

**THE IMPACT OF LEADERSHIP AND ENTREPRENEURSHIP ON CHINESE SME'S
PERFORMANCE: ORGANIZATIONAL CULTURE AS A MEDIATING VARIABLE.**

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ABSTRACT

This paper intends to investigate, using organizational culture, the impact of leadership and entrepreneurship on the growth of small and medium-sized businesses (SMEs) in China. Since SMEs are so important, China's economic development depends on an awareness of the factors influencing their success. As is generally known, entrepreneurial attitude and good leadership greatly influence executive decisions, new product creation, and company strategy. Still, the mechanisms in which organizational culture connects these elements to performance results remain mostly unclear. This quantitative research gathers from a range of sectors a representative sample of Chinese SMEs. Examination of the ways in which proactive leadership, creativity, and risk-taking shape corporate performance and culture. Leadership and entrepreneurship shape organizational culture, which in turn influences business success by means of their impact. In an environment that supports creativity, teamwork, and flexibility, the favorable results of leadership and entrepreneurship become much more noticeable. Furthermore, studies reveal that transformational leadership is more suited than transactional leadership in promoting excellent corporate cultures. A more responsive and competitive business might also result from an entrepreneurial attitude that values creativity and risk-taking. The results provide understanding of the dynamics of leadership, entrepreneurship, corporate culture, and performance in Chinese SMEs. This research on how to optimize policies for the expansion of SMEs may provide insightful analysis to managers, legislators, and businessmen. The study emphasizes how corporate culture plays a mediator. SMEs may really benefit from an organizational culture fit for strong leadership and entrepreneurial efforts as it will enable them to live longer and perform better.

Keywords: Leadership, Entrepreneurship, Organizational Culture, SMEs, Performance, Mediating Variable, China.

INTRODUCTION

Since entrepreneurial energy and strong leadership are driving China's Small and Medium Enterprises more and more, the company's culture is becoming more and

more crucial in deciding their success. SMEs provide both possibilities and challenges in China's economy. Leadership and innovative actions characterize in these conditions' entrepreneurial ideas, competitive advantage, and constant growth. Although direction and destiny of an organization are shaped by good leadership, entrepreneurial spirit is what really motivates individuals to think creatively and ready to fly with the punches. In this regard, the common values, ideas, and behaviors forming the corporate culture are the most important determinant. Support of a strong and favorable business culture may help to improve customer satisfaction, morale, and productivity as well as other aspects. Staff members would be able to match their efforts with the main objectives of the business, thereby ensuring its success. If a toxic culture is at the core of leadership and entrepreneurial initiatives, SMEs might find it more challenging to grow their activities. This paper attempts to investigate the complicated relationship among leadership, entrepreneurship, and organizational culture by concentrating on how cultural elements affect the performance of leadership and entrepreneurship on Chinese SMEs. Keeping this link in mind will help Chinese academics, business leaders, legislators, and politicians to manage the complexity experienced by SMEs, so enabling their adaptation to the always shifting global market. This article delves into the complex relationship between leadership, entrepreneurship, and organizational culture in the context of Chinese SMEs, investigating how these factors collectively impact organizational performance. By examining the mediating role of organizational culture, the study aims to provide valuable insights into how SMEs can cultivate an environment that supports effective leadership and entrepreneurship, ultimately contributing to their long-term success and competitiveness in a rapidly evolving business landscape (Luo & Ali, 2023).

BACKGROUND OF THE STUDY

Small and medium-sized businesses are driving most of China's employment, innovation, and GDP hence its economic progress depends on them. Still, Chinese SMEs have a lot of challenges including complicated rules, quick technical innovation, and intense rivalry. Strong leadership and entrepreneurial energy help these companies to negotiate difficulties and expand their activities. While entrepreneurship encourages creative thinking and flexibility, good leadership directs, motivates, and influences the decisions taken concerning strategic concerns. Organizational culture, which comprises of shared attitudes, beliefs, and behaviors, strongly influences the way SMEs manage leadership and entrepreneurship. Strong organizational culture helps increase general performance and makes corporate executives more effective by increasing the link between employees and the goals of the company. On the other hand, a society that is not just hostile but also misaligned may hinder leadership, therefore affecting employee commitment and creativity. Though a number of studies on leadership and entrepreneurship individually have been conducted, the role organizational culture plays in erasing the relationship between the two has received quite little attention,

especially when one considers China. This study is to investigate the effect of organizational culture on the performance of SMEs in China via the prism of leadership impact, considering the unique mix of traditional Chinese values and contemporary management methods. This study seeks to provide some insight on the ways in which cultural elements affect leadership styles and the outcomes that companies produce innovation, employee satisfaction, and competitiveness among other things. The findings of this research will help academics, legislators, SMEs equally to better grasp how to create a corporate culture that increases performance. Research in the field of performance management has shown that innovative practises are crucial to a company's success. Because intangible assets, like information and knowledge, are becoming increasingly important to the success of modern endeavours like digitisation, R&D, and innovation, performance management techniques are finding their way into non-traditional industries like banking and manufacturing. Gaining a better understanding of how small and medium-sized firms' function, and how these functions are related to innovation and digitalisation inside SMEs, is crucial for this aim (Cui & Song, 2022).

PURPOSE OF THE RESEARCH

This study aims to close that knowledge gap by considering how organisational culture might affect the interaction between performance and leadership in Chinese SMEs. This paper intends to assess, within the context of Chinese SMEs, the influence of organisational culture on the success of leadership projects meant to raise corporate performance. Analysing the effects of a good and motivating workplace on important performance parameters such creativity, productivity, morale, and general competitiveness allows one to define the link between leadership and these elements. Clarifying what distinguishes exceptional leadership and how SMEs in China may boost their efficiency and output will help academics, legislators, and business executives in the area of SMEs management.

LITERATURE REVIEW

The People's Republic of China (PRC) has a burdensome regulatory framework that requires businesses to spend substantial amounts of time and money working with the government. This makes doing business in the PRC difficult. A complete reform on the national level may be impossible in the foreseeable future. On the other hand, the federal government is now beginning to provide state and local governments with a significant amount of leeway in terms of their ability to establish local laws, such as those that apply inside a network cluster. It is possible that the local authorities' incentives may change from neglect to devotion as a result of the enhanced feeling of ownership that this would bring about (Zeffane, R., 2014). Some examples of these reforms include the introduction of local agencies that assist in the formation of businesses, the improvement of training for local civil servants, and the implementation of hiring practises that are based on merit, as well as the

elimination of unnecessary red tape and bureaucratic procedures that impede efficiency. According to research conducted by the Organisation for Economic Co-operation and Development in 1996 and 1997, the experiences of developed industrial countries demonstrate that the implementation of an inclusive approach at the local level has the potential to provide beneficial effects. In the event that the method is successful at the local level, it may be used at the state or provincial level as well. The People's Republic of China (PRC) has already shown a significant amount of success in this field inside its SEZs. The next step that should be taken is to make it possible for these zones to expand across the whole economy, using the legal framework of Hong Kong, China as a model for how to do so. Companies in the People's Republic of China that are part of a cluster very seldom collaborate on big initiatives. When a cluster contains several competitive companies, or even world-class manufacturers, such manufacturers may serve as "demonstrators of best practise" for the other firms in the cluster to follow. The question then becomes: why is this type of thing not more prevalent in the main industrial areas of the PRC? There are two major ways to explain it. In the first place, indifference has become more widespread because there is less motivation to achieve success in a centrally planned economy, which mandates that all companies produce within predetermined bounds. Second, and similarly, since these companies are not exposed to the rivalry that is present inside their own industry, they either lack the drive to improve their production processes in the direction of best practise or are blind to the fundamental factors that contribute to their inefficiency. The success of efforts to expand corporate cooperation is strongly dependent on increasing awareness of the critical need to implement substantial reforms. These adjustments won't take place overnight that much is certain. Without sufficient incentives to do so, it is doubtful that independently owned enterprises would transition to a cooperative form of operation (Zhou, Y.; 2021)

RESEARCH QUESTION

How might organizational culture help to moderate the effect of leadership on the performance of Chinese SMEs?

RESEARCH METHODOLOGY

RESEARCH DESIGN

The quantitative data analysis was conducted using SPSS version 25. The odds ratio and 95% confidence interval were used to ascertain the strength and direction of the statistical link. The researchers developed a statistically significant criterion at $p < 0.05$. A descriptive analysis was performed to determine the key characteristics of the data. Quantitative approaches are often used to evaluate data obtained from surveys, polls, and questionnaires, as well as data modified by computational tools for statistical analysis.

SAMPLING

After piloting the survey with 20 Chinese businesses, researchers utilised a final sample of 320 consumers to draw conclusions. A total of 600 randomly chosen consumers were contacted via questionnaire. There were 263 questionnaires that were not included in the study because they were not filled out.

DATA AND MEASUREMENT

A questionnaire survey served as the principal tool for data gathering in the study. The survey had two sections: (A) General demographic information and (B) Responses on online and offline channel variables assessed using a 5-point Likert scale. Secondary data was obtained from many sources, mostly on internet databases.

STATISTICAL SOFTWARE

The statistical analysis was conducted using SPSS 25 and MS-Excel.

STATISTICAL TOOLS

To grasp the fundamental character of the data, descriptive analysis was used. The researcher is required to analyses the data using ANOVA.

CONCEPTUAL FRAMEWORK



RESULT

Factor Analysis: One typical use of Factor Analysis (FA) is to verify the existence of latent components in observable data. When there are not easily observable visual or diagnostic markers, it is common practice to utilize regression coefficients to produce ratings. In FA, models are essential for success. Finding mistakes, intrusions, and obvious connections are the aims of modelling. One way to assess datasets produced by multiple regression studies is with the use of the Kaiser-Meyer-Olkin (KMO) Test. They] verify that the model and sample variables are representative. According to the numbers, there is data duplication. When the proportions are less, the data is easier to understand. For KMO, the output is a number between zero and one. If the KMO value is between 0.8 and 1, then the sample size should be enough.

These are the permissible boundaries, according to Kaiser. The following are the acceptance criteria set by Kaiser: A pitiful 0.050 to 0.059, below average 0.60 to 0.69

Middle grades often fall within the range of 0.70-0.79.

With a quality point score ranging from 0.80 to 0.89.

They marvel at the range of 0.90 to 1.00.

Testing for KMO and Bartlett's - Sampling Adequacy Measured by Kaiser-Meyer-Olkin
.960

The results of Bartlett's test of sphericity are as follows: approx. chi-square

df=190

sig.=.000

This establishes the validity of assertions made only for the purpose of sampling. To ensure the relevance of the correlation matrices, researchers used Bartlett's Test of Sphericity. Kaiser-Meyer-Olkin states that a result of 0.960 indicates that the sample is adequate. The p-value is 0.00, as per Bartlett's sphericity test. A favorable result from Bartlett's sphericity test indicates that the correlation matrix is not an identity matrix.

Table1: KMO and Bartlett's Test.

| KMO and Bartlett's Test | | |
|---|---------------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .960 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 3252.968 |
| | df | 190 |
| | Sig. | .000 |

This substantiates that assertions on the execution of a sample are valid. Researchers used Bartlett's Test of Sphericity to evaluate the importance of the correlation matrices. The Kaiser-Meyer-Olkin metric deems the sample satisfactory when the value is 0.960. The p-value obtained from Bartlett's sphericity test is 0.00. The statistically significant findings of Bartlett's sphericity test indicate that the correlation matrix differs from an identity matrix.

TEST FOR HYPOTHESIS

INDEPENDENT VARIABLE

Leadership: Leading is steering a group of people towards a common objective. Being a leader means being able to convince people with your clear thinking, logical conclusions, and creative solutions to challenges. A leader has to first set objectives, a road ahead, and a conducive environment if he is to inspire devotion and collaboration. As a leader, emotional intelligence, trust-building abilities, and situational adaptation ability are equally as vital as position or authority. Strong leadership produces success and growth whether it is in a team, business, or community. Leadership is a broad and dynamic term that extends well beyond mere power positions. Leadership entails motivating, guiding, and empowering others to accomplish a common goal. It is the responsibility of leaders to chart a path, set goals, and make choices that are consistent with the company's long-term objectives. Motivating and encouraging team members, they create an atmosphere that is trustworthy, cooperative, and innovative. The ability to communicate clearly, anticipate and overcome obstacles, and have a high degree of emotional intelligence are the hallmarks of successful leaders (Chen et al., 2020).

MEDIATING VARIABLE

Organizational culture: The physical surroundings of an organisation define its culture as much as its shared values, regulations, and procedures. Workers' connections with the company as a whole and with one another particularly reflect how they treat one another in conformity with the values and standards of the company. From staff everyday operations to the actual office structure, every element of the business culture is on display. It covers the basic concepts and expectations that direct staff members in many various environments. Unlike weak or mismatched cultures, which could cause disengagement, low morale, and poor performance, strong, positive organisational cultures have the power to increase employee motivation, inspire collaboration, and match the workforce with the aims of the company. The leadership, history, and experience of an organisation define its culture which evolves with time in reaction to both internal and external events (Bogale & Debela, 2024).

DEPENDENT VARIABLE

Chinese SME's performance: Examining how effectively these companies meet their goals, grow, and preserve their competitive advantage helps us to define "Chinese SMEs' performance." Important indicators of success include effective operations, sound finances, income generation, adaptability in the face of change, and preservation of a sizable share of the market. A lot of elements affect chances for small-sized and medium-sized Chinese businesses. Among the many factors to consider are management ability, corporate innovation, easily available finance, government policies, and the always shifting economy. To survive in the competitive worldwide market of today, SMEs depend on certain talents, expertise, and innovation (Cui & Song, 2022).

Relation between leadership and Chinese SME's performance through Organizational culture: The performance of Chinese SMEs is strongly influenced by organisational culture. Staff behaviour, attitude, and work habits developed by corporate culture then help to define general corporate performance. Strong and positive corporate culture that emphasises innovation, collaboration, and engagement will help SMEs significantly in China. In keeping with changing market circumstances, organisational culture is the degree to which a firm can innovate and handle outside difficulties in China's SMEs, which give agility and responsiveness high importance. Encouragement of open communication, confidence, and shared values helps staff members to connect to the vision and objectives of the company. Furthermore, improving are the manufacturing and operations' efficiency. By continually producing new goods and services, SMEs that give learning and innovation great priority may raise their profitability and competitiveness in the market. Employee attitude and motivation depend on the business culture. Low turnover and excellent performance are results the company obtains when staff members feel appreciated for their efforts serve to link the team. On the other hand, production may decline if employees deem a negative or toxic workplace culture undesirable. Effective leaders are shaped by organisational culture; this is especially true in China, where customary values like harmony and respect of authority define workplace dynamics. The degree of respect and loyalty a leader generates from their team members will define how closely their approach conforms to the shared cultural values of the firm and its staff. Chinese SMEs generally rely on organisational culture as a go-between for attempting to combine corporate operations, employee participation, and leadership. Strong organisational cultures of SMEs encourage innovation, increase employee excitement, and promote consistent performance, therefore allowing their capacity to change with the times (Park et al., 2020). On the basis of the above discussion, the researcher formulated the following hypothesis, which was analyze the relation between leadership and Chinese SME's performance through Organizational culture.

H₀₁: There is no significant relation between leadership and Chinese SME's performance through Organizational culture.

H₁: There is a significant relation between leadership and Chinese SME's performance through Organizational culture.

Table 2: H₁ ANOVA Test.

| ANOVA | | | | | |
|----------------|----------------|-----|-------------|---------|------|
| Sum | | | | | |
| | Sum of Squares | df | Mean Square | F | Sig. |
| Between Groups | 39588.620 | 127 | 3420.695 | 686.610 | .000 |
| Within Groups | 492.770 | 209 | 4.982 | | |
| Total | 40081.390 | 336 | | | |

In this study, the result is significant. The value of F is 686.610, which reaches significance with a p -value of .000 (which is less than the .05 alpha level). This means the “ H_1 : There is a significant relation between leadership and Chinese SME’s performance through Organizational culture.” is accepted and the null hypothesis is rejected.

DISCUSSION

The discussion of this study focuses on the critical role organizational culture plays in moderating the impact of leadership and entrepreneurship on the performance of Chinese SMEs. While leadership and entrepreneurial activities are key drivers of success, their effectiveness is significantly influenced by the organizational culture in which they operate. In the context of Chinese SMEs, leadership styles often reflect traditional cultural values such as hierarchy and respect for authority, which can impact how leadership practices are perceived and enacted. Likewise, entrepreneurial behaviors like risk-taking and innovation are shaped by the broader cultural environment, which can either encourage or constrain such behaviors. A strong, positive organizational culture that fosters open communication, trust, and innovation can enhance leadership effectiveness, promote employee engagement, and drive performance. In contrast, a misaligned or rigid culture can stifle innovation, hinder employee motivation, and undermine the impact of leadership. This study aims to shed light on how these cultural factors mediate the relationship between leadership and performance, offering insights for Chinese SMEs on how to cultivate an organizational culture that supports effective leadership and entrepreneurial success.

CONCLUSION

Finally, the research highlights the crucial importance of organizational culture in this sector by showing that it diminishes the influence of leadership and entrepreneurialism on the success of China’s SMEs. Leadership and entrepreneurial approaches are powerful tools for fostering innovation and development, but how well they work depends much on the company culture. An organization’s leadership may have a greater impact, employee engagement may rise, and success may be driven by a robust, optimistic culture that promotes trust, collaboration, and creativity. Cultures that are too limited or misaligned might have the opposite impact, leading to lower morale in the workplace, fewer successful entrepreneurs, and ineffective leadership. The research highlights the need of fostering a culture that aligns with both traditional business principles and new ideals, considering the distinct cultural dynamics inside China’s SMEs. By gaining an appreciation for the moderating effect of organizational culture, policymakers and corporate executives may create an environment that is conducive to leadership, entrepreneurship, and long-term success in ever-changing markets. It is essential to have entrepreneurial leadership in order to increase corporate success. However, in actual practice,

enhancing the measure is not always a simple task. There is no need for information technology organizations to commit resources to the adoption of leading practices in entrepreneurial leadership and the implementation of an entrepreneurial strategy in order to achieve a competitive advantage. If these moderators are in place, the influence of entrepreneurial leadership and direction on performance may be amplified.

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