CA (Banmairuroy et al., 2021; Chaithanapat et al., 2022; Chatzoglou & Chatzoudes, 2017; Ferreira et al., 2020; Sriboonlue & Puangpronpitag, 2019; Taherparvar et al., 2014; Yuwanda Tony, Leni Gustina, Shinta.,2023)

In addition to testing the mediating effect, this study has also proven that DL can increase the competitive advantage of SMEs at this time. The proof is carried out with a moderating effect where leadership with a vision to master technology and digitization will be a role model for employees to be more innovative; this enriches the literature that has been developed by several other studies (AlAjmi, 2022; Jackson & Dunn-Jensen, 2021). The subsequent moderating effect is that DL moderates IWB against CA (Fink, 2016; Mihardjo & Rukmana, 2018; Wasono & Furinto, 2018) where which adds to the view for SME owners that the current era of business owners should be more active in mastering digitalization because with this mastery will give rise to digital ideas that will simplify business activities and achieve competitive advantage.

Research findings suggest that psychologically empowering employees can optimize social interaction, mutual trust, and knowledge transfer (Liu & Huang, 2020), provide appropriate education and training programs (Dhar, 2015), familiarize employees with completing tasks in different ways (Jaiswal & Dhar, 2015), maintain the organizational climate and environment so that employees feel psychologically safe and this develops creativity and shapes innovative employee behavior (Iqbal et al., 2020; Stanescu et al., 2020). Singh and Sarkar (Singh & Sarkar, 2019) added that leaders must initiate knowledge transfer and work mechanisms in the future. In forming a work team, leaders also need to consider the closeness between employees, the "Friendship" based team will encourage them to be more flexible for knowledge sharing and forming new ideas (Ghosh et al., 2019)

The recommendations for employees to continue to innovate are that employees must be broad- minded and insightful flexible in business activities and quickly adapt to a dynamic environment (Aagaard, 2017; Backes-gellner et al., 2016), avoiding conflicts between employees (Munir & Beh, 2019), and building social networks improves communication skills (Sriboonlue & Puangpronpitag, 2019). In addition, SME actors should try to receive feedback from customers. By accepting ideas from an external perspective, businesses can help create quality innovations (Chaithanapat et al., 2022). So that by implementing this, the organizationcan achieve sustainable excellence.

The recommended step for SME actors is to start with creative employee selection because the creative image formed by oneself will contribute to innovative results (Simon et al., 2018), increasing employees' IT insight (Uddin et al., 2020), brainstorming in the face of obstacles or problems (Horkoff et al., 2019), providing training to encourage employees to think creatively. This is to encourage improving creative thinking processes (Banmairuroy et al., 2021; Colakoglu et al., 2019) and stimulate employees to generate creative ideas, restructure business activities towards digital and accept employees' creative solutions if they have the potential to support business performance (Banmairuroy et al., 2021; Munir & Beh, 2019).

The outcomes further demonstrate that DL contributes to moderating the formation of IWB and achieving CA in the organization. A leader must be a good role model for employees in knowledge, trends, and new technologies. To achieve a sustainable competitive advantage, SMEs must open their eyes to technological developments. Employees should be encouraged more firmly to generate new ideas and contribute more to the progress of the business. This process is carried out to create an innovative business climate and employees to become innovative behavior (Mihardjo & Rukmana, 2018). The use of digital leadership is to build a mechanism to guide employees on matters related to digital technology (AlAjmi, 2022). Providing technology training to employees will significantly help increase competition in the digital field (Jackson & Dunn- Jensen, 2021), Utilizing digital platforms to increase innovation (Benitez et al., 2022).

5. Conclusion

The findings demonstrated that psychological empowerment did not affect competitive advantage but had a direct impact on creativity and innovative work behavior. Although it has no effect on competitive advantage, creativity influences innovative work behavior. Competitive advantage is impacted by innovative work practices. Innovative work conduct mediates psychological empowerment for competitive advantage but does not mediate creativity, while creativity mediates psychological empowerment and innovative work behavior for competitive advantage. Digital leadership moderate's psychological

empowerment and creativity into competitive advantages, but does not moderate creativity into creative work behaviors and innovative work behaviors into competitive advantages.

Limitations and Directions for Future

This study has taken a number of actions to minimize potential problems with the findings. In particular, we seriously consider validity (convergent and discriminant) and reliability. However, There are a number of limitations to this study that future researchers should be aware of. First, this research only uses a quantitative approach; it is better to use a mixed method (quantitative and qualitative) so that the findings are more comprehensive. Second, further research can enlarge the population to minimize errors in reflecting SMEs in Indonesia. Third, this study analyzes data collected only from PE, CR, IWB, DL, and CA. Therefore, it would be beneficial if upcoming scholars could do research at both the individual (i.e., self-efficacy and intellectual capital, etc.) and organizational levels. (i.e., support for innovation, corporate culture and business performance, etc.).

References

Aagaard, A. (2017). Facilitating Radical Front-End Innovation Through Targeted HRM Practices: A Case Study of Pharmaceutical and Biotech Companies. *Journal of Product Innovation Management*, 34(04),427-449

Afsar, B., & Badir, Y. (2016). The Mediating Role of Psychological Empowerment on The Relationship Between Person-Organization Fit and Innovative Work Behavior. *Journal of Chinese Human Resource Management*, 7(1), 5–26.

AlAjmi, M. K. (2022). The Impact of Digital Leadership on Teachers' Technology Integration During The COVID-19 Pandemic in Kuwait. *International Journal of EducationalResearch*, 112(2), 194-204.

Backes-gellner, U., Kluike, M., Pull, K., Schneider, M. R., & Teuber, S. (2016). Human Resource Management and Radical Innovation: A Fuzzy-Set QCA of US Multinationalsin Germany, *Journal of Business Economic*s, 86(7), 751-772.

Bagheri, A., & Akbari, M. (2017). The Impact of Entrepreneurial Leadership on Nurses' Innovation IWB in Health Care. *Journal of Nursing Scholarship*, 50(1), 28–35.

Banmairuroy, W., Kritjaroen, T., & Homsombat, W. (2021). The Effect of Knowledge-Oriented Leadership and Human Resource Development on Sustainable Competitive Advantage Through Organizational Innovation's Component Factors: Evidence from Thailand's New S- Curve Industries. *Asia Pacific Management Review*, 27(3), 200-209.

Bednall, T. C., Rafferty, A. E., Shipton, H., Sanders, K., & Jackson, C. J. (2018). Innovative Behavior: How Much Transformational Leadership Do You Need? *British Journal of Management*, 29(4), 796-816

Benitez, J., Arenas, A., Castillo, A., & Esteves, J. (2022). Impact Of Digital Leadership Capability on Innovation Performance: The Role of Platform Digitization Capability. *Information & Management*, 59(2), 103590.

Buli, B. M. (2017). Entrepreneurial Orientation, Market Orientation and Performance of SMEs in The Manufacturing Industry: Evidence from Ethiopian Enterprises. *Management Research Review*, *40*(3), 292–309. https://doi.org/10.1108/MRR-07-2016-0173

Chaithanapat, P., Punnakitikashem, P., Khin Khin Oo, N. C., & Rakthin, S. (2022). Relationships Among Knowledge-Oriented Leadership, Customer Knowledge Management, Innovation Quality, And Firm Performance in SMEs. *Journal of*

Innovationand Knowledge, 7(1), 36-46.

Chatzoglou, P., & Chatzoudes, D. (2017). Investigation The Role of Innovation in Building Competitive Advantages: An Empirical Investigation. *European Journal of Innovation Management*, 21(1), 44-69.

Chen, A. S., & Hou, Y. (2015). The Effects of Ethical Leadership, Voice Behavior and Climates for Innovation on Creativity: A Moderated Mediation Examination. The Leadership Quarterly, 27(1), 1-13.

Christopoulos, A., & Sprangers, P. (2021). Integration Of Educational Technology During The Covid-19 Pandemic: An Analysis of Teacher And Student Receptions Integration Of Educational Technology During The Covid-19 Pandemic: An Analysis Of Teacher AndStudent Receptions. *Cogent Education*, 8(1), 1-21

Colakoglu, S. S., Erhardt, N., Pougnet-Rozan, S., & Martin-Rios, C. (2019). Reviewing Creativity and Innovation Research Through the Strategic Hrm Lens. *Research in Personnel and Human Resources Management* (Vol. 37, pp. 227–271).

Castillo Vergara, M., & García Pérez-De Lema, D. (2020). Product Innovation and Performance in SME's: The Role of The Creative Process and Risk Taking. Innovation. https://Doi.Org/10.1080/14479338.2020.1811097

Cemosa, C., & Soelaiman, L. (2020). Pengaruh Kreativitas, Proaktif Dan Otonomi Terhadap Kinerja Usaha Makanan Dan Minuman. Jurnal Manajerial dan Kewirausahaan, 2(4), 889- 896. https://doi.org/10.24912.jmk.v2i4.9868

Deluca, C., Bolden, B., & Chan, J. (2017). Systemic Professional Learning Through Collaborative Inquiry: Examining Teachers' Perspectives. Teaching and Teacher Education, 67, 67–78.

Dhar, R. L. (2015). Service Quality and The Training of Employees: The Mediating Role of Organizational Commitment. *Tourism Management*, 46, 419–430.

Elidemir, S. N., Ozturen, A., & Bayighomog, S. W. (2020). Innovative Behaviors, Employee Creativity, And Sustainable Competitive Advantage: A Moderated Mediation. Sustainability (Switzerland), 12(8), 1-18.

Fahlevi SI, M., & Satrya, A. (2020). Efek Mediasi Leader Member Exchange, Motivasi Intrinsik Dan Pemberdayaan Psikologis Pada Pengaruh Ethical Leadership Terhadap Kreativitas Aparatur Sipil Negara. *Mix: Jurnal Ilmiah Manajemen*, 10(1), 45–64.

Ferreira, J., Coelho, A., & Moutinho, L. (2020). Dynamic Capabilities, Creativity and Innovation Capability and Their Impact on Competitive Advantage and Firm Performance: The Moderating Role of Entrepreneurial Orientation. Technovation, 92(7),1-18.

Fink, C. (2016). *The Sustainability Business Case for the 21st Century Corporation Tensie Whelan. New York:* NYU Stern

Friedman, Y., & Carmeli, A. (2017). The Influence of Decision Comprehensiveness on Innovative Behaviors In Small Entrepreneurial Firms: The Power Of Connectivity.Innovation, 9338(September), 1–23.

Gautam, D. (2018). Psychological Empowerment of Employees for Competitive Advantages: An Empirical Study of Nepalese Service Sector. *International Journal of Law and Management*. 59(4). 466-488

Ghosh, V., Bharadwaja, M., Yadav, S., & Kabra, G. (2019). Team-Member Exchange and Innovative Work Behavior: The Role of Psychological Empowerment and Creative Self-Efficacy. *International Journal of Innovation Science*, 11(3), 344–361.

Grošelj, M., Černe, M., Penger, S., & Grah, B. (2020). Authentic And Transformational Leadership and Innovative Work Behavior the Moderating Role of Psychological Empowerment. *European Journal of Innovation Management*, 24(3), 677–706.

Georgiou, H., Turney, A., Martruglio, E., Jones, P., Gardiner, P., & Groves, C. E. (2022). Creativity In Higher Education: A Qualitative Analysis of Experts' Views in Three Disciplines. *Educational Science*, *12*(3), 1-14. https://doi.org/10.3390/educsci12030154

Grecia, R. E., & Puspitowati, I. (2022). Pengaruh Fokus Pelanggan, Respon Pelanggan, Proaktif, Inovasi dan Pengambilan Resiko terhadap Kinerja UKM. *Jurnal Manajerial Dan Kewirausahaan*, *4*(3), 712-720. https://doi.org/10.24912/jmk.v4i3.19765

Horkoff, J., Maiden, N. A., & Asboth, D. (2019). Creative Goal Modeling for Innovative Requirements. Information and Software Technology, 106, 85–100.

Iqbal, A., Latif, K. F., & Ahmad, M. S. (2020). Servant Leadership and Employee Innovative Behavior Exploring Psychological Pathways. *Leadership and Organization DevelopmentJournal*, 41(6), 813–827.

Jackson, N. C., & Dunn-Jensen, L. M. (2021). Leadership Succession Planning for Today's Digital Transformation Economy: Key Factors to Build for Competency and Innovation. *Business Horizons*, 64(2), 273–284.

Jaiswal, N. K., & Dhar, R. L. (2015). Transformational Leadership, Innovation Climate, Creative Self-Efficacy, And Employee Creativity: A Multilevel Study. *International Journal of Hospitality Management*, 51, 30–41.

Kamp, E. O., Bakker, A., Tims, M., & Demerouti, E. (2018). Proactive Vitality Management and Creative Work Performance: The Role of Self-Insight and Social Support. J*ournal ofCreative Behavior*, 0, 1–14.

Lee, C., Hallak, R., & Sardeshmukh, S. R. (2019). Creativity And Innovation in The Restaurant Sector: Supply-Side Processes and Barriers To Implementation. Tourism Management Perspectives, 31(March), 54–62.

Lin, C. V., & Sanders, K. (2017). HRM and Innovation: A Multi-Level Organizational LearningPerspective. *Human Resource Management Journal*, 27(2), 300–317.

Liu, C. H. S., & Huang, Y. C. (2020). The Influence of Transformational Leadership on The Subordinate Creative Behavior Development Process. *Tourism Management Perspectives*, 36, 1-11

Lorensa, E., & Hidayah, N. (2022). Pengaruh Inovasi Produk, Orientasi Pasar Dan Media Sosial Terhadap Kinerja UMKM Fashion. *Jurnal Manajerial Dan Kewirausahaan*, *4*(3), 739-748. https://doi.org/10.24912/jmk.v4i3.19768

Mafabi, S., C, J., & Ahiauzu, M. A. (2015). Creative Climate and Organizational Resilience: The Mediating Role of Innovation. *International Journal of Organizational Analysis*, 23(4), 564–587.

Masa'deh, R., Al-Henzab, J., Tarhini, A., & Obeidat, B. Y. (2018). The Associations Among Market Orientation, Technology Orientation, Entrepreneurial Orientation and Organizational Performance. *Benchmarking An International Journal*, *25*(8), 3117–3142. https://doi.org/10.1108/BIJ-02-2017-0024

Mihardjo, L. W. W., & Rukmana, R. A. . (2018). Does Digital Leadership Impact Directly or Indirectly on Dynamic Capability: Case on Indonesia Telecommunication Industry in Digital Transformation? *The Journal of Social Sciences Research*, SPI 2, 832–841.

Montani, F., Courcy, F., & Vandenberghe, C. (2017). Innovating Under Stress: The Role of Commitment and Leader-Member Exchange. *Journal of Business Research*, 77, 1–13.

Munir, R., & Beh, L. S. (2019). Measuring And Enhancing Organizational Creative Climate, Knowledge Sharing, And Innovative Work Behavior in Startup Development. Bottom Line, 32(4), 269–289.

Newman, A., Tse, H. H. M., Schwarz, G., & Nielsen, I. (2018). The Effects of Employees' Creative Self-Efficacy on Innovative Behavior: The Role of Entrepreneurial Leadership.*Journal of Business Research*, 89, 1–9.

Nugroho, I. (2022, July). *Youtube.Com*. Retrieved from Youtube.Com: Https://Youtu.Be/S7pMpznouo.

Rajak, A., & Soleman, R. (2022). The Effect of Learning Organization, Work Engagement, Work Motivation, and Work Stress on Innovative Work Behavior: Work Motivation and Work Stress as Mediation and Moderation. *Mix: Jurnal Ilmiah Manajemen*, 12(2), 210– 224.

Safari, A., Adelpanah, A., Soleimani, R., Heidari Aqagoli, P., Eidizadeh, R., & Salehzadeh, R. (2020). The Effect of Psychological Empowerment on Job Burnout And Competitive Advantage: The Mediating Role Of Organizational Commitment And Creativity. *Management Research*, 18(1), 47–71.

Schuckert, M., Kim, T. T., Paek, S., & Lee, G. (2016). Motivate To Innovate: How Authentic and Transformational Leaders Influence Employees' Psychological Capital and Service Innovation Behavior. *International Journal of Contemporary Hospitality Management*, 30(2), 776-796.

Simon, F., Desfautaux, C. A., Laure, A., & Nadant, L. (2018). Creativity Within Boundaries: Social Identity and The Development of New Ideas in Franchise Systems. *Creativity andInnovation Management*, 27(4), 444–457.

Singh, M., & Sarkar, A. (2019). Role Of Psychological Empowerment in The Relationship Between Structural Empowerment and Innovative Behavior. *Management Research* Review, 42(4), 521–538.

Song, W., Yu, H., Zhang, Y., & Jiang, W. (2015). Goal Orientation and Employee Creativity: The Mediating Role of Creative Role Identity. *Journal of Management & Organization*,21(1), 82–97.

Sriboonlue, P., & Puangpronpitag, S. (2019). Towards Innovative SMEs: An Empirical Study of Regional Small and Medium Enterprises in Thailand. *Procedia Computer Science*, 158,819–825.

Stanescu, D. F., Zbuchea, A., & Pinzaru, F. (2020). Transformational Leadership and Innovative Work Behavior: The Mediating Role Of Psychological Empowerment. *Kybernetes*, 50(5), 1041-1057

Stojcic, N., & Orlic, E. (2018). Creativity, Innovation Effectiveness, And Productive Efficiency In The UK. *European Journal of Innovation Management*, 21(4), 564-580

Sumiati, S. (2018). Peran Lingkungan Internal Dan Fleksibilitas Strategi Untuk Meningkatkan Inovasi Usaha Mikro, Kecil Dan Menengah. *Mix: Jurnal Ilmiah Manajemen*, 8(3), 695. https://doi.org/10.22441/mix.2018.v8i3.015

Taherparvar, N., Esmaeilpour, R., & Dostar, M. (2014). Customer Knowledge Management, Innovation Capability And Business Performance : A Case Study Of The BankingIndustry. *Journal of Knowledge Management*, 18(3), 591–610.

Turulja, L., & Bajgoric, N. (2018). Innovation, Firms' performance and Environmental Turbulence: Is There a Moderator or Mediator? *European Journal of Innovation Management*, *22*(1), 213–232. https://doi.org/10.1108/EJIM-03-2018-0064

Udriyah, Tham, J., & Azam, F. S. . (2019). The Effects of Market Orientation and Innovation on Competitive Advantage and Business Performance of Textile SMEs. *Management Science Letters*, *9*(9), 1419–1428. https://doi.org/10.5267/j.msl.2019.5.009

Yuwanda Tony, Leni Gustina, Shinta (2023) Bella Increasing Competitive Advantage Through Creativity and Innovative Behavior: The Moderating Role of Digital Leadership. Jurnal Ilmu Manajemen Mix,13/1, 01-14

Uddin, M. A., Priyankara, H. P. R., & Mahmood, M. (2020). Does a Creative Identity Encourage Innovative Behavior? Evidence From Knowledge-Intensive IT Service Firms.*European Journal of Innovation Management*, 23(5), 877–894.

Wasono, L. W., & Furinto, A. (2018). The Effect Of Digital Leadership And Innovation Management For An Incumbent Telecommunication Company In The Digital Disruptive Era. *International Journal of Engineering & Technology* (Vol. 7, Issue 2).

Widyanesti, S., & Masyithah, S. (2018). Pengaruh Supply Chain Management Practices Dan Marketing Capability Terhadap Firm Performance Melalui Competitive Advantage. *Mix: Jurnal Ilmiah Manajemen*, 8(2), 208. https://doi.org/10.22441/mix.2018.v8i2.002

Yasa, N. N. K., Rahmayanti, P. L. D., Sugianingrat, I. A. P. W., Dharmanegara, I. B. A., & Suharto, R. B. (2021). Peran Perilaku Inovatif dan Komitmen Organisasional Memediasi Pengaruh Kebahagiaan Kerja Terhadap Kinerja Karyawan. *MIX: Jurnal IlmiahManajemen*, 11(2), 258–273.