ROLE OF TRANSFORMATIONAL LEADERSHIP AND SOCIAL ENTREPRENEURSHIP IN ACHIEVING ENTERPRISE PERFORMANCE: TAKING CREATIVITY AS A MEDIATOR

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ABSTRACT

Purpose: In the recent business context, the pivotal drivers of organizational success are increasingly identified as transformational leadership and social entrepreneurship. These dynamic forces have emerged as crucial predictors, shaping the trajectory of enterprise performance. The present study proposed to explore the role of transformational leadership and social entrepreneurship in achieving enterprise performance through creativity among employees of small and medium-sized enterprises (SMEs) in Egypt.

Design/Methodology/ Approach: We applied quantitative methods to detect this problem by collecting data from the employees of Small and Medium-sized Enterprises (SMEs) in Egypt. Finally, we utilized 294 samples to get the results.

Findings: Applying the analysis of moment structures (AMOS) version 26.0, the results show a positive and significant impact of transformational leadership, social entrepreneurship and creativity on enterprise performance. The mediating path leads to a positive mediating impact of creativity in developing the connection between transformational leadership and enterprise performance. On the other hand, creativity did not mediate the relationship between social entrepreneurship and enterprise performance.

Research, practical and social implications: The research outcomes serve as a strategic compass for policymakers and planners, offering actionable insights to elevate enterprise performance through the strategic integration of transformational leadership and social entrepreneurship. Furthermore, the study provides valuable guidance for organizations aspiring to cultivate a culture of innovation and creativity, fostering the essential elements for sustained success in today's dynamic business environment.

Originality/ value: This study addresses the gaps in the empirical evaluation of enterprise performance through transformational leadership, social entrepreneurship and creativity among Egyptian employees of Egyptian SMEs.

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Keywords: transformational leadership, social entrepreneurship, creativity, enterprise performance, organizational success.

Received: 04/09/2023
Accepted: 04/12/2023
DOI: https://doi.org/10.55908/sdgs.v11i12.2188

PAPEL DA LIDERANÇA TRANSFORMACIONAL E DO EMPREENDEDORISMO SOCIAL NA REALIZAÇÃO DO DESEMPENHO EMPRESARIAL: TOMAR A CRIATIVIDADE COMO MEDIADOR

RESUMO

Objetivo: No contexto empresarial recente, os principais impulsionadores do sucesso organizacional são cada vez mais identificados como liderança transformacional e empreendedorismo social. Essas forças dinâmicas surgiram como preditores cruciais, moldando a trajetória do desempenho empresarial. O presente estudo propôs explorar o papel da liderança transformacional e do empreendedorismo social na obtenção de desempenho empresarial através da criatividade entre os funcionários de pequenas e médias empresas (PMEs) no Egito.

Design/Metodologia/Abordagem: Aplicamos métodos quantitativos para detectar esse problema coletando dados dos funcionários de Pequenas e Médias Empresas (PMEs) no Egito. Finalmente, utilizamos 294 amostras para obter os resultados.

Constatações: Aplicando a análise de estruturas de momento (AMOS) versão 26.0, os resultados mostram um impacto positivo e significativo da liderança transformacional, empreendedorismo social e criatividade no desempenho empresarial. O caminho de mediação leva a um impacto positivo de mediação da criatividade no desenvolvimento da conexão entre a liderança transformacional e o desempenho empresarial. Por outro lado, a criatividade não mediou a relação entre empreendedorismo social e desempenho empresarial.

Investigação, implicações práticas e sociais: Os resultados da investigação servem como uma bússola estratégica para os decisores políticos e os planificadores, oferecendo conhecimentos viáveis para elevar o desempenho da empresa através da integração estratégica da liderança transformacional e do empreendedorismo social. Além disso, o estudo fornece orientações valiosas para organizações que aspiram a cultivar uma cultura de inovação e criatividade, promovendo os elementos essenciais para o sucesso sustentado no ambiente de negócios dinâmico de hoje.

Originalidade / valor: Este estudo aborda as lacunas na avaliação empírica do desempenho empresarial através da liderança transformacional, empreendedorismo social e criatividade entre os funcionários egípcios de PME egípcias.

Palavras-chave: liderança transformacional, empreendedorismo social, criatividade, desempenho empresarial, sucesso organizacional.

1 INTRODUCTION

Transformational leadership promotes performance by promoting motivation, engagement, creativity, effective communication, flexibility to change, trust, team cohesiveness, goal alignment, and the development of leadership skills. Organizations led
by transformational leaders are better positioned to achieve and sustain high-performance levels in the long run (Naderi et al., 2019; Shin and Park, 2019; Lortie et al., 2021; Abdelwahed et al., 2022; Shah et al., 2023). Likewise, social entrepreneurship is a dynamic and innovative approach to addressing social and environmental challenges. It combines entrepreneurial principles with a strong commitment to social impact, aiming to create positive change and contribute to the well-being of individuals and communities (Naderi et al., 2019; Zafar et al., 2022; Shah et al., 2023). Along with transformational leadership and social entrepreneurship, creativity is crucial to organizational success. It sparks innovation, enhances problem-solving, fosters adaptability, and contributes to a positive organizational culture. These are all essential for long-term growth and sustainability. Organizations prioritizing and nurturing creativity are better positioned to thrive in today's rapidly changing business landscape (Chung et al., 2015; Cook, (2016; Gao et al., 2020; Kimathi, 2021; Tang et al., 2023). In the contemporary literature, the performance of enterprises is significantly influenced by a myriad of factors such as innovation, leadership, social entrepreneurship, creativity, skills, and self-efficacy (Shih, 2018; Ferreira et al., 2020; Kimathi, 2021; Wang et al., 2023; Tang et al., 2023). Despite the wealth of research in this domain, exploring these phenomena remains in its early stages, particularly concerning employees in SMEs in Egypt. A notable gap exists in understanding the nuanced dynamics of how these elements interplay within the context of SMEs in Egypt, warranting further research and exploration to unveil their specific implications on organizational success in this setting. Based on these, we raised the questions:

**RQ1:** What is the role of transformational leadership, social entrepreneurship and creativity in achieving enterprise performance?

**RQ2:** How does creativity mediate the relationship between transformational leadership, social entrepreneurship and enterprise performance?

This study examines the role of transformational leadership, social entrepreneurship, and creativity in achieving enterprise performance will yield valuable insights. By exploring how visionary leadership, innovative business models, and creative problem-solving contribute to organizational success, the research aims to quantify the impact of each factor and provide a contextual understanding within the specific operational context of the studied enterprises. Moreover, examining creativity as a mediator in developing connection between transformational leadership, social
entrepreneurship, and enterprise performance will shed light on the intricate pathways through which leadership and entrepreneurship influence creativity, ultimately affecting organizational outcomes. These findings are expected to have practical implications, offering recommendations for corporate leaders and managers seeking to integrate transformative leadership and entrepreneurial initiatives in ways that leverage creativity to optimize overall performance. The research outcomes also contribute to leadership development strategies by emphasizing the importance of fostering creativity within the leadership paradigm to enhance the effectiveness of transformational leadership and social entrepreneurship in driving organizational success.

The paper's organization is apart from the introduction, literature review and hypotheses development, methods, results, discussion, and conclusion, implications and finally, limitations and future research.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Transformational leadership is an approach characterized by the ability to inspire and encourage followers to reach their full potential and surpass their expectations. This leadership method encompasses formulating a forward-looking vision, proficiently conveying this goal, and cultivating a sense of dedication and passion among those being led. Transformational leaders are known for bringing significant positive change within individuals and organizations (Bastari et al., 2020; Jankelová et al., 2020). According to the findings of a systematic review conducted by Hadi and Marpaung (2023), evidence supports the notion that both transformational leadership and knowledge management have a good impact on organizational performance. Similarly, the performance of employees in Pakistan can be forecasted by considering the influence of team leadership and the level of passion entrepreneurs exhibit (Abdelwahed et al., 2023). According to the research conducted by Atan and Mahmood (2019), it has been observed that transformational leadership styles exhibit a strong correlation with employees' organizational success. Within the specific context of Pakistan, a scholarly investigation conducted by Soomro and Shah (2022) provides evidence of the effectiveness of transformational leadership in promoting corporate entrepreneurship. Manzoor et al. (2019) have identified a mediation function of corporate social responsibility between transformational leadership and job performance in SMEs. According to Yang and Yang (2019), various elements, transformational leadership, competitive intensity, and
technological innovation, have a cumulative impact on organizational performance. The study conducted by Bastari et al. (2020) demonstrates a significant positive correlation between transformational leadership styles and work performance inside a state-owned firm. Furthermore, the authors found that this link is mediated by job motivation. According to Jankelová et al. (2020), the performance of agricultural operations is significantly influenced by transformational leadership. According to Cuevas-Vargas et al. (2023), the relationship between transformational leadership and innovation greatly enhances corporate performance, particularly in the context of small Mexican enterprises. According to Soomro et al. (2019), the performance of SMEs is greatly enhanced by entrepreneurial leadership. Prabhu and Srivastava's (2023) empirical findings offer substantiated support for the positive impact of CEOs' transformational leadership on supply chain agility and firm performance, specifically within SMEs.

Social entrepreneurship has gained prominence as a model that harnesses the power of business principles to create positive social impact, and it continues to evolve with ongoing efforts to address global challenges (Soomro and Shah, 2020; Abdelwahed et al., 2022; Shah et al., 2023). In their study, Liang et al. (2015) devised a scale to measure the performance of social enterprises. They investigated the correlation between the personality traits of entrepreneurs and their perceived performance of the firm. This finding suggests that personal characteristics influence how entrepreneurs perceive and attain success. According to Shah et al. (2023), a favourable correlation exists between performance and factors such as sustainability attitude and absorptive capability. The study conducted by Duvnäs et al. (2012) investigates the consequences of innovativeness in the context of SE. It examines the correlation between innovative orientation and the economic performance of social enterprises. This statement suggests that the implementation of novel strategies has a favourable effect on the economic performance within the framework of the Southeast region. The research conducted by Jang (2014) demonstrates a significant correlation between social entrepreneurship and corporate social responsibility (CSR) concerning their impact on the success of social enterprises. There is a good correlation between SE and organizational effectiveness in the realm of marketing, which can be attributed to distinctive capabilities. According to Palacios-Marqués et al. (2019), it can be inferred that particular competencies, particularly in marketing, may moderate the influence of social entrepreneurship on overall performance. In developing context, the favourable relationship between entrepreneurial
approach and performance has been established by Soomro and Shah (2020). The research conducted by Shah et al. (2023) elucidates the influence exerted by digital technology and innovation on the operational effectiveness of firms operating within a digital economy. According to Abdelwahed et al. (2022), ventures' performance in a comparable context is influenced by factors such as institutional support, entrepreneurial knowledge, and women's entrepreneurial self-efficacy. Shin and Park (2019) propose a significant relationship exists between the value orientation of social entrepreneurs and the performance outcomes of social enterprises. The positive impact of self-efficacy and transformational leadership on enterprise performance has been substantiated by studies conducted by Lortie et al. (2021) and Naderi et al. (2019) within the domains of tourism and industry.

Creativity is a cognitive process that generates novel and valuable ideas, explanations, or products (Penaluna and Penaluna, 2009; Chung et al., 2015; Gao et al., 2020). The present study provides an empirical evaluation of the work conducted by Penaluna and Penaluna (2009), highlighting the intricate relationship between creativity and business within the framework of a transdisciplinary curriculum in enterprise education. According to Ismail's (2015) perspective, various aspects, including cultural control, innovation, and social capital, positively impact organizational performance. Cook's (2016) seminal study posits that leadership has a positive role in indorsing innovation, creativity, and the overall performance of enterprises. Gao et al. (2020) assert that the predictive determinants for enterprise performance include the entrepreneur's psychological capital and creative innovation behaviour. According to Kimathi (2021), in the specific context of SMEs in Kenya, empirical evidence supports the notion that creativity has a good impact on organizational success. The research conducted by Ferreira et al. (2020) examines the effect of dynamic capabilities, creativity, and innovation capabilities on competitive advantage and company performance. In a comparable vein, a scholarly investigation conducted by Wang et al. (2023) posits a favourable impact of artificial intelligence proficiency on creativity. Tang et al. (2023) investigated the correlation between digital entrepreneurial opportunity, innovation, and the performance of enterprise digital innovation. According to Shih (2018), the results indicate that adopting a strategic orientation, particularly cultural and creative dimensions, can impact creativity and enterprise performance.

Consequently, the existing body of literature has consistently highlighted the
positive and substantial impact of transformational leadership, social entrepreneurship, and enterprise performance across diverse organizational settings and with various respondent groups. Numerous studies conducted in multiple organizations underscore the influential role these factors play in shaping a conducive work environment and fostering enhanced employee outcomes. However, it is imperative to acknowledge that these relationships have yet to be comprehensively validated within the unique context of Egyptian SMEs, particularly among their employees. This gap in the literature presents an opportunity for empirical investigation and a deeper understanding of how transformational leadership, social entrepreneurship, and creativity interplay to influence enterprise performance within the specific dynamics of Egyptian SMEs. In light of the identified relationships and the existing gaps in the literature, we propose a conceptual model (Figure 1) that aims to confirm and extend these associations within the context of Egyptian SMEs. This model serves as a valuable framework for empirical research, providing a structured approach to examine the intricate connections between transformational leadership, social entrepreneurship, creativity, and enterprise performance in Egyptian SMEs' specific organizational and cultural milieu.

Figure 1. Conceptual model of the study

Source: Developed by the authors

2.1 TRANSFORMATIONAL LEADERSHIP AND ENTERPRISE PERFORMANCE

Transformational leadership has great significance in developing enterprise performance. The relevant literature demonstrates significant connection transformational leadership and enterprise performance across various industries and organizational contexts. Bastari et al. (2020) show a positive connection between performance and transformational leadership styles, with job motivation mediating this
relationship in a state-owned enterprise. The performance of agricultural enterprises is meaningfully affected by transformational leadership (Jankelová et al., 2020). The performance is affected by both transformational leadership and social entrepreneurship in rural tourism in Iran (Naderi et al., 2019). In the perception of Atan and Mahmood (2019), transformational leadership styles are robust predictors of employees' organizational performance. In the Pakistani context, a study by Soomro and Shah (2022) demonstrates the robustness of transformational leadership in fostering corporate entrepreneurship. In SMEs, a mediating role of corporate social responsibility between transformational leadership and job performance is observed by Manzoor et al. (2019). In the same notion, Yang and Yang (2019) argue that factors such as transformational leadership, competitive intensity, and technological innovation collectively influence organizational performance. In SMEs, Soomro et al. (2021) explored the relationship between paternalistic leadership style, employee voice, and creativity among entrepreneurs and found them correlated. More recently, Suryano et al. (2023) state that transformational leadership significantly affects company performance, with organizational innovation mediating the relationship. In SMEs, entrepreneurial leadership also significantly improves performance (Soomro et al., 2019). Organizational organization performance is reinforced by transformational leadership (Sanguanwongs and Kritjaroen, 2023). Through a systematic review, Hadi and Marpaung (2023) suggest the positive effect of transformational leadership and knowledge management on organizational performance. Likewise, employee performance could be predicted by transformational leadership and entrepreneurs’ passion among employees in Pakistan (Abdelwahed et al., 2023).

Consequently, transformational leadership positively predicts enterprise performance, but it needs confirmation in the SME context of Egypt. Thus, we proposed:

**H1. Transformational leadership positively and significantly affects enterprise performance.**

### 2.2 SOCIAL ENTREPRENEURSHIP AND ENTERPRISE PERFORMANCE

Entrepreneurship and social entrepreneurship play a meaningful role in developing enterprise performance. Zafar et al. (2022) examine the correlation between social entrepreneurship, direction, and firm success, emphasizing the mediating influence of social performance. The research findings indicate a robust correlation between social
entrepreneurship and financial prosperity. Soomro and Shah (2020) established a positive correlation between entrepreneurial orientation and performance in a developing nation. Shah et al. (2023) conducted a study that examines the influence of digital technology and innovation on the success of firms operating within a digital economy. According to Abdelwahed et al. (2022), ventures' performance in a comparable context is influenced by factors such as institutional support, entrepreneurial knowledge, and women's entrepreneurial self-efficacy. The research conducted by Jang (2014) demonstrates that social entrepreneurship and corporate social responsibility play a significant role in enhancing the success of social enterprises. The favourable correlation between social entrepreneurship and organizational performance is attributed to the presence of unique competencies in the field of marketing. This suggests that specific competencies, especially in marketing, may mediate the impact of social entrepreneurship on overall performance (Palacios-Marqués et al., 2019). This indicates that individual traits may play a role in determining how entrepreneurs perceive and achieve performance. Factors such as sustainability orientation and absorptive capacity are positively associated with performance (Shah et al., 2023). The study conducted by Duvnäs et al. (2012) investigates the consequences of innovativeness in the context of social entrepreneurship and the correlation between innovative orientation and the economic performance of social enterprises. This implies that innovative approaches positively impact economic performance in the social entrepreneurship context. Shin and Park (2019) propose a significant relationship exists between the value orientation of social entrepreneurs and the performance outcomes of social enterprises. Lortie et al. (2021) and Naderi et al. (2019) have provided empirical evidence supporting the notion that social entrepreneurship and transformational leadership have a favourable impact on enterprise performance within the domains of tourism and industry.

As a result, the literature confirms a positive effect of social entrepreneurship on enterprise performance in several contexts. However, its confirmation in Egyptian SME contexts still needs more empirical evidence. Hence, based on these, we suggest:

**H2. Social entrepreneurship positively and significantly affects enterprise performance.**

2.3 CREATIVITY AND ENTERPRISE PERFORMANCE

The related creativity, whether fostered by psychological factors, digital tools,
cultural aspects, or leadership, is closely linked to enterprise performance. The ability to innovate and think creatively is a valuable asset that can positively impact various aspects of organizational success, including competitiveness, job performance, and overall business performance. Gao et al. (2020) claim that firm performance can be predicted by the entrepreneur's psychological capital and creative innovation behaviour. Chung et al. (2015) focus on workplace digital creativity and enterprise mobile applications' impact on perceived job performance and creativity. An empirical assessment of Penaluna and Penaluna (2009) demonstrates the interplay between creativity and business in the context of transdisciplinary curricula in enterprise education. In the perception of Ismail (2015), factors such as cultural control, creativity and social capital positively affect organizational performance. A seminal work of Cook (2016) suggests a robust contribution of leadership in fostering innovation, creativity, and enterprise success. In the SME context of Kenya, Kimathi (2021) confirms the positive effect of creativity on performance. In the study of Ferreira et al. (2020), competitive advantage and firm performance can be affected by dynamic capabilities, creativity, and innovation capabilities. The findings suggest that strategic orientation, mainly focusing on cultural and creative aspects, can influence innovation and enterprise performance (Shih, 2018). In a comparable vein, a scholarly investigation conducted by Wang et al. (2023) posits a positive impact of artificial intelligence proficiency on students' self-efficacy, creativity, and academic achievement. The study suggests a complex interplay where digital creativity and innovation contribute to overall digital performance.

Consequently, creativity positively predicts enterprise performance. To confirm its further confirmation, we expect:

**H3. Creativity positively and significantly affects enterprise performance.**

### 2.4 CREATIVITY AS A MEDIATOR

The creativity factor is helpful in reinforcing the association of transformational leadership and social entrepreneurship with enterprise performance. The study of Ribeiro et al. (2018) confirms a mediating contribution of organizational citizenship behaviour and creativity between authentic leadership and individual performance. Wang (2016) posits a favourable association between leader-member interchange and performance within the hospitality business, mediated by work motivation and innovation. According to Riva et al. (2021), a positive correlation exists between managers' environmental...
Role of Transformational Leadership and Social Entrepreneurship in Achieving Enterprise Performance: Taking Creativity as a Mediator

According to research, creativity plays a significant role in mediating the relationship between transformational leadership and enterprise performance (Chen and Chang, 2013). This is because transformational leadership, which involves inspiring and motivating employees, can enhance the creativity of individuals, thereby improving enterprise performance. Similarly, social entrepreneurship, which involves creating value for society, can also contribute to enterprise performance when combined with creativity. Additionally, the presence of green creativity, which is the ability to create value for the environment, mediates the relationship between various green aspects and environmental performance (He et al., 2022).

Consequently, literature provides consistent relationships between transformational leadership and enterprise performance in several contexts through the mediating effect of creativity. Based on these consistent relationships, we propose the following hypotheses for conformation among SME employees of Egypt:

**H4. Creativity mediates the relationship between transformational leadership and enterprise performance.**

**H5. Creativity mediates the relationship between social entrepreneurship and enterprise performance.**

### 3 METHODS

#### 3.1 MODES OF ENQUIRY

The study employed quantitative methodologies, a highly valid and trustworthy technique that ensures the integrity and confidentiality of the respondents (Katz et al., 2000; Bernard, 2013). This methodology is more conducive to recording individuals'
attitudes and behavioural responses. According to Azmy (2019), this approach facilitates researchers in optimizing their time and resource allocation. Additionally, the Likert scale is highly beneficial for participants as it offers a comprehensive selection of possibilities, demonstrating strong reliability and validity (Cummins and Gullone, 2000). In the literature, several researchers like Shih (2018), Ferreira et al. (2020), Kimathi (2021), Wang et al. (2023) and Tang et al. (2023) applied the technique to explore the enterprise performance, transformational leadership, social entrepreneurship and creativity among the several firms.

3.2 RESPONDENTS, SURVEY PROCEDURES AND SAMPLE SIZE

The researchers collected the data from employees working in SMEs in Egypt for several compelling reasons. Firstly, SMEs constitute a substantial portion of the country's business landscape, ensuring that insights gained from this demographic are representative of a significant segment of the workforce (Metawa et al., 2022). Moreover, focusing on SMEs is economically significant, offering a lens into the unique challenges and opportunities these enterprises face and informing potential economic policies (Rezk et al., 2019). The contextual relevance of studying smaller organizations allows for more nuanced insights into their specific cultures and structures. Logistically, SMEs may be more accessible for research, particularly for projects with resource constraints. The generalizability of findings to a broader range of businesses and the policy implications related to SME regulations add further value to this research approach. Lastly, the cultural specifics of Egypt provide a unique backdrop for understanding work environments, making SMEs in Egypt a strategic and meaningful selection for the study (Adel et al., 2020).

We applied the convenience sample technique to trace the employees because this approach is often more practical and cost-effective, especially when resources such as time and budget are limited. Convenience sampling allows researchers to access participants who are readily available and accessible, which can expedite the data collection process (Etikan et al., 2016). Besides, convenience sampling can facilitate a quicker turnaround time for data collection, enabling researchers to gather insights promptly. This is particularly valuable in fast-paced or time-sensitive research scenarios where a rapid response is essential (Emerson, 2021).

We applied the online survey technique through a survey questionnaire as it offers
numerous advantages by ensuring the security and privacy of participant data is paramount. Despite these considerations, online surveys remain a valuable and widely accepted method for collecting data in diverse research contexts (Höglinger et al., 2016). Finally, we collected 294 valid samples to proceed with the final results.

3.3 MEASUREMENT SCALES

We meticulously drew from the existing domain literature in constructing our measurement items, incorporating validated scales from prominent studies. Specifically, we operationalized transformational leadership using a four-item scale adapted from Morales et al. (2008). The measurement of social entrepreneurship was anchored in a four-item scale derived from the comprehensive work of Kraus et al. (2017). Likewise, the assessment of the creativity factor relied on a four-item scale sourced from Sözbilir (2018). Conclusively, the evaluation of enterprise performance was structured upon a four-item scale established by Alarifi et al. (2019). To ensure a consistent assessment across constructs, all items underwent scrutiny via a five-point Likert scale, ranging from strongly agree to strongly disagree. This methodological approach not only aligns with established literature but also enhances the robustness and reliability of our measurement framework.

4 RESULTS

4.1 MEASUREMENT MODEL

The measuring model was built with a careful assessment of essential indicators, adhering to established principles presented by Sarstedt et al. (2020). Significantly, our assessment involved the scrutiny of loading, composite reliability (CR), average extracted variance (AVE), and Cronbach's Alpha (α). The results of our research indicate that all items exhibited loading values above the recommended threshold of 0.7, suggesting strong loading. These values ranged from 0.791 (EP3) to 0.951 (EP1). Moreover, it is worth noting that both the average variance extracted (AVE) and composite reliability (CR) metrics surpassed the recommended threshold of 0.5. This observation highlights the dependable nature of the model and its capacity to demonstrate convergent validity, as per the criteria established by Sarstedt et al. (2020). In particular, the study reveals that the ranges of AVE range from 0.673 (transformational leadership) to 0.762 (enterprise performance), while the ranges of CR extend from 0.857 (CR) to 0.909 (enterprise
performance). Furthermore, Cronbach's Alpha (α) values above the 0.7 standards suggested by Sarstedt et al. (2020) range from 0.789 (transformational leadership) to 0.886 (social entrepreneurship), as presented in Table 1. This finding provides evidence for our measurement methodology's strong internal consistency and dependability. Our rigorous commitment to established metrics guarantees our measurement model's validity and reliability, confirming its appropriateness for comprehensive analysis and interpretation following current standards.

Table 1. Measurement model

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Source: Estimated by the researchers
Note(s): AVE=average variance extracted; CR=composite reliability; α=Cronbach’s alpha reliability

Besides, discriminant validity was assessed to examine the presence of any issues related to multi-collinearity among the latent variables. In this inquiry, we have utilized the Fornell and Larcker criterion, widely recognized as the most commonly employed method for ensuring discriminant validity (Ab Hamid et al., 2017). Consequently, it was seen that each item exhibits the maximum loading on its corresponding construct. Also, the square root of the average variance extracted (AVE) for each construct surpasses its association with other constructs, as presented in Table 2.

Table 2 Fornell and Larcker criterion

<table>
<thead>
<tr>
<th>Construct</th>
<th>EP</th>
<th>TL</th>
<th>SE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>EP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL</td>
<td>0.833</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SE</td>
<td>0.816</td>
<td>0.868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>0.756</td>
<td>0.889</td>
<td>0.715</td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculated by the researchers
Note(s): TL=Transformational leadership; SE=Social entrepreneurship; EP=Enterprise performance
4.2 STRUTURAL MODEL

The researchers utilized sophisticated statistical methods, notably route analysis using IBM version 26.0 of Analysis of Moment Structures (AMOS). According to Wei (2014), this software demonstrates exceptional capabilities in facilitating the simultaneous analysis of intricate and straightforward pathways. With regard to direct paths, we found a positive significant effect of transformational leadership, social entrepreneurship and creativity on enterprise performance (H1=β=0.128; p<0.01; H2=β=0.786; p<0.01; H3=β=0.697; p<0.01) (Figure 2 and Table 3). Hence, H1─H3 are accepted. Concerning indirect paths, we found a mediating role of creativity in developing the connection between transformational leadership and enterprise performance (H4=β=0.055; p<0.01). On the other hand, creativity did not mediate the association between social entrepreneurship and enterprise performance H5=β=0.001; p>0.01). As a result, H4 is accepted, and H5 is rejected (Figure 2 and Table 4).

Figure 2. Path coefficients

Source: Developed by the author

Note(s): ACC=accountability; RES= responsibility; ANT=analytical thinking; EP=enterprise performance; ES=enterprise sustainability; p***=<0.005
Table 3. Path coefficients [Direct]

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationships</th>
<th>Beta (β)</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>T-statistics</th>
<th>P-values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TL → EP</td>
<td>0.128</td>
<td>0.129</td>
<td>0.034</td>
<td>3.794</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>SE → EP</td>
<td>0.786</td>
<td>0.786</td>
<td>0.042</td>
<td>18.597</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Creativity → EP</td>
<td>0.697</td>
<td>0.726</td>
<td>0.174</td>
<td>4.013</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Estimated by the authors
Note(s): TL=Transformational leadership; SE=Social entrepreneurship; EP=Enterprise performance

Table 4. Path coefficients [Indirect]

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationships</th>
<th>Beta (β)</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>T-statistics</th>
<th>P-values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4</td>
<td>TL → creativity → EP</td>
<td>0.055</td>
<td>0.056</td>
<td>0.015</td>
<td>3.725</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>SE → Creativity → EP</td>
<td>0.001</td>
<td>0.001</td>
<td>0.004</td>
<td>0.265</td>
<td>0.791</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Source: Estimated by the authors
Note(s): TL=Transformational leadership; SE=Social entrepreneurship; EP=Enterprise performance

5 DISCUSSION AND CONCLUSION

The study proposed investigating the effect of transformational leadership, social entrepreneurship and creativity in achieving enterprise performance among Egyptian SME employees. About the relationship, the study found a positive significant effect of transformational leadership, social entrepreneurship and creativity on enterprise performance. In the literature, these results are in line with several scholars like Soomro et al. (2019), Naderi et al. (2019), Ferreira et al. (2020), Lortie et al. (2021), Kimathi (2021), Suryano et al. (2023), Cuevas-Vargas et al. (2023) and Prabhu and Srivastava (2023) who found a significant influence of transformational leadership, social entrepreneurship and creativity on enterprise performance. These results demonstrate that transformational leadership cultivates a motivational climate that propels employees toward heightened performance by emphasizing inspiration, individual consideration, intellectual stimulation, and idealized influence. Social entrepreneurship injects innovation and socially responsible practices into SME operations, fostering adaptability and novel solutions to challenges. Meanwhile, creativity acts as a catalyst, stimulating inventive thinking and problem-solving among employees. The nexus of these leadership, entrepreneurial, and creative elements contributes to a positive organizational culture, enhancing employee engagement and satisfaction. This, in turn, translates into increased productivity and a workforce better equipped to navigate market demands. Moreover, the emphasis on social impact in entrepreneurship builds positive stakeholder relations. At the same time, the overall approach enables SMEs to differentiate themselves in the market, leading to competitive advantages and heightened enterprise performance. In the Egyptian context, aligning these strategies with cultural values enhances their resonance,
further amplifying their impact on organizational success.

Moreover, the results found a mediating effect of creativity in developing the connection between transformational leadership and enterprise performance, but not confirmed the mediating contribution of creativity between social entrepreneurship and enterprise performance. The results are also accorded by the literature such as Chen and Chang (2013), Palacios-Marqués et al. (2019), Za et al. (2020) and He et al. (2022) who confirmed the same findings. The identified mediating effect of creativity in the association between transformational leadership and enterprise performance among Egyptian SMEs suggests that leaders who inspire and intellectually stimulate their teams play a pivotal role in fostering a creative organizational environment, ultimately contributing to enhanced enterprise performance. This outcome aligns with the transformative impact of leadership on individual and collective creativity. On the other hand, the absence of a confirmed mediating role of creativity between social entrepreneurship and enterprise performance could be attributed to the multifaceted nature of social entrepreneurship. While social entrepreneurship may drive innovative and socially responsible practices at the organizational level, its direct impact on individual or team-level creativity may need to be more pronounced. The distinct foci of transformational leadership and social entrepreneurship, along with potential differences in their influence on creativity and performance dynamics, underscore the complexity of these relationships within the unique context of Egyptian SMEs. Further exploration of organizational culture, industry specifics, and contextual factors is warranted to understand the observed mediation effects comprehensively.

In summary, the comprehensive findings underscore a robust and positive effect of transformational leadership, social entrepreneurship, and creativity on enterprise performance within Egyptian SMEs. Notably, the identified mediation pathway reveals a significant positive mediating role of creativity in bridging the connection between transformational leadership and enterprise performance. This outcome substantiates the transformative impact of leadership on cultivating a creative organizational milieu, thereby contributing to heightened enterprise effectiveness. Conversely, the non-mediation of creativity in the association between social entrepreneurship and enterprise performance suggests that while social entrepreneurship positively impacts overall organizational performance, its direct influence on individual or team-level creativity may be less salient. These nuanced insights illuminate the intricate dynamics of
leadership, entrepreneurship, creativity, and their collective impact on the performance landscape within Egyptian SMEs. Further research exploring the intricacies of these relationships, considering organizational culture, industry nuances, and contextual factors, could offer valuable depth to our understanding of these complex dynamics.

6 IMPLICATIONS OF THE STUDY

6.1 PRACTICAL IMPLICATIONS

Practically, the study's findings offer actionable insights for Egyptian SMEs aiming to enhance their enterprise performance. Investing in leadership development programs that instil transformational leadership skills can empower leaders to inspire and stimulate creativity within their teams, positively influencing overall organizational effectiveness. Integrating socially responsible practices, guided by the principles of social entrepreneurship, emerges as a strategic avenue for businesses to enhance their performance and stakeholder relationships. Fostering a creative work environment through initiatives such as acknowledging and rewarding innovative ideas can amplify the creative potential of the workforce, contributing to heightened enterprise success. Organizations should tailor their leadership approaches to Egyptian SMEs' unique cultural and business context, recognizing the contextual nuances that influence leadership effectiveness. Strategic human resource management practices, continuous monitoring and evaluation, and industry-specific strategies are crucial for optimizing leadership, entrepreneurship, and creativity in ways that align with organizational goals.

6.2 THEORETICAL IMPLICATIONS

The study's theoretical implications are manifold and offer valuable contributions to the scholarly landscape. By highlighting the mediating role of creativity in the association between transformational leadership and enterprise performance, the findings advocate for an integrated approach to leadership and creativity theories. This suggests that certain transformational leadership behaviours can be directly linked to the stimulation of creative thinking, impacting organizational effectiveness. Moreover, the study prompts a reexamination and potential refinement of social entrepreneurship theory, urging scholars to explore the intricate mechanisms through which social entrepreneurship practices influence organizational performance. The contextualization of leadership and entrepreneurship theories within the unique cultural backdrop of
Egyptian SMEs underscores the need for more culturally sensitive theoretical frameworks.

Furthermore, the study's call for an expanded and nuanced measurement framework for creativity opens avenues for deeper theoretical exploration of the multifaceted nature of creativity in organizational contexts. The intersectionality of leadership, entrepreneurship, and creativity emerges as a focal point for theoretical development, encouraging scholars to delve into the interconnected dynamics of these concepts. Lastly, the study contributes to advancing organizational performance theories by emphasizing the relevance of factors beyond traditional metrics, encouraging future research to incorporate the impact of social entrepreneurship and the nuanced role of creativity in shaping organizational effectiveness.

7 LIMITAIONS AND FUTURE RESEARCH

Several limitations constrain the breadth and depth of the study's findings. The exclusive reliance on quantitative assessment limits the exploration of contextual nuances and rich qualitative insights that a mixed-methods approach could offer. The absence of a specific theoretical framework raises questions about the conceptual underpinning of the research, highlighting the need for future investigations to ground their studies in relevant theoretical perspectives. With a sample size of 294 Egyptian SMEs, there is a potential limitation in the generalizability of findings, emphasizing the importance of more extensive and diverse samples for robust external validity. Using a cross-sectional design hampers the ability to establish causality or track changes over time, suggesting the potential value of longitudinal or experimental approaches. Besides, common method bias could be a concern, prompting the need for varied data collection methods to enhance the study's reliability. The contextual specificity of the study, focusing exclusively on Egyptian SMEs, raises questions about the general applicability of findings to different cultural and business settings. Lastly, the intricate nature of the variables studied, such as transformational leadership, social entrepreneurship, creativity, and enterprise performance, introduces complexities in operationalization and measurement that merit careful consideration in future research efforts.

Future research in leadership, entrepreneurship, creativity, and enterprise performance in SMEs could take several fruitful directions. A mixed-methods approach, combining qualitative and quantitative methodologies, would provide a more holistic
understanding of the contextual nuances shaping these relationships. Researchers should endeavour to develop or integrate existing theoretical frameworks to guide investigations, lending theoretical coherence to the study of transformational leadership, social entrepreneurship, and creativity. Expanding sample representation by including SMEs from diverse industries, regions, and cultural contexts would enhance the external validity of the results. Longitudinal studies could offer insights into the temporal dynamics and causal pathways between the studied variables. Mitigating common method bias through diverse data sources or experimental designs would strengthen the reliability of findings. Comparative, cross-cultural studies and in-depth explorations of constructs like transformational leadership and social entrepreneurship could contribute to a more nuanced understanding of the cultural and organizational factors at play. Finally, examining industry-specific factors would provide tailored insights for leadership and entrepreneurship strategies in different sectors. Pursuing these future research paths promises to deepen our comprehension of the complex dynamics within SMEs and offer practical and theoretical advancements in organizational studies.

ACKNOWLEDGMENTS

The authors are sincerely thankful to the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia for providing the funds. The authors also appreciate the respondents who gave their precious time for providing their valuable responses.

FUNDING

This work was supported by the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia [Project No. GRANT 5140].
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