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The Effect of Entrepreneurship And Leadership On The Performance Of Chinese Smes: The Role Of Organisational Culture As A Mediating Factor

Luo Xiaoli[1*], Dhakir Abbas Ali[2]

ABSTRACT
The purpose of this research is to conduct an empirical inquiry of the link between the performance of small and medium-sized businesses (SMEs) and entrepreneurial leadership, entrepreneurial strategy, and technological innovation skills. We investigate the possibility of intrinsic organisational traits acting as possible mediators between entrepreneurial leadership and the performance of small and medium-sized businesses (SMEs). These intrinsic organisational characteristics include entrepreneurial orientation, team creativity, dynamic skills, and competitive advantage. The dependable PLS-SEM approach was used to the data of 182 small and medium information technology enterprises in Quang Trung Software City, which is located in Ho Chi Minh City, Vietnam. The empirical results suggest that small and medium-sized enterprises (SMEs) may benefit from entrepreneurial leadership via the whole spectrum of creative and dynamic team abilities as well as competitive advantages. The ability to innovate with technology may be beneficial to small and medium-sized businesses (SMEs), but an entrepreneurial attitude is not beneficial to these businesses. In addition, an entrepreneurial attitude does not have a moderating influence on the relationship between entrepreneurial leadership and the achievement of success by SMEs. Last but not least, based on these results, we are in a position to reach pertinent conclusions and provide helpful advice for enhancing the management of entrepreneurial inspiration and promoting its cultivation.

KEYWORD: Small and medium-sized enterprises, SME, Business performance Entrepreneurial leadership, Entrepreneurial orientation, Team creativity.

1. INTRODUCTION

An effort to analyse the factors that influence the commercial performance of small and medium-sized enterprises (SMEs) as the practise of starting new businesses grows rapidly (Park et al., 2020). It is anticipated that a large number of developing nations will see a cultural change from industrial to entrepreneurial, with entrepreneurial leadership and focus emerging as important factors emerging as major drivers in driving economic development There has been more research done on the steps involved in becoming an entrepreneur since Miller (1983) carried out his analysis on the connections that existed between the two. (Wales et al., 2013) The researchers researched entrepreneurial behaviour as well as the methods in which organisations are formed on entrepreneurial acts and strategic choices in order to achieve high performance. According to the description that has been presented, entrepreneurial orientation is "the capacity of an organisation to capture particular elements of the market and its decision-making styles, strategies, and procedures" (Basco et al., 2020).

On the one hand, a number of research suggest that an entrepreneurial mindset is positively correlated with monetary success (Kajalo and Lindblom, 2015). The discovery gives support to the idea that businesses with an entrepreneurial mindset have a greater chance of becoming successful. In a similar line, new study (Covin and Miller, 2014) reveals that organisations with an entrepreneurial mentality are more likely to seize chances by committing their time and effort to the work at hand. This is because entrepreneurial organisations are more likely to see possibilities as challenges to be overcome. Researchers were forced to comment on its various occurrences as a result of the fact that in some cases the anticipated advantages did not materialise, which highlights the complexity of the issue. Studies (Arena, 2018) have shown that there is a favourable correlation between entrepreneurial leadership and the success of a business. This link has been shown to have a beneficial effect. This is as a result of the fact that the decisions made by leadership have a direct bearing on the level of success that a firm achieves.

2. BACKGROUND OF THE STUDY

It might be difficult to determine the factors that will ensure the long-term success of small and medium-sized firms (also known as SMEs), despite the fact that they are crucial to the progress of the economy. Several developments in the "data society" (Castells, 2010) or "digital economy" have an effect on the competitiveness and profitability of SMEs. The distinction between large and small companies is artificial. Personal characteristics are shaped in part by one's socioeconomic background, cultural surrounds, and political environment. Management approaches (such as family-run businesses and family ties) and resource constraints (such as fewer employees, fewer customers, and fewer available markets) are two ways in which small and medium-sized businesses (SMEs) stand out from their larger counterparts. These features allow SMEs to keep their client base manageable. However, they may also choose strategies that can be backed up by evidence, have a fluid organisational structure, be enthusiastic about trying new things, and be open to change.

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There is consensus that SMEs can only thrive in the long run if they fully embrace digitalization and other forms of innovation. The rapid transformation of the modern business environment has resulted in a heightened focus on innovation as a crucial skill for all companies. Studies in the field of performance management suggest that novel approaches are crucial to effective business methods. Intangible assets, such as information and knowledge, are becoming increasingly important to the success of modern endeavours like digitalization, R&D, and innovation, prompting their application to traditionally non-traditional industries like banking and manufacturing through performance management methods. To this end, it is crucial to have a more in-depth understanding of how small and medium-sized firms (SMEs) function, as well as the relationships between these functions and the innovation and digitalization processes that occur inside SMEs.

3. LITERATURE REVIEW

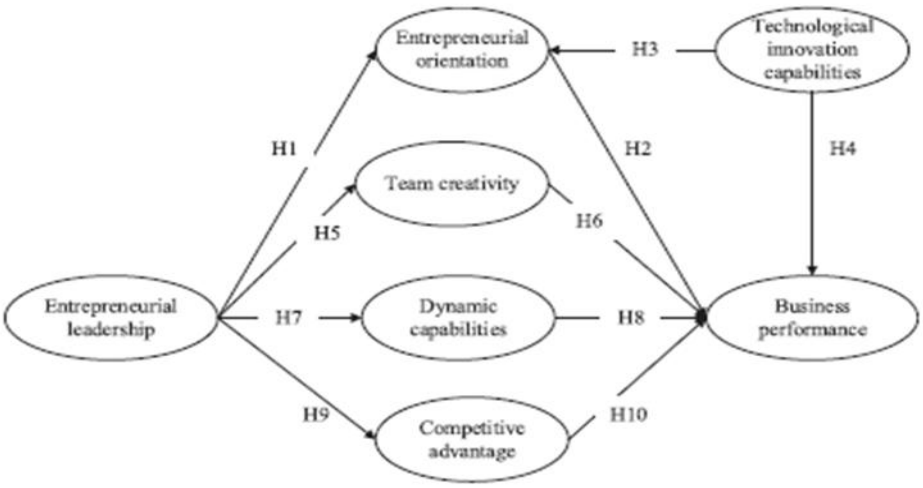
The People's Republic of China (PRC) has an onerous regulatory structure that compels enterprises to spend large amounts of time and money dealing with the government. Because of this, doing business in the PRC is challenging. It may be unrealistic to expect a nationwide overhaul very soon. On the other hand, the federal government is starting to give states and municipalities more latitude to make their own local regulations, such as those that apply inside a network cluster. Due to the increased sense of ownership this would bring about, local authorities may shift their incentives from neglect to dedication (Zeffane, R., 2014). Improvements in training for local civil servants, the adoption of merit-based hiring practises, and the abolition of unnecessary red tape and bureaucratic procedures are just a few examples of the types of changes that are being made to the system in order to increase productivity. Developed industrial nations' experiences show that an inclusive strategy implemented at the local level may have positive benefits, according to research performed by the Organisation for Economic Co-operation and Development in 1996 and 1997. If the strategy works in a smaller setting, it might be used at the state or provincial level. Within its SEZs, the People's Republic of China (PRC) has already shown considerable success in this area. The next phase is to create a legal structure similar to that of Hong Kong, China, which would allow these zones to grow across the whole economy.

Companies in the People's Republic of China seldom work together on major projects even when they are all members of the same cluster. There may be "demonstrators of best practise" for other enterprises in a cluster to emulate if it has multiple competitive companies or even world-class manufacturers. The next point is why such practises are not more common in the PRC's major industrial hubs. There are two main hypotheses to account for it. First, a centrally planned economy, which requires all businesses to produce within predefined parameters, reduces incentive to succeed, leading to a general increase in apathy. Second, in a similar vein, these businesses lack the motivation or the awareness of the underlying elements that lead to their inefficiency since they are not exposed to the competition that is prevalent inside their own sector. Awareness of the vital need to adopt meaningful changes is crucial to the success of attempts to enhance business collaboration. It's safe to assume that these changes won't happen immediately. It is unlikely that privately held businesses would switch to a cooperative model if they were not offered adequate incentives to do so (Zhou, Y.; 2021).

4. RESEARCH OBJECTIVE

i) To understand the development strategy of chinese manufacturing sectors.
ii) To determine the favors flexible and innovative strategy in the chinese manufacturing sectors.
iii) To obtain the small and medium sized enterprise in china.
iv) To identify the competitive and healthier economy in innovation strategy.

5. CONSEPTUAL FRAMEWORK



6. RESEARCH METHODOLOGY

The goal of quantitative research to find statistically significant relationships between variables by collecting numerical data on those variables and feeding it into statistical models. Quantitative studies aim to get a more in-depth understanding of society. Researchers often use quantitative methods when examining phenomena with a personal effect. Quantitative studies provide hard data in the form of tables and graphs. Quantitative study relies heavily on numerical data, which necessitates a methodical strategy to collecting and analysing the data. It may be used in a variety of ways, including averaging out data, making forecasts, looking into connections, and extrapolating results to bigger populations. Quantitative studies are the polar opposite of qualitative studies, which rely on in-depth interviews and observations. Quantitative research techniques are widely used in many academic disciplines, including biology, chemistry, psychology, economics, sociology, marketing, and many more.

Sampling: A pilot study was conducted with the questionnaire from China and final study was conducted with the questionnaire company. A total of questionnaires was distributed among selected in a systematic random sampling. All the completed questionnaires were considered for the study and any incomplete questionnaire will be rejected by the researcher.

Data and Measurement: Primary data for the research study was collected through questionnaire survey. The questionnaire was divided into two parts – (A) Demographic information (B) Factor responses in 5-point Likert Scale for both the online and non-online channels. Secondary data was collected from multiple sources, primarily internet resources.

Statistical Software: MS-Excel and SPSS 25 will be used for Statistical analysis.

7. RESULTS

Construct reliability and validity

Content, convergent, and divergent validity analyses were conducted to determine the reliability and accuracy of the concept measures. QTSC's customer support team helped us vet a list of probable C-suite executives and panelists before we sent out the survey.

Those individuals have tight ties to the responders and possess extensive management expertise. Multiple iterations of the questionnaire were made with their expert input.

If a latent variable can be properly described by its observable variables, then the convergent validity test has been successful. Standardized loading coefficient, Cronbach's alpha (), composite reliability (CR), and average variance extracted (AVE) are used to evaluate construct reliability and convergent validity (Hair, Risher, Sarstedt, & Ringle, 2019). Standardized item loadings on their respective constructs that are more than 0.7 indicate high convergent validity for measurement scales (Hair et al., 2014). Nine components were removed from the estimate model because their standardized loading coefficients were lower than 0.7. Standardized loading coefficients for each item are shown in Table 2, proving that the criteria have been met. Standardized loading coefficients have been measured from a minimum of 0.713 to a high of 0.982.

Cronbach's alpha values for all seven constructs ranged from 0.808 to 0.910 (Table 2), much over the minimum level of 0.7 considered sufficient for validity. For construct dependability and internal consistency, a coefficient over 0.8 is considered to be satisfactory (Hair et al., 2019). Furthermore, the CR values are all above 0.7, ranging from 0.807 to 0.909. Construct convergent validity seems to be strong based on these findings. The AVE indicators are also above the cutoff value of 0.5, ranging from 0.516 to 0.699. As a result, the constructs' measurement scales have excellent levels of internal consistency, reliability, and convergent validity. Next, we examine the problem of discriminant validity using the Fornell-Larcker criteria. Correlations across all latent constructs must be higher than their respective square roots of AVE (Hair et al., 2010). The square roots of AVE are shown in bold on the diagonal, whereas the off-diagonal components of the intercorrelation between the constructs are shown in Table 3. It seems that the correlations between the various measures of similarity are substantially less than the square roots of the AVEs on the diagonal. The model's discriminant validity depends on this if it holds true. One such measure of discriminant validity is the Heterotrait-Monotrait Ratio (HTMT). As a mean for all unit correlations across all constructs, the test aims to provide the average correlation throughout every item measuring the same construct. Discriminant validity is sufficient if no HTMT score is greater than 0.85. There isn't a correlation higher than 0.85, as shown in Table 4. This restores the reliability of the discriminant function. Latan and Noonan (2017) examine the full collinearity test presented by (Kock and Lynn, 2012) as a way for systematically assessing the presence of collinearity with the common method bias. All latent constructs' inner VIFs are between 1.109 and 2.532, hence the collinearity test was successful overall. This means that the research model does not reflect the bias of more standard methods.

Modelling using structural equations

After establishing the dependability and validity of the constructs, the researchers used structural equation modeling (SEM) to examine the hypothesized relationships between entrepreneurship, leadership, innovation, teamwork, agility, competitive advantage, and firm performance (Figure 2). The level of predictability of the model is measured by its R2 value for the latent constructs on which it depends. According to Falk and Miller (1992), R2 should be at least 10%. Figure 2 shows that the entrepreneurial leadership construct accounts for as much as 65.2% of the variance in the entrepreneurial orientation. The model's components accounted for 64.2% of the variation in company performance. These numbers

establish what level of predictability is acceptable. Table 5 displays the standardized path coefficients, t-value, and p-value that provide support (at p value 0.1) for eight of the ten hypotheses in the structural model. Table 5 shows that organizational attributes such an entrepreneurial orientation, creative teams, dynamic skills, and a competitive edge (H1, H5, H7, and H9) are significantly positively predicted by entrepreneurial leadership. Organizational variables (with the exception of an entrepreneurial mindset) lead to improved company success (H6, H8, and H10). Additionally, H2 (EOBIZP: 14 0.145, 0.113) and H3 (TICEO: 14 0.061, 0.634) are both statistically non-significant. There was no correlation found between entrepreneurial mindset and company success, and results also showed that technical innovation skills had little bearing on entrepreneurial mindset. The degree to which independent variables may be explained by predictive factors is only shown by R2. The effect size f2 may be used to quantify the relative importance of an explanatory and mediating variable to the R2 of the variable that is the dependent variable. Table 5 shows that the impact size of entrepreneurial leadership is substantial on entrepreneurial orientation, team creativity, & dynamic skills, but minor on competitive advantage, as recommended by (Cheah et al., 2018). It is important to pay attention to dynamic skills since they have a medium impact on business results (f2 > 0.15, 0.35). Next in line are additional characteristics like team creativity & competitive advantage that have insignificant influence on firm performance (f2 = 0.041 and f2 = 0.138 (below 0.15)). When performing mediation studies, Hair et al. (2014) suggested that researchers use the test created by Sobel (1982) to assess the significance of mediating effects. In this Sobel test, we compare how the independent variable affects the dependent variable when a certain mediator is not present with how it affects the dependent variable when that mediator is present. The test result may be interpreted in five different ways: To sum up, there are four possible types of mediation: (1) direct-only or no mediation (where the direct effect is significant but the indirect effect is not); (2) no effect and no mediation (where both the direct and indirect effects are insignificant); (3) complementary mediation (where the direct and indirect effects are both significant and move in the same direction); and (4) competitive mediation (where the direct and indirect effects are both significant but move in opposite directions). Table 6 shows that although entrepreneurial leadership does not have a statistically significant direct influence on company performance, it does have a substantial indirect effect via the channels of team creativity, dynamic capacities, and competitive advantage. The indirect-impact path coefficients of 0.097*, 0.215**, and 0.061* for mediators such as team creativity, dynamic capacities, and competitive advantage show that these factors fully offset the lack of direct influence of entrepreneurial leadership on company success. However, the connection between entrepreneurial leadership and performance is not mediated by an entrepreneurial attitude.

TABLE 2: CONSTRUCT RELIABILITY AND VALIDITY

Constructs	Std. loadings
Entrepreneurial leadership (EL) (α = 808, CR = 0.807, AVE = 0.566)	
EL1–Our top management often proposes innovative ideas for our products/services improvement and development.	0.788
EL2–Our top management is willing to invest in new opportunities and take risks.	0.815
EL3–Our top management has demonstrated dedication and passion for his/her leadership role.	*Eliminated*
EL4–Our top management delivers a clear vision of the company's future to the employees.	*Eliminated*
EL5–Our top management always accepts challenges and innovate the existing ways of business operation.	0.745
Entrepreneurial orientation (EO) (α = 0.847, CR = 0.846, AVE = 0.579)	
EO1–Our company has a more frequent introduction of new products and services than the industry's competitors.	0.732
EO2–Our products/services are well known for their revolutionary and innovative features compared with our rivals in the intra-industry.	*Eliminated*
EO3–Our company is willing to invest in high-risk projects and start new ventures with market uncertainty.	0.798
EO4–Our company is the pioneer in forecasting changes and reshaping our business suited to the business environment in the industry.	0.713
EO5–Our company is good at identifying the competitors' weaknesses to adopt more effectively competitive strategies.	0.746
Technological innovation capabilities (TIC) (α = 910, CR = 0.909, AVE = 0.623)	
TIC1–The firm produces key and related products/services of high quality.	*Eliminated*
TIC2–The firm can improve its products/services based on new technologies.	*Eliminated*
TIC3–The firm can effectively control products/services' production time to meet the urgent demand.	0.858
TIC4–The firm can master and adopt key advanced technologies in the industry	0.808
TIC5–The firm has innovations to enhance production processes and internal management systems.	0.877
TIC6–The firm's technological capability allows the effective production of products/services.	0.774
TIC7–The firm's existing technology and process are environmentally friendly and cost-saving.	0.721

Team creativity (TEAM) (α = 0.892, CR = 0.889, AVE = 0.629)	
TEAM1–The firm always empowers the employees and encourages novel ideas.	0.918
TEAM2–The firm's employees tend to apply new methods and innovative ideas to improve daily tasks.	0.770
TEAM3–The firm's employees often solve problems creatively.	*Eliminated*
TEAM4–The creativity of employees positively contributes to the overall firm performance.	0.855
TEAM5–Our team is commended as a good role model for our creativity.	*Eliminated*
Dynamic capabilities (DCA) (α = 0.877, CR = 0.877, AVE = 0.589)	
DCA1–The firm has the ability to mobilize resources effectively.	0.760
DCA2–The firm is able to configure organizational resources to cope with different situations.	0.780
DCA3–The firm's members have the capability to learn new knowledge and skills to meet job requirements quickly.	0.788
DCA4–The firm is very proactive in updating and applying the best practices in the industry to improve performance.	0.771
DCA5–The firm highly adapts to the rapid changes in the business environment.	0.735
Competitive advantage (COMPE) (α = 870, CR = 0.896, AVE =0.870)	
COMPE1–The firm offers unique products/services that are difficult to replace.	*Eliminated*
COMPE2–The firm's products/services are better than its competitors.	0.982
COMPE3–The firm can provide products/services at a more efficient cost relative to its rivals.	0.914
COMPE4–The firm's strategy outperforms that of its competitors.	0.862
Business performance (BIZP) (α = 0.906, CR = 0.905, AVE= 0.676)	
BIZP1–The firm is capable of sustainable development.	0.813
BIZP2–The quality of the firm's products/services is improved over time.	0.837
BIZP3–The firm has a good reputation in the industry.	0.838
BIZP4–The firm's customers appreciate its products/services quality.	0.877
BIZP5–The firm's sales volume has increased over the last 3 years.	*Eliminated*

Note: CR (composite reliability), AVE (average variance extracted), α (Cronbach alpha).

8. CONCLUSION

This thesis shows that entrepreneurial leadership has a favourable and substantial effect on the entrepreneurial spirit of IT SMEs within the context of their own organisations. Many innovative organisational features, such as teams, dynamic capacities, and competitive advantages, may be traced back to the entrepreneurial leadership of IT companies. Additionally, TIC assists small and medium-sized information technology organisations attain greater levels of performance. In order to bridge the gap between the efforts of IT entrepreneurial leadership and the real performance of businesses, dynamic talents are crucial. The IT industry is living example of the moderating effects of team creativity and competitive advantage, as well as the very little role of an entrepreneurial mindset. Several important inferences may be drawn from this study's results. The first major contribution of this study is the development of a theoretical model based on the interplay of entrepreneurship, leadership, ICTs, team creativity, problem solving agility, competitive advantage, and firm performance. Second, the study's results indicated a correlation between IT firm success and entrepreneurial leadership, suggesting an indirect relationship between the two. At the end of the day, this research examines in great detail how the aforementioned impact manifests itself in the regular operations of IT businesses. This research used four distinct mediators to better comprehend the connections between entrepreneurial leadership and company performance and between an entrepreneurial mindset and business success. The results of this research might have substantial implications for a wide range of SMEs and startup enterprises in the IT industry. Entrepreneurial leadership is crucial for a company's growth and prosperity. Improving the metric isn't always easy in practise, however. In order to get a competitive edge, IT companies do not need to devote resources to adopting best practises in entrepreneurial leadership and implementing an entrepreneurial strategy. The impact of entrepreneurial leadership and direction on performance may be magnified if the aforementioned conditions hold.

However, the research has several flaws that must be taken into account. This research looks specifically at the HCMC, Vietnam-based medium and small information technology firms (MSMEs) that call QTSC home. Because of their unique characteristics, HCMC's economy and Vietnam's overall economy cannot be generalised.

The results may not generalise to other settings, such as businesses outside of Vietnam that specialise in IT or even to other regions within Vietnam. If there is a change in the business environment in the future, the findings of this research may change. The study's narrow focus also meant that the theoretical framework ignored a number of important variables that contribute to performance. One characteristic that has been shown to correlate with an entrepreneurial mindset and successful business outcomes is a focus on accomplishment (Poon et al., 2006) or an emphasis on internal control (Ahmed, 1985). Similarly, it's probable that the current elements don't provide a sufficient explanation for how an entrepreneurial mindset and effective leadership affect performance. Building on the restrictions that have been discovered in prior studies

may assist future researchers bridge the research gap. It's possible that the study's scope may be expanded to include more elements, such different industries or locations. Depending on the context of the research, it may be possible to include or exclude certain mediators. For instance, TIC has become almost fully synonymous with leading edge in the IT sector. If technology is not prioritised, TIC might be become obsolete and underappreciated in future research. Furthermore, there is room for development in the existing body of knowledge to provide a more solid foundation. Having an edge over the competition may weaken the correlation between entrepreneurial leadership and success. However, a company's competitive edge is still one of the most essential aspects in determining the company's degree of success. So, this variable might be recast in the theoretical framework as a go-between for the relationship between an entrepreneur's thinking and performance. To do so, one extra variable is required. Entrepreneurship is changing the face of economies throughout the world (Kandemir, 2003). Research on entrepreneurship in developing nations is more relevant than ever due to countries like China's fast and continued expansion (Bruton et al., 2008). Innovation and entrepreneurship are on the rise in China as the country's economy expands rapidly. Given the rapid ascent to prominence of Chinese SMEs on the world scene, it is essential to comprehend the strategies they have used to date (Fang, 2010). More research is needed before we can apply our findings beyond only China, but to other emerging economies as well.

9. LIMITATION

We concentrated our study efforts on the topic of encouraging creative thinking in smaller and medium-sized organisations since previous research had shown that this was the primary issue of academics. Due to time and financial constraints, we were only able to concentrate on China, KZN businesses that were located inside the city proper. These results cannot be generalised to the experiences of other SMEs in other countries since they are exclusive to one set of circumstances. geographic areas, since there may be disparities between them due to variables that are specific to the area. Because to time constraints and the growth of Covid-19, we were only able to concentrate on a subset of the Chinese companies; nonetheless, we would have included all of China's SMEs if it had been feasible to do so.

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