

## Increasing Competitive Advantage Through Creativity and Innovative Behavior: The Moderating Role of Digital Leadership

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### ABSTRACT

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**Objectives:** This study aims to investigate the importance of strategy to increase competitive advantage which was studied from creativity, Innovative Work Behavior, and preceded by psychological empowerment through the mediating effects of the creativity, creative behavior, and moderation of digital leadership

**Methodology:** This study uses a quantitative approach where questionnaires are distributed to 254 SMEs in West Sumatra, Indonesia. The analysis technique used is path analysis using SEM-PLS.

**Finding:** The results showed that psychological empowerment has a direct effect on creativity and innovative work behavior but has no effect on competitive advantage. Creativity affects innovative work behavior but does not affect competitive advantage. Innovative work behavior affects competitive advantage. Creativity mediates psychological empowerment for innovative work behavior but does not mediate competitive advantage, and innovative work behavior mediates psychological empowerment and creativity for competitive advantage. Digital leadership mediates creativity into innovative work behaviors and innovative work behaviors into competitive advantages but does not mediate psychological empowerment and creativity into competitive advantages.

**Conclusion:** To compete in the current era, creativity is needed based on the wishes of the employees themselves so that it will be easy to shape the innovative behavior of employees. This innovative behavior will be the initiator of the development of SMEs. In addition, leaders should follow trends and technological developments and guide employees to improve their IT insight. Thus, it will accelerate the behavior change to be innovative and be able to win the competition in the current technological era.

**Keywords:** Competitive Advantage; Sustainability Strategy; SMEs

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## INTRODUCTION

Globalization and complex technologies are growing in today's dynamic environment (Horkoff et al., 2019; Uddin et al., 2020). This change impacts the Small and Medium-Sized Enterprises (SMEs) sector. SMEs need a sustainable business development strategy to excel from competitors and survive in the current era (Elidemir et al., 2020; Ferreira et al., 2020). It is almost impossible to excel without creative and innovative ideas and optimal use of technology. The best-classified SMEs are creative, innovation-oriented, and able to utilize technology; this will create new markets and added value that will differentiate them from their competitors (Munir & Beh, 2019; Wasono & Furinto, 2018). Many researchers also conclude that dynamic abilities such as creativity and innovative behavior are needed to achieve competitive advantage and maintain 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 their competitive advantage.

Based on the 2021 Global Innovation Index report, Indonesia is far from its neighbors in the context of innovation. In the "Creative Goods and Services" instrument, Indonesia is in the 75th position, Malaysia is in the 10th position, and Singapore is in the 13th position. In the "innovation linkages" instrument, Indonesia is in the 64th position, Malaysia is 38th, and Singapore is in the 13th. Globally, Indonesia is in the 87th position, Malaysia is in position 36th, and Singapore ranks 8th. This position indicates that Indonesian SMEs' innovation and creativity are not yet qualified to compete in the current era of globalization. To compete, SMEs must understand that the central pillar in supporting business performance is a creative and innovative mindset to win the market competition (Fink, 2016).

The use of technology opens up new avenues for transforming today's economy. Transformation accelerates business development to become an ambidextrous organization-exploiting core competency and exploring innovation (Jackson & Dunn-Jensen, 2021). Change in an organization is not separated from the role of leaders through their decisions, so digital leadership skills are needed to lead in the current era of disruption (Mihardjo & Rukmana, 2018). Digital leadership ensures that businesses remain competitive, maximizes business achievements (Deluca et al., 2017), and improves employee performance (AlAjmi, 2022). Apart from that, digital leadership also contributes to increasing business innovation (Benitez et al., 2022; Wasono & Furinto, 2018).

Many researchers and practitioners developed models of building competitive advantage with creativity and innovative behavior (Elidemir et al., 2020; Ferreira et al., 2020; Safari et al., 2020) and the existence of psychological empowerment that precedes (Afsar & Badir, 2016; Gautam, 2018; Singh & Sarkar, 2019) which have been researched on SMEs (Chaithanapat et al., 2022; Munir & Beh, 2019; Sriboonlue & Puangpronpitag, 2019), were developed (Colakoglu et al., 2019; Friedman & Carmeli, 2017; Lin & Sanders, 2017) that see creativity and innovative behavior as essential HR practices with the involvement of technology in it (Deluca et al., 2017; Uddin et al., 2020). Studies in Indonesia also explain the need for business acceleration in digital transformation to support competitiveness (Mihardjo & Rukmana, 2018; Wasono & Furinto, 2018). Therefore, it is essential to explore innovative business development models that focus on the role of digital leadership. Unfortunately, there is no research on psychological empowerment, creativity, creative behavior, and the part of digital leadership to increase the competitive advantage of SMEs in one study.

Other researchers generally focus on only how to increase employees' creativity and innovative behavior. To obtain more comprehensive information, this study considers the impact of digital leadership so that the findings of this study will be more comprehensive. Leadership brings the organization to excellence (Stanescu et al., 2020) and innovative employees will complete tasks in new ways that will create strategies to win the competition (Singh & Sarkar, 2019). 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 strategy by following the trends of the current era.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### ***Linking Psychological Empowerment, Creativity, Innovative Work Behavior to Competitive Advantage***

PE measures the extent to which employees feel they are allowed to take the initiative and assess themselves in their work (Gautam, 2018). Organizations can understand their competence by studying and knowing the psychology of their employees (Fahlevi SI & Satrya, 2020). With PE, employees will exhibit creative behavior because they find value in their work. Generally, an individual with PE feels 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).

Singh and Sarkar (Singh & Sarkar, 2019) explained the formation of employee behavior starts from the organizational environment where the atmosphere will guide the employee's psychology. 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 benefits others (Ghosh et al., 2019) and IWB can overcome challenges in the workplace (Iqbal et al., 2020). Even Groseelj (Grošelj et al., 2020) emphasized that PE is a prerequisite for IWB. PE in employees is an added value for management which increases the level of CA (Gautam, 2018). Employees with PE always try to improve their performance and become skilled. Highly skilled employees can help organizations develop CA (Widyanesti & Masyithah, 2018). Based on this, this study proposes the following hypothesis:

H1a-c: Psychological empowerment affects a. creativity; b. innovative work behavior; and c. competitive advantage

### ***Linking Creativity to Innovative Work Behavior and Competitive Advantage***

Many studies have been developed on how important it is to study the attitudes and behavior of employees to encourage the effectiveness of achieving goals, one of which is CR and IWB. CR often occurs when skills are in line with one's intrinsic interests; CR will also be higher if skills, intellectual, and creative thinking skills increase (Bednall et al., 2018; Colakoglu et al., 2019). CR is often equated with the concept of innovation; in the organization's context, the two are not the same. Innovation is defined as "the application of something new in a job, process,

product, or procedure in work carried out by a person, work team, or organization that aims to benefit the organization." (Ferreira et al., 2020). Although SMEs are classified as small organizations, to face the SME market, they must have creative employees and be able to turn creative ideas into innovations in products and business processes (Elidemir et al., 2020; Lee et al., 2019). Creative employees are needed because all innovations start from creative ideas since there will be potential innovations with creativity (Grošelj et al., 2020) explain that a creative environment is involved in the formation of IWB.

The developed CR and CA model (Amabile, 1988) has explained that creative ideas that are successfully implemented are the main contributors to achieving CA in a dynamic environment. IWB can be defined as the ability of employees to generate and implement new ideas that are useful in the workplace. This kind of employee ability helps business performance to stay ahead sustainably (Montani et al., 2017; Newman et al., 2018). Innovation is considered a critical dimension of the performance and excellence of an organization and innovation itself can be defined as an organization's ability to generate, develop, and implement new ideas of commercial value (Colakoglu et al., 2019). By building IWB, employees can create and maintain the advantages of SMEs (Sumiati, 2018). Based on this, this study proposes the following hypothesis:

H2a-b: Creativity affects a. Innovative work behavior; and b. Competitive Advantage

H3: Innovative work behavior affects competitive advantage

### ***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. Banmauiroy (Banmauiroy 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).

Many researchers explain (Afsar & Badir, 2016; Gautam, 2018; Ghosh et al., 2019; Liu & Huang, 2020) that PE is a significant antecedent of CR because empowered employees tend to

feel free to be creative in business activities and are easier to direct to IWB. PE supports someone to become a CR and become an IWB (Chen & Hou, 2015; Uddin et al., 2020) and is an internal motivation that reflects the activeness of employees in the organization in using new ideas to develop products, performance, services, and work procedures that aims to increase business excellence (Rajak & Soleman, 2022; Stanescu et al., 2020). 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). Based on this, this study proposes the following hypothesis:

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

### ***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).

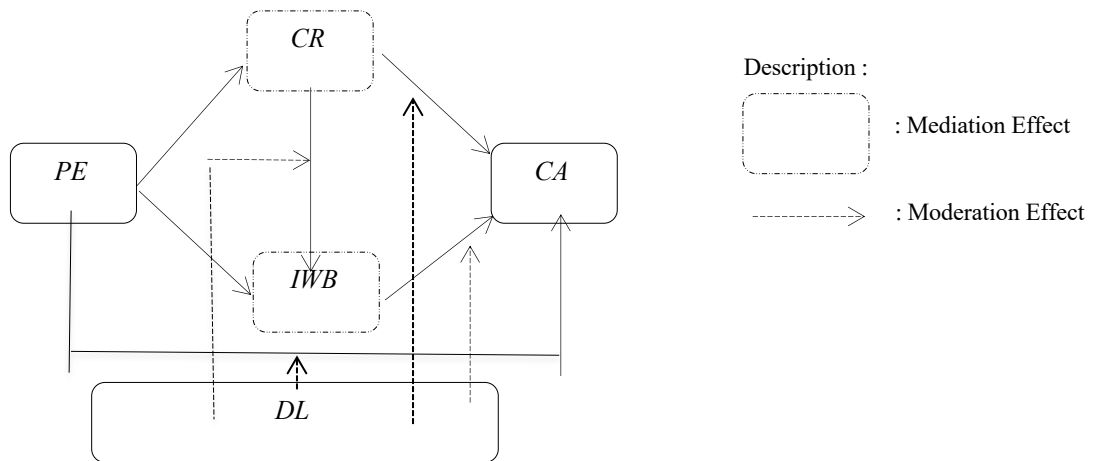
To master DL is to master digital competence (Christopoulos & Sprangers, 2021), implement technology vision and strategy (AlAjmi, 2022), find and strive for organizational ambidexterity (Jackson & Dunn-Jensen, 2021), set high standards of innovation, and curiosity with technology and responsive with 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. Based on this, this study proposes the following hypothesis:

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.



**Figure 1.** Conceptual Framework

## METHOD

This study uses a quantitative approach where questionnaires are distributed to SMEs in West Sumatra, Indonesia. Based on data from the Central Statistics Agency 2020, there are 94,392 SMEs in West Sumatra. With the slovin formula, the questionnaire was distributed to 383 SMEs and only 254 respondents returned the questionnaire or a 66.3% survey response rate. The sampling technique is area sampling where the sample is based on the number of SMEs in the area. The analysis technique used is path analysis with Structural Equation Model - Partial Least Square (SEM-PLS) developed by Hair et al. (Hair et al., 2014). The study calculates factor loading, composite reliability, Average Variance Extracted (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).

## RESULTS AND DISCUSSION

### Results

#### Measurement Model

Table I describes the validity and reliability of the instrument using the Fornell-Larcker Criterion, Average Variance Extracted (AVE), Cronbach Alpha, Composite Reliability, and the coefficient determination value (R<sup>2</sup>) in testing the contribution of variables:

**Table 1.** Measurement Model

	CA	CR	DL	IWB	PE	Cronbach Alpha	Composite Reliability	AVE	R <sup>2</sup>
CA	0.803					0.726	0.845	0.645	0.292
CR	0.399	0.759				0.753	0.844	0.576	0.296
DL	0.420	0.408	0.743			0.737	0.831	0.552	
IWB	0.450	0.555	0.421	0.791		0.801	0.870	0.626	0.394
PE	0.411	0.515	0.495	0.513	0.798	0.810	0.875	0.637	

It can be seen that the Average Variance Extracted (AVE) value of the construct exceeds the threshold value of 0.5 and discriminant validity has an AVE value more significant than the square of the correlation between constructs. Furthermore, the composite reliability value of all constructs exceeds the value of 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***

The direct effect was tested using SEM – PLS where the bootstrapping approach was used to estimate the direct, indirect, and overall effects. Bootstrapping uses 500 subsamples with 95% interval bias-corrected evidence.

**Table 2.** Hypothesis Testing Result

Predictors	$\beta$	T-Statistics	P-Value	Result
<b>Direct effects</b>				
PE -> CR	0.413	6.254	0.000	Supported
PE -> IWB	0.253	3.305	0.001	Supported
PE -> CA	0.124	1.368	0.172	Not Supported
CR -> IWB	0.367	5.715	0.000	Supported
CR -> CA	0.122	1.357	0.175	Not Supported
IWB -> CA	0.230	2.431	0.015	Supported
DL -> CA	0.212	2.736	0.006	Supported
<b>Mediating Effects</b>				
PE -> CR -> IWB	0.152	4.048	0.000	Supported
PE -> CR -> CA	0.050	1.304	0.193	Not Supported

Predictors	$\beta$	T-Statistics	P-Value	Result
PE -> IWB -> CA	0.058	2.094	0.037	Supported
CR -> IWB -> CA	0.084	2.072	0.039	Supported
<b>Moderating Effects</b>				
CRxIWB	0.405	4.890	0.000	Supported
PExCA	0.033	1.538	0.125	Not Supported
CRxCA	0.061	1.292	0.197	Not Supported
IWBxCA	0.325	2.872	0.004	Supported

**Direct Effects:** The hypothesized model looks like a good fit. H1a-c states that PE affects CR, IWB, and CA. Table II explains that H1a is found to be 0.413 (PV 0.000), H1b is 0.253 (PV 0.001) and H1c is 0.124 (PV 0.172). 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 CA. However, table II shows that CR affects IWB with a value of 0.367 (PV 0.000), and CR does not affect CA with a value of 0.122 (PV 0.175). 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 0.230 (PV 0.015). Furthermore, H6 was supported where DL affects CA ( $\beta$  0.212, PV 0.006). Thus, H2a-b, H3, and H6 were supported and H2c was not.

**Mediation Effects:** In the bootstrapping analysis with a 95% confidence interval bias, it can be seen (Table II) 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 0.193). 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 II). First, the moderating effect of DL between CR on IWB ( $\beta$  0.405, PV 0.000) 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 ( $\beta$  0.033, PV 0.125) and CR ( $\beta$  0.061, PV 0.197) are not significant, meaning that digital leadership has not strengthened business



advantage even though there is good psychological empowerment and creativity in employees. In contrast to IWB ( $\beta$  0.325, PV 0.004), the moderating role of DL was shown to strengthen CA. Therefore, it can be concluded that digital leadership can accelerate the formation of innovative behavior and strengthen businesses to excel. Thus, H7 and H8c are supported and H8a-b are not supported.

**Coefficient of Determination:** Table I shows that PE contributes to explaining CR by 29.6%, PE and CR simultaneously contribute to explaining IWB by 39.4%, and PE, CR, IWB, and DL simultaneously contribute to explaining CA by 29.2 %.

### Discussion

To clarify the results of this study, we simplify it in the following figure:

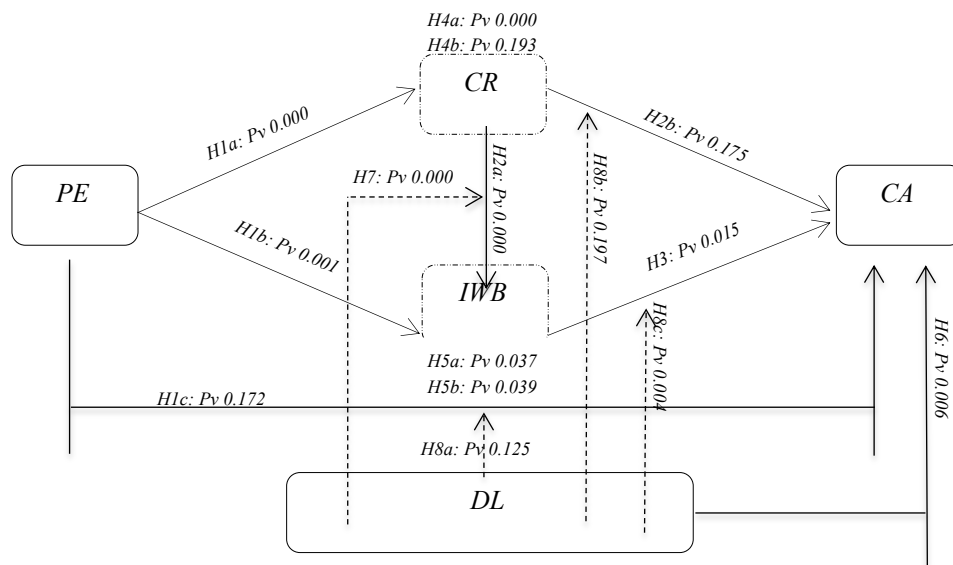


Figure 2. Result and Finding

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 (Banmairuoy et al., 2021; Chaithanapat et al., 2022; Chatzoglou & Chatzoudes, 2017; Ferreira et al., 2020; Sriboonlue & Puangpronpitag, 2019; Taherparvar et al., 2014).

This study tested the indirect effect on the CR and IWB variables. The results (table II) show that CR mediates PE against IWB where this study is in line with other literature (Ghosh et al., 2019; Newman et al., 2018; Schuckert et al., 2016). However, CR has not been able to mediate PE against CA where empowered employees can improve their creative mindset. Still, employees have not been able to exploit and explore (ambidextrous) innovative values in SMEs to excel. On the other hand, this study found that IWB mediates CR against CA which supports the literature (Banmairuoy et al., 2021; Jaiswal & Dhar, 2015; Mafabi et al., 2015; Sriboonlue & Puangpronpitag, 2019; Stojcic & Orlic, 2018) and IWB also mediates PE against CA supporting literature (Iqbal et al., 2020; Schuckert et al., 2016; Stanescu et al., 2020). In other words, having innovative employees has become the capital for SMEs to win the competition.

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.

## CONCLUSION

The results showed that psychological empowerment had a direct effect on creativity and innovative work behavior but had no effect on competitive advantage. Creativity affects innovative work behavior but does not affect competitive advantage. Innovative work behavior affects competitive advantage. Creativity mediates psychological empowerment for innovative work behavior but does not mediate competitive advantage and innovative work behavior mediates psychological empowerment and creativity for competitive advantage. Digital leadership moderates creativity into innovative work behaviors and innovative work behaviors into competitive advantages, but does not moderate psychological empowerment and creativity into competitive advantages.

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 organization can 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 (Banmairuoy 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 (Banmairuoy et al., 2021; Munir & Beh, 2019).

The results also prove that DL plays a role in 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).

### ***Limitations And Directions For Future***

This study has followed several steps to minimize potential problems with the findings. In particular, we seriously consider validity (convergent and discriminant) and reliability. However, this study has several limitations that are recommended for future researchers. 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. Thus, it would be helpful if future researchers could study at the individual level (i.e., self-efficacy and intellectual capital, etc.) and at the organizational level (i.e., support for innovation, corporate culture and business performance, etc.).

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