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The Impact Of Leadership And Entrepreneurship On Chinese Sme's Performance: Organizational Culture As A Mediating Variable

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ABSTRACT
This study provides an empirical investigation into the relationship between SME success and entrepreneurial leadership, entrepreneurial approach, and technical innovation capabilities. Intrinsic organizational characteristics including entrepreneurial orientation, team creativity, dynamic skills, and competitive advantage are examined as potential mediators between entrepreneurial leadership and the success of small and medium-sized enterprises (SMEs). 182 small and medium information technology businesses in Quang Trung Software City, Ho Chi Minh City, Vietnam, had their data analyzed using the reliable PLS-SEM method. The empirical findings demonstrate that IT SMEs may benefit from entrepreneurial leadership via the entire range of team creativity, dynamic skills, and competitive advantages. Small and medium-sized enterprises (SMEs) may gain from technology innovation skills, but not from an entrepreneurial mindset. on addition, there is no mediating effect of an entrepreneurial orientation on the connection between entrepreneurial leadership and the success of SMEs. Finally, we are able to draw relevant conclusions and provide useful suggestions for improving the management and promotion of entrepreneurial inspiration based on these findings.

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

1. INTRODUCTION

It is anticipated that a large number of developing nations would 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 (Park et al., 2020) are three examples of scholarly works that make an effort to analyze the factors that influence the commercial performance of small and medium-sized enterprises (SMEs) as the practice of starting new businesses grows rapidly in popularity and scope. Since Miller (1983) performed his investigation on the linkages between the two, further study has been carried out on the process of becoming an entrepreneur. The researchers investigated entrepreneurial behavior and the ways in which firms are established on entrepreneurial actions and strategic decisions to attain high performance (Wales et al., 2013). According to the definition provided entrepreneurial orientation is "the capacity of an organization 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 studies demonstrate a positive link between an entrepreneurial attitude and monetary success (Kajalo and Lindblom, 2015). This finding lends credence to the notion that companies with an entrepreneurial bent are more likely to be successful. In a similar vein, recent research (Covin and Miller, 2014) suggests that organizations with an entrepreneurial mindset are more likely to grab opportunities by devoting their time and effort to the task at hand. However, in certain instances, the expected benefits did not materialize, which prompted researchers to remark on its many situations. Studies (Arena, 2018) have demonstrated that there is a positive association between entrepreneurial leadership and the performance of a firm. This is due to the fact that choices made by leadership directly impact how well a company succeeds.

2. BACKGROUND OF THE STUDY

Despite the fact that small and medium-sized businesses (also known as SMEs) are essential to the expansion of the economy, it may be challenging to identify the criteria that will guarantee their continuous success. The "data society" (Castells, 2010) or the "digital economy" has brought about a number of innovations that have an influence on the productivity and position of small and medium-sized businesses (SMEs). There is more to small and medium-sized

businesses than just their size alone. The economic climate, cultural milieu, and political climate all contribute, in their own unique ways, to the formation of an individual's traits. Small and medium-sized companies (SMEs) are distinguished from their bigger counterparts by characteristics such as management style (e.g., family-run firms and kinship) and resource restrictions (e.g., limited human capital and financial resources, reliance on a small number of customers and restricted markets). These characteristics help SMEs remain dependent on a relatively small number of customers. However, they could also have a flexible organisational structure, a fondness for novel concepts, an openness to embracing change, and a preference for tactics that can be supported by data.

It has been stated that the only way for small and medium-sized businesses to prosper over the long term is for them to completely embrace digitization and new kinds of innovation. Due to the fast changes that are taking place in today's economic climate, there has been an increased emphasis placed on the need for innovation as a key ability for all firms. According to findings from studies conducted in the area of performance management, innovation is an important component of successful company practises. Performance management methods are increasingly being used to non-traditional sectors, such as banking and manufacturing, as a result of the growing significance of intangible assets, such as information and knowledge, to the achievements of contemporary endeavours such as digitalization, research and development, and innovation. To this purpose, it is of the utmost importance to get a deeper comprehension of the operations of small and medium-sized businesses (SMEs), as well as the connections between these operations and the processes of innovation and digitalization that occur inside SMEs.

3. PROBLEM STATEMENT

"The perspective of the market system, there is an issue with China's innovation system. They came up with the theory that one of the things holding back China's economic expansion is the fact that most Chinese businesses put a disproportionate amount of importance on cash and resources rather than on knowledge and creativity. The growth of China's innovation system is being slowed down by a number of issues, the most notable of which are the nation's economy's low degree of industrial concentration as well as the substantial gap in technology and efficiency that exists between big and small enterprises".

China's commercial firms have very little to offer to the discussion on global competitiveness. The innovation system that is now in place in China is mostly to blame for the bulk of the problem due to the fact that it is controlled by huge corporations, particularly SOEs, and is also regulated by congress. On the other hand, the excessive protection and redundant assistance offered by the government to big corporations make large businesses less risk-taking and less economically efficient than small and medium-sized organisations. The present version of China's national innovation system allocates the majority of available funding to establishments that are primarily focused on educational and research activities. When compared to other corporate sectors, the private sector, which makes up the great majority of market participants, has a lower degree of access to government support. This is because the private sector is responsible for the bulk of the market's players. It is difficult for most businesses, with the exception of state-owned enterprises and huge leading organisations, to establish contact with educational institutions and research bodies for the aim of engaging in creative cooperation. As a direct result of this, China has fallen to a lower position in the global innovation network as a direct result of the inability of the model that is based on the government to enable the dissemination of innovations and technological advancements into the market (Naritomi J,2020). This is a direct result of the inability of the model that is based on the government to allow for the dissemination of innovations and technological advances into the market.

4. 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)

5. RESEARCH OBJECTIVE

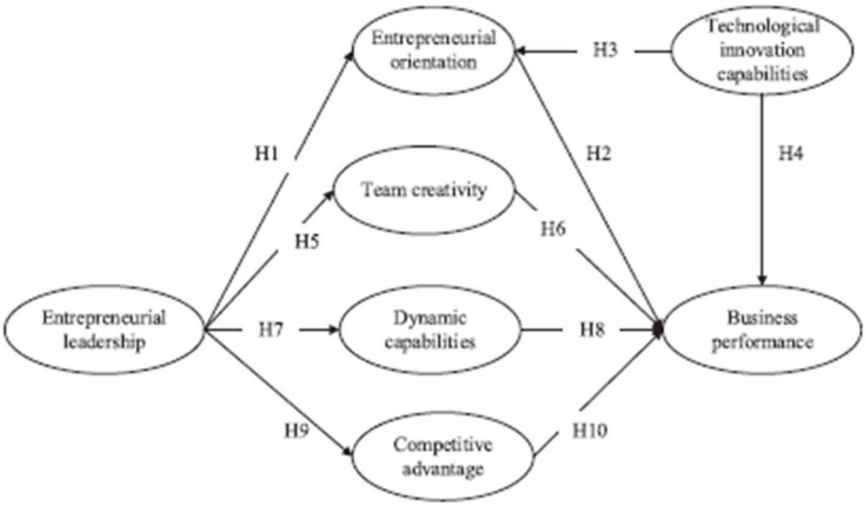
i) To understand the development strategy of chinese manufacturing sectors.

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.

6. CONSEPTUAL FRAMEWORK



7. 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.

8. RESULTS

Three months after launching the online poll, a total of 280 people had responded (a 40% response rate; see Table 1). There was a total of 182 correct replies (not including incomplete surveys or those from managers or team leaders at major companies). The poll took longer than intended, and the response rate is lower than anticipated, both of which may be attributed to the challenges experienced by SMEs during the Covid 19- epidemic. Table 2 displays respondent profiles, which include basic data like ownership, company size (in terms of number of workers), business focus, and duration of operation. Sixty-three percent plus of those who responded were CEOs or above. Everyone other who answered was a team leader. More than half of the firms that took part in the study had been in operation for at least five years, which is also important information. Therefore, most respondents were comfortable answering questions on entrepreneurship. Importantly, this sample could be representative of IT SMEs as a whole.

TABLE 1 PROFILE OF RESPONDENTS

Characteristics	Percentage
Ownership	
State-owned firms	8.8%
Private firms	45%
Joint stock firms	31.3%
Foreign invested firms	13,1%
Others	1.8%
No. of employees	
Less than 20 employees	26.9%
From 20 to 50 employees	29.7%
From 51 to 99 employees	7.1%
From 100 to 200 employees	20.9%
From 200 to 300 employees	15.4%
Firm age	
Less than 3 years	17.6%
From 3 years to 5 years	26.9%
From 6 years to 10 years	14.8%
From 11 years to 20 years	30.8%
More than 20 years	9.9%
Business scope	
Software	55.6%
Hardware	16.2%
Network & Cybersecurity	10.7%
Multimedia	8.8%
Others	8.7%

- ***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.

The convergent validity test was carried out to determine whether a latent variable is adequately explained by its observable variables. 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 (EL3, EL4, EO2, TIC1, TIC2, TEAM3, TEAM5, COMPE1, and BIZP5) 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). Table 3 displays the intercorrelation among the constructs as off-diagonal components, while the square roots of AVE are supplied on the diagonal and in bold. It would seem that the square roots of the AVEs on the diagonal are consistently much greater than the correlations between the different constructs. If this is true, then the model has discriminant validity. The Heterotrait-Monotrait Ratio (HTMT) is another test for discriminant validity. The goal of the test is to disclose the average correlation across all items measuring the same construct as a mean of all item correlations across all constructs. If no HTMT result is higher than 0.85, then the discriminant validity is adequate. Table 4 shows that there is no crossloading correlation greater than 0.85. As a result, the validity of the discriminant function is restored. The complete collinearity test proposed by (Kock and Lynn, 2012) is a suggested approach for systematically evaluating the existence of collinearity and the common method bias, as discussed by (Latan and Noonan, 2017). All inner VIFs among the latent constructs fall within the acceptable range of 1.109 to 2.532, hence the whole collinearity test passed with flying colors. Therefore, the research model is free from the conventional technique bias.

9. CONCLUSION

The findings of this thesis highlight the positive and significant influence that entrepreneurial leadership has on the entrepreneurial mindset of IT small and medium-sized enterprises (SMEs) within the framework of their own organizations. The contribution of entrepreneurial leadership to the success of information technology organizations may be seen in a number of important organizational elements, including the invention of teams, dynamic capabilities, and competitive advantages. Additionally, TIC helps small and medium-sized information technology businesses achieve higher levels of performance. Dynamic abilities are of critical importance when it comes to bridging the gap between the work of IT entrepreneurial leadership and the actual performance of enterprises. IT operations give proof not just of the moderating influences of team creativity and competitive advantage, but also of the fact that the function of entrepreneurial mentality is rather negligible. The findings of this study allow for the inference of a number of significant conclusions. The development of a theoretical model that is based on the co-occurrence of entrepreneurism, leadership, information and communication technologies, creativity in teams, flexibility in problem solving, competitive advantage, and firm performance is the first important contribution that this study has made. Second, the findings of the research showed that there is a link between the performance of IT companies and entrepreneurial leadership, which indicates that the former has an indirect impact on the latter. In conclusion, this study takes an in-depth look at the ways in which the aforementioned effect presents itself in the day-to-day operations of IT organizations. Four different mediators were utilized in this study so that the relationships between entrepreneurial leadership and firm performance, as well as entrepreneurial mentality and business success, could be better understood. The findings of this study may provide small and medium-sized businesses (SMEs) and startup companies operating in the information technology sector with various important conclusions. 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.

On the other hand, it is important to keep in mind the limitations of this study. This study focuses on the medium and small information technology enterprises that have their headquarters in QTSC, which is located in HCMC, Vietnam. It is impossible to generalize about either the economy of HCMC or that of Vietnam as a whole since each has its own set of distinguishing features.

There is a possibility that the findings cannot be extrapolated to other contexts, such as IT firms located in other countries or even in different sections of Vietnam. The results of this study may be different if the business climate were to undergo any kind of shift in the future. In addition to this, the research had a limited scope, which meant that many significant

factors that impact performance were not accounted for in the theoretical framework. A focus on achievement (Poon et al., 2006) or an emphasis on internal control (Ahmed, 1985) is one example of a feature that has been demonstrated to correspond with an entrepreneurial attitude and successful firm results. In a similar vein, it's possible that the factors that are already available aren't enough to properly explain how an entrepreneurial attitude and strong leadership influence performance. Building on the limits that have been noted in previous study may help future researchers close the research gap. The focus of the study might be widened to incorporate other factors, such as new business sectors or geographic areas. It may be feasible to add or switch out mediating factors, depending on the environment in which the study is being conducted. For example, TIC has almost entirely become synonymous with being at the forefront of the information technology industry. In the event that technology is not given major importance, TIC runs the risk of becoming irrelevant and being ignored in subsequent study. In addition, the current research has the potential to be improved in order to create a more robust framework. There is some evidence that shows that a competitive advantage may help to mitigate the link between entrepreneurial leadership and performance. However, a company's competitive advantage is still one of the most important factors in determining the company's level of success. Therefore, this variable might be repositioned within the theoretical framework to play the function of a mediator between entrepreneurial mindset and performance. This would need the use of an additional variable.

The economic landscape of both local and global markets is shifting as a result of entrepreneurship (Kandemir, 2003). Given the rapid and ongoing growth of countries like China, research on entrepreneurship in developing nations is more pertinent than ever (Bruton et al., 2008). With China's rapid economic development comes a growing presence of innovative and entrepreneurial businesses. Since Chinese SMEs have quickly risen to prominence on the international stage, understanding the tactics they've used to get there is crucial (Fang, 2010). We anticipate that further study will enable us to overcome the aforementioned obstacles and generalise our results to other parts of China and developing economies.

10. LIMITATION

Since researchers ensued primarily concerned with how to encourage creative thinking in smaller and medium-sized businesses, we focused our research efforts there. Both time and money limits meant that we could only focus on China, KZN, enterprises inside the city itself. These findings cannot be extrapolated to the experiences of other SMEs in other countries. Geographical regions, as local factors might give rise to differences. Time limits and the expansion of Covid-19 meant that we could only focus on a subset of Chinese businesses; nonetheless, we would have included all China SMEs if possible.

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